

# Bet on Internet gambling

## Government rules harm, not help, consumers

By Lisa S. Dean

**W**ell, our federal legislators are at it again. What is "it"? you might ask. Why, protecting us from ourselves of course. This time, they're trying to keep us from hurting ourselves on the Internet.

Two years ago, they tried to protect us by banning online pornography and other "indecent" material. The Supreme Court reminded them that their method ran contrary to the Constitution and their efforts largely failed. Then they tried to ban indecent material by mandating that filtering software be loaded on to the computer systems in our nation's schools and libraries. This effort, while it may pass, the Congress will fail in the "real world" because what these same legislators don't realize is that filters only filter what they are set to filter and liberal school teachers and librarians are already setting the systems to filter out religious and conservative Web sites while allowing the pro-abortion, pro-radical environmental sites to be seen by children. So legislators' attempts at protecting us from harm is actually harming us.

Now there's a new effort to protect us sponsored in the House by Rep. Bob Goodlatte of Virginia and in the Senate, Sen. Jon Kyl of Arizona, both of whom I would normally agree with on matters related to social issues. But not this time. "The Internet Gambling Prohibition Act of 1999," or H.R. 3125, is an effort that would ban gambling on the Internet in the hopes of helping people who have gambling problems and of keeping children from being denied decent lives because one or both of their parents have a gambling problem.

An admirable attempt at a worthy cause, I agree. However, there are practical and even Constitutional problems

Lisa S. Dean is vice president for technology policy for the Free Congress Foundation.

with the legislation that even some anti-gambling groups say make it unworthy to become U.S. law. While there is a need to be concerned about the speed with which gambling has spread from Las Vegas into American living rooms, there is a greater concern about how much the long arm of the federal government has spread from Washington into American living rooms.

Regardless of the problem, Congress first needs to remember that the U.S. Constitution is still the supreme law of the land and according to our Constitution, the issue of gambling has wisely been dealt with at the state level. Despite the fact that we are now in a digital age and many industries are moving online, the laws that have governed us in the real world, should still apply in the virtual one. That includes gambling. There are five federal laws that outline and enforce gambling restrictions and the provisions outlined in these laws already solve the problems concerning Internet gambling. So, given that, do we really need another federal law outlawing what has already been outlawed five times over?

Second, when the sponsors of this legislation talk about banning Internet gambling, what they are really talking about is state lotteries because it essentially states that all Internet gambling should be prohibited — except gambling on horse racing, dog racing and similar activity. Why such broad carve-outs? If the sponsors say they want to ban gambling on the Internet, why not ban some of the most popular forms of gambling, namely horse racing, on the Internet? The answer to that question lies in an article in the Oct. 22, 1999, edition of *Racing Post*. Rupert Murdoch's News Corporation happens to be a major partner in the *Television Games Network* which broadcasts horse races over cable and satellite systems. That same company is developing Internet betting software in anticipation of

this bill's passage. But Television Games Network isn't the only company within the gambling industry that is hopeful. Trackpower.com has signed a 10-year agreement with an Australian gambling company for access to their Internet betting software.

So really H.R. 3125 doesn't eliminate the problem of Internet gambling as its sponsors claim, but rather it dictates to the states how they must regulate their lotteries. That's not a job for the federal government. In fact, this bill allows for some Internet gambling, but outlaws other forms which boiled down, is nothing more than the federal government picking winners and losers in the marketplace. Where does the federal government get the moral or legal authority to say that a bet on the Kentucky Derby is acceptable, but a bet on the Super Bowl is not?

Third, and most importantly is the issue of the federal government's imposing content regulation on the Internet. How does the federal government propose to enforce this nearly unenforceable legislation? In order to know whether someone is gambling online, law enforcement would have to have access to that person's computer. Is law enforcement going to begin to monitor everyone's whereabouts on the Internet?

Also, that same monitoring structure could be transformed in to a tax structure for the Internet. By suggesting who can and cannot place bets online, it divides the Internet up by geography — which is exactly what those who wish to tax the Internet need to have in place. Therefore this legislation could actually undo much of the work already completed by industry and others to keep the Internet a tax-free medium.

So the bottom line is that while Washington legislators are busy categorizing and classifying online material that may be harmful to us in their vain attempt to protect us, the question remains, who will ultimately protect us from them?

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## Racing ahead in technology stakes

**Scott Finley reveals how Stateside racing has been quick to embrace the internet and how it is revolutionising the sport**

Published: 22/10/1999 (INTERNET GUIDE) Scott Finley

Parallel to the leading role the United States as a whole has played in embracing the internet, the racing industry in North America has been quick to adopt the technology. Since Del Mar Thoroughbred Club in California first put their live commentary online in 1996, racecourses in the States and Canada have rushed headlong into cyberspace. Live race pictures and commentary, real time betting odds, form, tips and general racing news are now staples of most racecourses' web sites.

North American racecourses have found that the internet is an ideal means of reaching both local racegoers and faraway punters spread across the vast expanse of the country. In the age of simulcasting, racing in the States now derives 80 per cent of its betting turnover from telephone account wagering, out-of-state racing venues and off-course betting shops.

With upwards of 40 meetings of 10 or more races on any summer weekend - most of them beamed via satellite to just about every other track and racing venue in the land - racecourses are competing furiously for horseplayers' attention and betting interest. Those tracks that offer not only the best racing but also, more importantly, the best information, garner the largest share of betting turnover.

There is no better way of reaching North America's switched-on, high-tech handicappers than via the internet.

On a host of websites ranging from the venerable Daily Racing Form (North America's equivalent of the Racing Post), to upstart tipping services and electronic form providers like BRISnet, punters can dial in, download form, and check out the latest odds without leaving their lounge.

There is no question the internet has played a role in the dramatic shift to off-course betting in the States. Stroll through any simulcast location and one quickly notices that downloaded A4 form printouts now rival racecards and copies of Daily Racing Form for popularity among punters.

The growth of telephone betting has also been stimulated by easy internet access to critical betting information.

In the States, telephone turnover has risen from \$350 million in 1996 to \$500 million in 1998.

These 20 per cent annual gains are even more impressive when one considers that telephone-account wagering is only permitted in eight states, and, of those, only three (Connecticut, New York, and Pennsylvania) have actively solicited out-of-state punters. Those tracks that offer live race pictures and commentary on their web sites have experienced a disproportionate increase in telephone betting turnover on their races, particularly from stay-at-home punters who cannot easily travel to a betting shop or simulcast venue.

Feeding off the online onslaught is YouBet.com ([www.youbet.com](http://www.youbet.com)), the only active interactive wagering provider in North America.

In partnership with Ladbroke's Call-A-Bet account wagering operation in Pennsylvania, YouBet.com has grown steadily in both users and turnover, and now averages over \$1 million per week in bets from about 10,000 account holders.

YouBet.com offers online real time odds, live race pictures, form, and tips from its operations centre in Los Angeles. Interactive bets are transmitted from the punters' computer via a 'closed loop' private network into the tote system at Ladbroke, where they are then funnelled directly into the host tracks' tote pools.

This arrangement for transmitting wagers was recently challenged by California law enforcement officials, who raided YouBet's headquarters seeking evidence of "illegal betting

transactions".

YouBet.com executives steadfastly maintain they are in compliance with all State, Federal and international laws, but any court case resulting from this police action could serve to create a badly needed legal precedent in the States over the legalities of interactive betting over communications networks.

TO DATE, YouBet.com is the only domestic interactive service up and running. However, a host of other competitors are waiting in the wings to see what happens with pending government legislation.

A bill has been introduced in the US Congress that would ban most forms of internet betting. Faced with a major threat to its future livelihood, the racing industry has lobbied successfully for an exemption to the restrictions.

Should the Internet Gambling Prohibition Act of 1999 (the so-called 'Kyl Bill' named after Senator Jon Kyl of Arizona, sponsor of the legislation) be passed in the spring as expected, racing would have an effective government-sanctioned monopoly on internet betting in the States.

Once the Kyl Bill becomes law, a flood of new and increased opportunities for internet betting will surface in the States.

Television Games Network (TVG), a commercial partnership between many of the leading tracks in the U.S, telecommunications juggernaut AT&T, and media giant Rupert Murdoch's News Corp, has already begun broadcasting live racing over both cable television and satellite networks.

TVG ([www.odstech.com](http://www.odstech.com)) now accept telephone bets from residents of just three states (Kentucky, Maryland and Oregon), but their primary goal is to offer interactive betting using both TV set-top boxes and the Internet.

TVG technical staff are now furiously developing internet betting software in anticipation of the Kyl Bill's passage, and thus a much broader legalised market.

Another satellite broadcaster of live racing, TrackPower ([www.trackpower.com](http://www.trackpower.com)), has signed a 10-year contract with e-Bet.com of Australia for exclusive North American rights to their internet betting software.

Again, pending the Kyl Bill being passed, TrackPower is accepting telephone bets only at the moment (via the licensed Pennsylvania track, Penn National).

However, a launch of the combined Penn National and TrackPower e-Bet.com interactive wagering site is expected early next year, using the same 'private network' loophole in the current US law that has served YouBet.com so well.

TrackPower has also announced a deal with Microsoft's WebTV group to offer internet betting over this medium once the appropriate government restrictions have been lifted.

With the dramatic improvements in the quality of 'webcast' live racing pictures, as well as the growth of high-speed broadband internet access into North American homes and offices, it will not be long before live racing on the internet competes effectively with more traditional broadcast methods.

The huge cost savings alone in using the internet to distribute racing pictures to a much broader audience dictates that this technology will eventually supersede satellite and cable broadcasts of racing.

While online betting is perhaps the most lucrative application for racing on the internet, followers of the sport in North America have many other innovative uses of the technology at their disposal.

All three major US racing publications - Daily Racing Form ([www.drform.com](http://www.drform.com)), The Blood-Horse ([www.bloodhorse.com/daily\\_edition](http://www.bloodhorse.com/daily_edition)), and Thoroughbred Times ([www.thoroughbredtimes.com/today](http://www.thoroughbredtimes.com/today)) - have excellent web sites updated several times each day with the latest news for professionals, breeders, and punters alike.

The Jockey Club (North America) has put its foal registrations and pedigree database online, enabling breeders and owners to research bloodlines and apply for names and papers far faster than before ([www.jockeyclub.com](http://www.jockeyclub.com)).

The United States Trotting Association ([www.ustrotting.com](http://www.ustrotting.com)) has been online for several years. A new site it will launch next month ([www.raceway.ustrotting.com](http://www.raceway.ustrotting.com)) is an exciting venture for the sport.

Using a database updated by racing secretaries at each track, racing calendars and eligibility conditions are posted to a central site at USTA's Ohio headquarters for access via password. Eventually, owners and trainers will be able to enter their horses interactively. The harness racing industry will save time and expense, and benefit from immediate access to all vital racing information.

THE Keeneland Association ([www.keeneland.com](http://www.keeneland.com)) recently broke into cyberspace when it webcast the entire 11-day September Yearling Sale live on the internet. Buyers, breeders, consignors, and fanciers of the breed alike could download the sales catalogue and follow the bidding action online without leaving home.

The world's largest thoroughbred bloodstock sale shattered all records this year, and it may not be long before future champions are auctioned interactively, with electronic bids being accepted in real time from far flung locations such as Dubai, Ireland, and California.

A handful of forward-thinking trainers and ownership syndicates have embraced the internet as a means to solicit horses for their yards and investors in their partnerships.

Most leading breeding farms in Kentucky and elsewhere feature their stallions on splashy websites and some offer interactive online farm tours.

Even the most bargain-minded racing fan can now have free entry to an online punting competition.

BRISnet ([www.brisnet.com](http://www.brisnet.com)) is giving away \$20,000 in prize-money to tipsters picking the most winners in specially selected races over four Saturdays.

Registration for the competition, researching the form, entering selections, obtaining results, and viewing of updated 'league tables' are all online.

With the Breeders' Cup approaching, there is no better way than the internet for international fans to follow the build-up to the big day and all the action from Gulfstream Park on November 6.

Breeders' Cup Limited ([www.breederscup.com](http://www.breederscup.com)), Thoroughbred Times ([www.thoroughbredtimes.com/bc99](http://www.thoroughbredtimes.com/bc99)), and The Blood-Horse magazines ([www.bloodhorse.com/bc99](http://www.bloodhorse.com/bc99)) all have excellent websites featuring every conceivable bit of information on the showpiece meeting.

As internet usage increases worldwide, there is no question that racing will continue to be one of the leading beneficiaries of the technology.

As the most information driven of all sports, and coupled with the attraction of online betting, there is no better way for the sport to grow and prosper into the next millennium. Scott Finley is vice-president of marketing for Autotote Corporation, worldwide supplier of pari-mutuel systems.

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Internet Gambling

## MEASURE TO CURB INTERNET GAMBLING GAINS IN THE HOUSE

### REPUBLICANS STRIKE DEAL

#### Vote Set Next Week on Bill to Ban Most Forms of Web's Fast-Growing Pastime

By JOHN M. BRODER

WASHINGTON, July 13 — A tentative deal has been reached in the House of Representatives on a bitterly fought bill to ban most forms of gambling on the Internet, clearing the way for a floor vote as early as next week.

The bill attempts to curb one of the fastest-growing activities on the Internet, wagering on casino-style games and sporting events. Industry analysts say there are more than 700 unregulated wagering sites on the Web, generating more than \$1.2 billion annually in bets, with more sites appearing every day and the amount wagered doubling yearly.

The legislation has created a number of odd alliances and has fattened the bank accounts of some of the most powerful lobbying and law firms in Washington. Evangelical Christian groups have lined up with horse-track operators and liquor store owners to support the bill. Republican governors have joined with online sports bookies and operators of cyber casinos based in Antigua and Belize to try to kill it.

The measure, strongly backed by major sports leagues and the Nevada gambling industry, is an attempt to halt the rapid growth of online betting on casino-style games and professional and college sports by anyone with access to a personal computer, modem and credit card. The big Nevada casinos have put their money and considerable lobbying clout behind the bill to try to crush, a competitive threat to their billion-dollar desert palaces.

The bill's sponsor, Robert W. Goodlatte, Republican of Virginia, engineered the compromise with fellow Republicans to move the bill, which had stalled in a fight over the treatment of horse racing and state lotteries. The measure, similar to one passed by the Senate late last year, is scheduled to be debated on the House floor next week. The bill's backers say the chance for passage in the House appeared good.

Sue Schneider, chairman of Interactive Gaming Council, said that should the bill become law it would be virtually unenforceable because technology was moving so rapidly

and operators of Internet betting sites were more resourceful than would-be cyber cops. The answer is not an ill-conceived ban, Ms. Schneider said, but legalization and regulation, as in 50 other countries.

Proponents of the bill disagree. The measure would require Internet service providers, like America Online, to block access to gambling sites. But service providers would not be liable for failure to do so. Compliance would be monitored by the Justice Department and state attorneys general.

Gambling industry analysts say law enforcement agencies do not have the resources to keep up with what is fast becoming the world's largest floating crap game.

The bill is supported by horse-racing interests, who successfully lobbied for an exemption from the bill's prohibition on computerized gambling. It would allow them to continue to build nationwide closed-circuit betting networks to compensate for declining attendance at race-tracks.

Opponents of the bill are well financed and aggressively represented as well. The opposition is led by the Interactive Gaming Council, an association of dozens of online betting parlors whose business has grown from virtually nothing five years ago to more than \$1.2 billion in 1999. (By comparison, sales at Amazon.com, one of the Internet's biggest retailers, were \$1.6 billion in 1999.)

The bill is opposed as well by many governors, who see the Internet as an ideal way to increase lottery ticket

sales. They are supported by technology firms, which lobbied unsuccessfully for the bill to allow computerized in-home lottery sales. One such firm, eLottery Inc., spent more than \$200,000 lobbying on the issue in the last six months of 1999 alone.

Some conservative groups oppose the bill because of the horse-racing exemption; libertarians object to government regulation of what they consider a private vice.

President Clinton has not taken a formal position on the legislation, although the Justice Department objects to the horse-racing exemption. Vice President Al Gore opposes the bill, citing the horse-racing exemption and what he considers the unwarranted federal intrusion on freedom of commerce on the Internet.

Gov. George W. Bush of Texas has no position on the bill, an aide said, although many of his colleagues have opposed it not only because of diminished lottery sales but also because they say it is an infringement of states' rights.

Mr. Goodlatte's bill closely tracks the Senate bill sponsored by Senator Jon Kyl, Republican of Arizona. Senator Kyl's bill was passed by the Senate last November on a voice vote.

Mr. Goodlatte said he was surprised by the ferocity of the opposition in the House. He has spent the last several months refereeing fights

between convenience store owners and state lottery commissioners, between the National Thoroughbred Racing Association and the online casino operators, between the Family Research Council (which supports the bill) and the Traditional Values Coalition (which opposes it).

Mr. Goodlatte struck his deal on the bill with Representative Billy Tauzin, Republican of Louisiana. In addition to the exemption to betting on horses, the bill also exempts betting on greyhounds and jai alai. The horse-racing exemption, the bill's backers said, will not expand computerized betting because some types of computer-linked pari-mutuel betting are already legal under horse-racing and interstate gambling laws passed in 1961 and 1978.

"This bill does not legitimize any unlawful activity or expand the scope of otherwise lawful activity," Mr. Goodlatte said. "It simply bans a great many forms of gambling on the Internet: sports betting, more than 700 cyber casinos and the sale of lottery tickets in people's homes."

Mr. Goodlatte listed the groups supporting his effort, among them the National Association of Attorneys General, the National Council of Churches, Focus on the Family, the Family Research Council, the National Collegiate Athletic Association, the National Football League, Major League Baseball and the National Association of Convenience Stores.

The convenience store operators support the bill because lottery tickets draw people to their stores, though they produce little profit. In-home lottery sales would cut into convenience store business and make it vastly easier for minors to gamble, said Marc Katz, vice president for government relations at the National Association of Convenience Stores.

The Interactive Gaming Council, which is based in Vancouver, British Columbia, represents cyber casinos and sports books that operate from computer servers in the Caribbean, Britain's Channel Islands, Gibraltar and Australia.

I.G.C. is represented in Washington by the lobbying firms Janus Merritt Strategies and podesta.com, run by Anthony Podesta, brother of John D. Podesta, the White House chief of staff. In 1999, the Internet gambling group paid its lobbyists more than \$20,000 a month.

Daniel Nestel, a lobbyist for the N.C.A.A., said that Internet gambling, particularly on sports, is growing exponentially and warned that Congress had to act soon. The major Nevada casinos are watching their business migrate to the offshore betting sites and are preparing to jump into the Internet unless Congress cracks down.