

Online gambling ban reintroduced

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A bill reintroduced in Congress that would crack down on illegal, offshore gambling or interstate gambling via phone or Internet technologies is expected to pick up momentum, now that a 115 members from the U.S. House of Representatives are standing behind it.

But those in the online gambling industry say Congress is too quick to prohibit the activity.

Bob Goodlatte, R-Va., and Rick Boucher, D-Va., reintroduced the 2000 bill, after they said it was "derailed" by efforts made by now infamous Republican lobbyist Jack Abramoff, who led a campaign of misinformation and lacked the two-thirds required for passage under suspension of the rules.

According to the two congressmen, online gambling sucks billion of dollars per year out of the U.S. economy, serves as a vehicle for money laundering, undermines families, and threatens the effectiveness of states' enacting or enforcing laws, they said last week.

"The explosive growth of the Internet has provided a means for gambling operations to evade existing anti-gambling laws," Boucher stated. "These Internet gambling Web sites typically operate offshore and often serve as a prime vehicle for money laundering and other criminal enterprises. Our bill sensibly updates federal law to keep pace with new technologies by bringing the Internet within the fold of the anti-gambling restrictions that govern telephones."

Goodlatte added that the activity has flourished into a \$12 billion industry, and called for measures to curb it.

If approved, the Internet Gambling Prohibition Act would amend the federal 1961 Wire Act by prohibiting all forms of interstate gambling and Internet technologies used in the activity.

In addition, it would prohibit gambling businesses from accepting payments such as credit cards, checks, wire and Internet transfers, in illegal gambling transactions as well as giving law enforcement injunction authority to uphold the act.

It also increases the maximum prison term for a violation of this act from two years to five years.

But such prohibition campaigns made by the United States to ban Internet gambling has put U.S. lawmakers in the hot seat with the World Trade Organization, who ruled in 2005 that the United States had until April 3, 2006 to bring its laws into compliance with its decision. The decision ruled in favor of a complaint filed by the Caribbean nation Antigua and Barbuda who claimed that United States' aggressive efforts unfairly discriminated against online gambling companies especially a small island nation such as theirs.

And with the reintroduction of this bill has fueled renewed protests from the Caribbean nation, who say it goes against the WTO decision.

Yet, lawmakers may want to rethink their prohibition strategy, as the number of American participants who gamble online continues to grow, thanks to the Internet and evolving gambling software.

Online gambling revenue is projected to triple by 2009 with \$16.929 billion up from an estimated \$5.691 billion in 2003, according to

research from Christiansen Capital Advisors.

It reported that more than 2,000 gambling Web sites would make nearly \$10 billion in revenue in 2005, up by 40 percent in 2004.

CCA also estimated of the nearly 12 million people who gambled on the Internet in 2003, approximately 4.5 million of those gamblers were from the United States.

And gambling sectors within the industry are continuing to boom especially in the United Kingdom, which are enticing more U.S. companies to go online to keep revenue at home.

For instance, according to the November 2005 eGaming Review, online poker would grow by 149 percent this year and taken in U.S. \$3.5 billion in revenues said investment bank Dresdner Kleinwort Wasserstein.

But many in the U.S. online gambling industry are calling Congress too quick to jump on the prohibition bandwagon, saying they run legitimate businesses.

According to John Derossett, CEO of Maryland-based Gambling Portal Webmasters Association, he says those in the industry welcome regulations -- not illegalization.

The GPWA represents some 3,000 registered users, mostly webmasters, who sell advertisements for online gambling companies.

"These are legitimate businesses I conduct business with," Derossett said. "I don't know of anyone who belongs to Al-Qaeda and it doesn't hurt the economy. People like myself are registered corporations by a state and who pay taxes. We want to work with the U.S. in taxing us, rather than throwing a lot of businesses out of business."

And taxing would be the most intelligent way to acknowledge Americans who want to gamble, says David Schwartz, author of "Uneasy Convictions: The American Pursuit of Gaming and the Wire Act" and director of Gaming Studies Research Center at the University of Nevada, Las Vegas.

According Schwartz, banning online gambling would be a difficult task for lawmakers especially since their jurisdiction does not extend to off shore companies since those companies pay taxes, licensee fees, and adhere to regulations in their homebased countries. Past bills have suggested preventing access to such sites or blocking financial payments.

Moreover, he says the biggest reason such legislation is ineffective is simply due to institutional inertia.

"In 1909, lawmakers were debating banning online gambling, and it was finally made into law in 1961," he said. "The U.S. Congress in the past has not been the body that can regulate gambling and evolving technology."

Instead, Scwhartz notes the federal government should take steps to develop a system of taxing, work with states regulating such companies, and let such companies expand operations online. The industry is bringing a revenue that most states won't pass up even if it just took 1 percent in taxes, he says.

And indeed states' regulators are the answer, believes Frank Cantania, an attorney at Catania Consulting Group, Inc.

Cantania is the former chairman of the International Association of Gaming Regulators and former director of the New Jersey Division of Gaming Enforcement.

"Our land-based state regulators are the best in the world," Cantania said. "They easily could regulate the online gambling industry since they already protect against compulsive gamblers, the underage player, and at the same time, collect revenue for the state."

Moreover, while those in the industry say the bill is in the right direction trying to clarify illegal and legal gambling, prohibition is not the answer. Moreover, it carves out certain sectors including state horse racing, Native Americans, and fantasy sports. In fact, past legislations have carved out these sectors in the past.

Cantania also sees that online poker could be excluded since it would not be considered "predominantly subject to chance."

"This legislation is the wrong approach," Cantania said. "Prohibition didn't work in the 1920's with the prohibition of alcohol, and it won't work now. This bill is not going to stop Internet gambling or its licensing in other jurisdictions -- there is just no way you can put a border around the U.S. when it comes to the Internet."

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