



July 12, 2013

The Honorable Claire McCaskill, Chair
The Honorable Dean Heller, Ranking Member
Senate Committee on Commerce, Science & Transportation, Subcommittee on Consumer Protection,
Product Safety & Insurance

Dear Senators McCaskill & Heller:

Thank you for scheduling the hearing on the Expansion of Internet Gambling and Consumer Protection. In addition to our longstanding concerns about internet gambling and addiction I urge that you consider the burgeoning issue of social casino gaming in your review. Social casino games are gambling games played on Facebook and other social networks, including web and mobile games, that do not require users to pay to play and/or don't provide prizes of value. These games are aggressively monetized and marketed yet completely unregulated. Common social gaming features, such as high frequency, duration & speed of play, frequent but variable rewards and big early wins are all strongly associated with gambling addiction. In short, some features that make social casino games so attractive are also potentially addictive.

These games are the fastest growing segment of the gambling industry, with an estimated 170 million monthly average users and revenues of approximately \$2 billion last year alone. Many of the most popular (and profitable) social casino games are operated by gambling companies. While we believe that the most social gaming is innocuous, our concerns center on three main areas:

Underage Play While Facebook has an age limit of 13, it is extremely difficult to enforce. The majority of social casino games, sites and apps we have examined have no age limits at all. In some cases the limits are in the terms and conditions but have no enforcement mechanism. In addition, play on these gambling-like sites may condition or habituate youth to gambling, making them more likely to engage in "real money" gambling and/or develop gambling problems. We know from decades of research that the earlier kids start to gamble the more likely they are to have problems. Pathological gamblers in treatment report on average they began gambling seriously for money at age 12. Also, many social gaming sites use animation and/or cartoon images that may appeal to younger users. The Chair of the U.K Gambling Commission reported earlier this year that nearly 600,000 young people claimed that they had either gambled or played free games online in Britain in the past week.

Fairness While social casino gambling sites use names, images and themes related to gambling, there are important but often hidden differences. One is that most sites use "adaptive" or "reflexive" algorithms and game mechanics designed to increase the time spent playing the game by modifying the results so that the longer you play the more likely you are to win. This obviously encourages play, but it may be problematic when users are also encouraged to pay for their chips or coins in order to progress within the game. It also may create erroneous expectations for winning that, when the user switches to "real money" gambling—often hosted or operated by the same company—that are extremely dangerous as the longer you play the more likely you are to lose since the odds are now against the user. There is little consumer protection or disclosure in general in this space. Social casino games are not regulated by either state gaming commissions or by hosts like Facebook or internet service providers. While NCPG has proposed a voluntary code of conduct, no advertising or responsible gaming standards have been adopted by the industry.

Gambling Addiction The criteria for gambling addiction includes gambling with increasing amounts of money to achieve more excitement, attempts to cut back time & money spent, preoccupation, playing when feeling distressed (e.g., helpless, guilty, anxious, depressed) to relieve or escape these feelings. Most importantly, problem gamblers report that the action is the high they seek, it is the betting and amount of risk that is exciting and addicting, not how much they win or lose. Indeed, every study of internet gambling addiction has found a higher rate of problem gamblers among those who gamble online. Even if social casino gamblers rate isn't elevated, the general public prevalence rate of 1% means that approximately 1.7 million monthly social casino users are likely to suffer from gambling addiction. At-risk gamblers and current problem gamblers may be attracted by or to social casino gaming.

We have broader concerns about online gambling and consumer protection. For example, studies have found that some internet casino sites provide inflated payout rates when gamblers play on the slot machine demo games. One published study found 40% of sites surveyed provided inflated payout rates (over 100%) in the demo session. But these unrealistic high rates were not maintained when playing for real money. In addition, some sites used marketing strategies reinforcing false beliefs about the notion of chance and randomness. None of the state internet gambling regulations introduced to date fully incorporate our Internet Responsible Gambling Standards, a compilation of best practices from regulators around the world to help protect internet gamblers. Nor has there been sufficient state funding for problem gambling programs—states and non-profits spend approximately \$60 million per year to fight gambling addiction, approximately 1% of the \$6 billion in annual social cost, and less than one-tenth of one percent of the 2012 legal gambling revenue of \$95 billion. As a result, most states do not have adequate public health or consumer protection programs in place to address current gambling problems, let alone expanded internet gambling.

I attach a copy of my testimony at the most recent House hearing on internet gambling that highlights these larger issues, including the lack of any Federal funds or staff for national programs or assistance to state health agencies to prevent and treat gambling addiction. Now that 48 states have some form of legalized gambling, and 75% of adults (and children aged 13-17) report having gambled in the past year, it is very timely to look at the broad public health and consumer protection aspects of this activity, especially as technology encourages and regulation allows gambling to flourish online and increasingly via social networks.

The National Council on Problem Gambling is the national advocate for programs and services to assist problem gamblers and their families. NCPG does not take a position for or against legalized gambling. We were founded in 1972 and our 41-year history of independence and neutrality makes the National Council the most credible voice on gambling issues. The National Council has 37 state Affiliate chapters, including in Missouri and Nevada. NCPG is a 501(c)(3) not-for-profit charitable corporation and does not accept any restrictions on contributions.

The expansion of internet gambling, including social casinos gambling, includes new risks for consumers, new responsibilities for state governments, regulators and operators, and possibly new opportunities for consumer protections. Thank you for holding a hearing on this important issue and I hope we are able to participate.

Sincerely,



Keith Whyte
Executive Director