



February 10, 2014

Dear AGA Board Member,

We respectfully disagree with the position taken by the American Gaming Association (AGA) in support of legalizing Internet gambling. We're not alone in this sentiment. Recently, Senate Majority Leader Harry Reid reiterated his "oppos[ition] to any efforts, including those proposed by the AGA, that would bring slot machines and other games of chance into every computer and home in America."

But while we may differ with the AGA on whether online casinos should be brought into the homes of practically every American family, we hope you will agree that our debate should be based on facts.

As such, we question a number of public assertions made by representatives of the Association which appear to not be supported by, or are contradicted by, facts.

Specifically, while representatives of the AGA justify the push for legalizing online gambling by claiming that betting on illegal websites has increased, its own studies report the opposite – that betting on illegal websites has actually declined since 2006; the year Congress enacted the Unlawful Internet Gambling Enforcement Act.

While representatives of the AGA claim that legalizing online gambling will create jobs, analysts who track the industry, and even one of the AGA members, predict that Internet gambling will reduce revenues at job-creating land-based casinos.

While representatives of the AGA claim that technology can prevent kids from betting online, and assure that Internet gambling will not be used by criminals for fraud or money laundering, the FBI, in letters to Congress, has raised concerns that Internet gambling sites can be exploited by criminal elements, and that age verification procedures can be defeated.

To make sure the public is fully informed on this debate, we are posting online the attached document which responds to these and other claims made by representatives of the Association. We thought you would like to see this in advance and know the context in which we are making this available.

That we and representatives of the AGA appear to have such differing information on the facts central to the Internet gambling debate drives home a central point. The decision to open the doors for Internet gambling to spread across our country should not have been made by unelected Justice Department lawyers without any involvement by Congress, input from the public, or consultation with local officials.

Rather, Congress should call a “time-out,” restore the long-standing interpretation of the Wire Act so it can take the time to fully consider the economic, law enforcement and social implications of Internet gaming, and then make any changes to our nation’s policy on Internet gambling through the legislative process.

Sincerely,

Governor George Pataki

Senator Blanche Lincoln

Mayor Wellington Webb

Appendix

AGA Statement: “The federal government has tried the prohibition approach ...[w]hat was the result of these attempts at prohibition? Last year... Americans spent nearly \$3 billion on illegal unregulated offshore gaming sites.”¹

FACT: No one is proposing 1920s style prohibition. Even without online gambling, Americans will still be able to place bets at the over 1,300 licensed and regulated casinos and other venues offering gaming in this country.²

FACT: Law enforcement is effective. According to news reports, an AGA-commissioned study found the market for online poker – the activity targeted by federal law enforcement – dropped by 85% from 2006 to 2012 - from \$1.6 billion to \$219 million. The online poker market across America is now less than 10% of the AGA-claimed illegal Internet gaming market, and only about one-third the size of the Lawrenceburg, Indiana casino market.³

AGA Statement: “[R]ather than “prohibiting” online gaming, recent attempts at prohibition have created a thriving black market.”⁴

FACT: Again, law enforcement works. There is evidence betting on illegal websites has actually declined sharply since UIGEA was enacted in 2006.

According to an AGA-commissioned study “online gambling spending by Americans peaked in 2006 at \$5 billion, just before legislation that banned US banks and credit cards from financial transactions involving online gambling.”⁵

This suggests that as opposed to “thriving” since enactment of UIGEA, the “black market” of online gambling in this country has actually done the opposite – the Internet gambling market is considerably smaller now than it was in 2006.⁶

¹ Written Testimony of Geoff Freeman, President and CEO of the American Gaming Association, before the Subcommittee on Commerce, Manufacturing and Trade of the U.S. House Committee on Energy and Commerce, December 10, 2013. Page 3.

² “2013 State of the States – the AGA Survey of Casino Entertainment”, Page 4.

³ “Americans Spent \$2.6 Billion Gambling Online in 2012: Study”. [Agence France-Presse](#) · Wednesday, September 25, 2013.

“Top 20 U.S. Casino Markets by Annual Revenue” <http://www.americangaming.org/industry-resources/research/fact-sheets/top-20-us-casino-markets-annual-revenue>

⁴ Written Testimony of Geoff Freeman, President and CEO of the American Gaming Association, before the Subcommittee on Commerce, Manufacturing and Trade of the U.S. House Committee on Energy and Commerce, December 10, 2013. Page 4.

⁵ Americans Spent \$2.6 Billion Gambling Online in 2012: Study”. [Agence France-Presse](#) · Wednesday, September 25, 2013.

AGA Statement: “A strong regulatory regime will...protect consumers from unscrupulous operators.”⁷

FACT: Since online poker comprises less than 10% of illegal online gaming in this country, it is unclear how licensing and regulating online poker will protect the vast majority of Americans who are gambling online on non-poker sites, many of which are likely sites taking bets on sports – an activity clearly barred by the Wire Act, and one which the AGA has not proposed legalizing.

AGA Statement: Legalizing online gambling will “bring over 22,000 gaming jobs to the U.S.”⁸

FACT: In fact, legalized online gambling will reduce jobs in land-based casinos, and in the thousands of other businesses (such as restaurants and lodging) which are supported by visitors to casinos. One analyst projects that legalized online gambling in New Jersey will “cannibalize \$25 million to \$50 million of land-based revenues at the state’s land based casinos.”⁹

In an SEC statement, Caesars disclosed that “Online gaming may reduce customer visitation and spend in our traditional casinos in Nevada and New Jersey, which could have an adverse impact on our business and result of operations.”¹⁰

A survey done for the AGA found that 69% of visitors to land-based casinos “ate at a fine dining restaurant,” more than half (55%) “saw a show, concert or other live entertainment,” 45% “visited a bar or club,” and 42% “went shopping.” To the extent legalized online gambling “cannibalizes” business done at land based casinos and reduces the number of visitors, it will impact jobs at these and other businesses which rely upon those visitors for sales and revenues.¹¹

⁶ “U.S. Online Gambling Market Estimated to Be Worth \$9.3 Billion”. [Poker Update.Com](http://www.pokerupdate.com/news/industry-and-market-analysis/u-s-online-gambling-market-estimated-to-be-worth-9-3-billion/); <http://www.pokerupdate.com/news/industry-and-market-analysis/u-s-online-gambling-market-estimated-to-be-worth-9-3-billion/>

⁷ Written Testimony of Geoff Freeman, President and CEO of the American Gaming Association, before the Subcommittee on Commerce, Manufacturing and Trade of the U.S. House Committee on Energy and Commerce, December 10, 2013. Page 5.

⁸ Written Testimony of Geoff Freeman, President and CEO of the American Gaming Association, before the Subcommittee on Commerce, Manufacturing and Trade of the U.S. House Committee on Energy and Commerce, December 10, 2013. Page 5.

⁹ NJ predicts Internet gambling will pick up in '14.” Wayne Parry, The Associated Press: Sunday, January 19, 2014. http://www.philly.com/philly/business/20140119_ap_dd5d7d5929db46469fa8431975e2962a.html#H450dJf3o8ITYkQc.99

¹⁰ Caesars: Online gambling might hurt casinos in Nevada, NJ [Las Vegas Sun](http://www.lasvegassun.com/news/2013/dec/05/caesars-online-gambling-might-hurt-casinos-in-nevada-nj), Wayne Parry, Associated Press Published Thursday, Dec. 5, 2013.

¹¹ “2013 State of the States, The AGA Survey of Casino Entertainment”, American Gaming Association, Page 27.

AGA Statement: Legalizing online gambling will “generate over \$26 billion in tax revenue.”¹²

FACT: According to the AGA’s website, “[i]n the 23 states with commercial casinos in operation in 2012, casinos contributed \$8.60 billion in tax revenue to state and local governments.” The AGA’s current claim that Internet gaming will generate more than three times the tax revenue of commercial land-based casinos seems far-fetched. In fact, when the cannibalizing impact of Internet gambling on land-based casinos and related industries and the corresponding job losses are considered, tax revenues to states and localities could well decline.¹³

AGA Statement: “The technology exists now to allow regulated online gaming that can ... protect consumers, prevent underage play, promote responsible gaming, and provide law enforcement officials the tools they need to identify fraudulent and criminal activity.”¹⁴

FACT: In a September, 2013, letter to Congress, the Federal Bureau of Investigation warned that while many industries are vulnerable to money laundering, Internet gambling goes a step further by providing an anonymous forum for criminals, including “transnational organized crime groups” to move money undetected: “Online gambling, therefore, may provide more opportunities for criminals to launder illicit proceeds with increased anonymity. Individuals may use a wide array of mechanisms to conceal their physical location, or give the appearance of operating in a different jurisdiction, when accessing a website.”¹⁵

In the same letter, the FBI said: “Online casinos are vulnerable to a wide array of criminal schemes. For example, criminals may participate in games with exclusively criminal players, exchanging money to launder criminal proceeds.... Individuals may use a wide array of mechanisms to conceal their physical location, or give the appearance of operating in a different jurisdiction, when accessing a website...some sophisticated methods would be difficult to readily identify or deter.”¹⁶

¹² Written Testimony of Geoff Freeman, President and CEO of the American Gaming Association, before the Subcommittee on Commerce, Manufacturing and Trade of the U.S. House Committee on Energy and Commerce, December 10, 2013. Page 5.

¹³ “Tax Payments—Commercial Casinos”, the American Gaming Association. <http://www.americangaming.org/industry-resources/research/factsheets/tax-payments-commercial-casinos>

¹⁴ “Regulate, don’t ban, online gambling,” Geoff Freeman, *The Hill*, January 7, 2014.

¹⁵ Letter to the Honorable C.W. Bill Young from J. Britt Johnson, Deputy Assistant Director, Criminal Investigative Division, September 20, 2013.

¹⁶ Letter to the Honorable C.W. Bill Young from J. Britt Johnson, Deputy Assistant Director, Criminal Investigative Division, September 20, 2013.