

Online gambling dominance race pits Jersey, Nevada (Update)

February 27 2013, by Wayne Parry

Nevada and New Jersey once had the whole America to themselves when it came to casino gambling. Now, with the sudden advent of Internet gambling, those two states are expected to slug it out again for dominance of the fledgling U.S. online betting market.

New Jersey Gov. Chris Christie signed a law Tuesday legalizing Internet betting, days after Nevada did the same. And Delaware could have its online betting operation up and running by late September.

Industry executives say a key to who will dominate the industry will be how online betting is regulated by different states. That, in turn, will affect the interstate compacts that are likely to quickly expand the market.

Online poker is expected to be one of the most popular offerings.

"Nevada is jumping on this very quickly," said Joseph Brennan Jr., director of the Interactive Media Entertainment & Gaming Association. "They clearly want to pit themselves against New Jersey."

Indeed, Nevada Gov. Brian Sandoval had urged his state's lawmakers to quickly get him an Internet gambling bill to sign, which he did on Feb. 21—a week before Christie signed his in New Jersey.

"This bill is critical to our state's economy, and ensures that we will continue to be the gold standard for gaming regulation," Sandoval said.

And Nevada's Assembly majority leader, William Horne, couldn't resist a Jersey jab, adding, "As to our competitor, New Jersey, they should be accustomed to following Nevada."

Nevada already has about 20 applications from various operators, equipment and software vendors to be licensed for online gambling.

New Jersey's initial regulations for Internet gambling should be ready soon, said David Rebuck, director of the state's Division of Gaming Enforcement.

"We are going to develop clear and convincing standards for the users and the operators to protect against fraud, and have risk mitigation standards built in," he said Wednesday. Rebuck said his agency has been studying regulations for online gambling in 85 jurisdictions that currently allow it, including Nevada and numerous foreign countries, and intends to adopt the best practices of those governments.

Initially, New Jersey will restrict Internet gambling to customers within the state's borders. Technology to be integrated into the networks that will be developed will include as many as five or six "geo-locators" that will determine with a near 100 percent certainty where a player is located when he or she logs in to gamble.

Patrons would have to set up their accounts in person at one of Atlantic City's 12 casinos, where their age and identity can be verified, their financial information processed and their names checked against databases of people who have either been barred from casinos or who signed up for a self-exclusion list, most commonly done by people who feel they have a gambling problem.

Payouts can be done electronically to a person's account, they could be mailed a check, or other options still to be determined, Rebuck said. But

they would not have to travel to Atlantic City to withdraw proceeds from their accounts.

New Jersey's law allows for interstate compacts with other states where Internet gambling is legal. Currently, that only includes Nevada and Delaware. But as other states pass their own Internet gambling laws, competition could quickly increase. They could quickly look to states like New Jersey or Nevada that already have established systems as "the guts" of their own online operations, Rebuck and Brennan said.

For instance, California, which has been considering its own online gambling law, would be a natural fit for an alliance with Nevada. California's huge population would help online gambling based in Nevada, Brennan said. Conversely, he said he expects New Jersey to eventually seek an alliance with Illinois if that state adopts online gambling. That's because two companies, Caesars Entertainment and Boyd Gaming, which together own 5 of Atlantic City's 12 casinos, also have a sizeable presence in Illinois, providing for cross-play and marketing opportunities.

Casino companies are already racing to line up partners for online gambling. Rebuck said all of Atlantic City's casinos have either started the search process, or are deeply involved in it already. One of them, The Atlantic Club Casino Hotel, is being bought by The Rational Group, a British firm that owns PokerStars, the world's largest poker website. Nevada casinos have been doing likewise.

"Many of the Nevada gaming leaders are also in Atlantic City," said Steve Norton, an Indiana casino analyst who was vice president of Resorts Atlantic City when it became the first casino to open outside Nevada in 1978. "Caesars and Borgata/MGM already have deals with 888 Holdings and bwin.party."

Both those companies showed strong stock market gains after New Jersey enacted its Internet gambling law on Tuesday. Caesars and Boyd Gaming also saw their share prices rise on the news.

The Nevada Resort Association says it is imperative for the state to form compacts with other states because it doesn't have the population that other states do, yet can offer decades of regulatory experience.

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