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The next frontier in gambling: E-gaming

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LAS VEGAS - Bally Technologies Inc. showcased its most popular games, including Cash Spin, on several platforms here this month at the Global Gaming Expo (G2E).

There was Cash Spin as a traditional slot machine; Cash Spin on an iPod, Droid, BlackBerry, and iTouch tablet; and Cash Spin as an online game at the Bally Interactive booth at the Sands Expo & Convention Center.

As one of the world's largest suppliers of slot machines and systems that operate casinos, Bally and companies like it are gearing up for what many say will be gambling's next frontier: the Internet. If e-gaming becomes legal in the United States, including New Jersey, where it is currently being considered, it will unfurl a whole new market.

"The goal, at the end of the day, is to provide the same experience for a player no matter where he's physically located . . . whether inside a casino, on a website, or while waiting in line at the grocery store," said Bally spokesman Mark Trask. He said the company wanted to provide mobile apps, mobile games, and online games the same way it has provided games and systems to brick-and-mortar casinos.

Although online gambling is illegal in the United States, an estimated 16 million Americans engage in it, wagering more than \$6 billion a year on offshore websites. These sites are out of the reach of U.S. law enforcement and are not taxed by the U.S. government.

The loss of millions of dollars in gaming revenue and the jobs that come with it are reasons Internet gambling should be legal in this country, say its advocates. Several bills on the issue are before Congress.

There is no shortage of outrage and opposition to Internet gambling, much of it centered on concerns it will place the most vulnerable population at even more risk than it faces today.

"Legalizing Internet gambling would allow government to open a casino in every home, dorm room, and office in America, 24 hours a day, seven days a week," said Les Bernal, executive director of Stop Predatory Gambling, a nonprofit group based in Washington that works with local, state, and federal groups to oppose casinos and state lotteries. E-gaming "represents one of the purest forms of predatory gambling."

Historically, the American Gaming Association was opposed to online gambling because the group questioned whether the technology existed to provide adequate safeguards to prevent money laundering, underage gambling, and other pitfalls. But last year, the AGA - which

represents owners of U.S. commercial casinos (those not owned by American Indian tribes) - determined that such technology now existed, and it came around. The AGA favors federal legislation that would allow states to decide whether to license and regulate online poker.

"Our members support a federal framework, so we don't end up with a patchwork quilt of regulations and laws across the country," AGA's chief executive officer, Frank J. Fahrenkopf Jr., said at a news conference Oct. 4 at G2E. "But our approach preserves states' rights to license and regulate, and to decide whether online poker should be allowed in their state or not."

Fahrenkopf said he was optimistic that a federal bill would be introduced this year.

The Unlawful Internet Gambling Enforcement Act of 2006 bans U.S. banks and other financial institutions from dealing with payments related to "unlawful Internet gambling." The law does not ban online poker outright. The UIGEA was the basis of the Department of Justice's actions earlier this year against three U.S.-based online-gambling websites, which resulted in their being shut down and their players' accounts frozen.

A spokeswoman said Thursday that the Justice Department would not comment or speculate on possible future actions regarding Internet gambling.

"There is no discussion or legislation . . . on Internet gambling" in Pennsylvania, said Doug Harbach, spokesman for the Pennsylvania Gaming Control Board.

But several budget-strapped states are looking to such gambling as a new revenue source.

By year's end, the District of Columbia hopes to introduce an Internet-gambling hub for Washington residents to play blackjack, poker, and other casino-style games. The DC Lottery, which will operate the games, began holding ward meetings last week.

In March, a bill sponsored by New Jersey Sen. Ray Lesniak (D., Union) to make his state the first to legalize in-state online wagering passed the Legislature, but was vetoed by Gov. Christie. The governor said that he was concerned that Internet-gambling cafes could sprout anywhere and that he opposed using revenue from online gambling to prop up the horse-racing industry.

Lesniak reintroduced a modified version, Senate Bill 3019, in late August. Online bets could be made only through computer servers at Atlantic City casinos.

If the bill passes, Lesniak said, it could pump \$210 million to \$250 million into Atlantic City's ailing casino industry, add \$46 million to \$55 million in gambling tax revenue for the state, and create more than 1,500 jobs.

Under the tweaked bill, temporary purse enhancements for the state's horse-racing industry would come from additional casino profit rather than from revenue produced from online gaming.

New Jersey has the potential to become "the Silicon Valley of Internet gaming worldwide" because of the infrastructure already in place, Lesniak said.

Legal experts say online gambling's best chance for passage in New Jersey is to follow sports betting. A referendum to allow sports betting in the Garden State is on the Nov. 8 ballot. If approved, the state constitution would be amended.

"New Jersey's smartest move would be to pass a referendum that says gambling online within the state boundaries is lawful, as long as there are safeguards in place to make sure the operators of these sites are properly licensed and secure," said lawyer Stephen D. Schrier, a partner and head of the gaming practice at Blank Rome L.L.P. in Princeton.

Schrier, a former deputy attorney general at the New Jersey Division of Gaming Enforcement, said the origin of an online bet remained a sticking point.

"Right now, the [New Jersey] Constitution permits gambling in casinos in Atlantic City, and at racetracks. If a person places a bet at home, even though it goes through the servers of a casino or racetrack, there is a legal question of where the bet actually takes place."

For Las Vegas-based Bally Technologies, it is a matter of when, not if, online gambling becomes legal.

In July, the firm announced it had acquired privately held Macro View Labs, of San Francisco - a leading provider to the casino industry of mobile apps and mobile websites. Two weeks ago, the firm introduced its newest division, Bally Interactive, to oversee all mobile, Internet, and social initiatives. Attendees at G2E got a sample of it.

"You can download several of our games now from an iTunes store," Trask said. "You can download them onto your iPhone, iPad, Droid, you name it, and practice for your next trip to the casino.

"It's real exciting."