

The Washington Times

Billionaires brawl over the future of online gambling

By [Seth McLaughlin](#)

Sunday, January 19, 2014

It's the battle of billionaires.

Sheldon Adelson, the Las Vegas casino magnate and GOP megadonor, is raising the stakes in the battle over online gambling by throwing his financial muscle behind a national campaign to end Internet gambling altogether.

That puts him at odds with a number of fellow billionaires, including Donald Trump, the New York real estate mogul who recently partnered with Ultimate Gaming to offer online wagering in New Jersey.

Mr. Adelson's crusade also pits him against Leon Black, Josh Harris, Marc Rowan and David Bonderman, the hedge fund kingpins who are hoping that the profits from online gambling can save their investment in Caesars Entertainment, which is deeply in debt.

More billionaires may be entering the fray: Forbes reported this month that billionaire investors George Soros, John Paulson and Leon Cooperman have stakes in Caesars.

Mr. Adelson has said he will spend whatever it takes to emerge victorious — welcome news for online gambling opponents, who say the deep-pocketed 80-year-old will help counter the casinos, cash-strapped states and Wall Street bigwigs eager to create what could be a multibillion-dollar industry.

"I think it changes the landscape in that it puts significant financial resources [behind] the independent evidence that shows Internet gambling is highly predatory, exploits kids and literally is impossible to regulate at all," said Les Bernal, national director of Stop Predatory Gambling. "I think [Mr. Adelson] has put significant resources into putting a spotlight on what it means to have a Las Vegas casino in every home, office and every smartphone in the country."

The fight has spilled into big-time politics, with Capitol Hill and key state governors taking sides.

Mr. Adelson finds himself at odds with New Jersey Gov. Chris Christie, whose state began allowing online gambling last year and last week announced that online operators posted \$8.4 million in earnings through the first five weeks. That was well below the pace needed to meet casinos' expectations of \$1.2 billion in projected revenue this fiscal year — though the Borgata

casino, owned by MGM Resorts International and Boyd Gaming, reported \$3.75 million in online gambling revenue, and Caesars Interactive reported nearly \$2.4 million in revenue.

Both sides say the profits would increase dramatically if Congress enacts legislation empowering the federal government to license and regulate Internet gambling nationwide.

Legal battle

Online gambling was illegal until 2011, when the Justice Department issued an opinion saying that the Wire Act of 1961 banned gambling only on sporting events, but didn't bar Internet games.

States are allowed to license online gambling, but only within their own borders or those of other states that also allow it.

Supporters want the federal government to license online gambling on a nationwide basis. Opponents want to restore the original, restrictive interpretation of the Wire Act.

"Make no mistake: Online gaming is here to stay," Geoff Freeman, president of the American Gaming Association, told a House subcommittee last month. "The government cannot put the Internet back in the bottle. As we saw with Blockbuster and the advent of online movies, industries must adapt to consumers or be left in their wake."

The two sides of the debate have hired big guns to help them work with state officials and with lawmakers on Capitol Hill.

The American Gaming Association, which supports the expansion of online gambling, has hired President Obama's 2012 campaign manager, Jim Messina, to help with its grass-roots campaigns and to promote online gambling.

The American Gaming Association estimates the U.S. online gambling market at \$4 billion to \$6 billion. With that kind of money at stake, it's not surprising that both sides are spending heavily.

The Adelson-helmed Las Vegas Sands has paid \$220,000 to retain the services of two of Washington's top lobbying firms — Patton Boggs and Husch Blackwell — to help with the effort, according to OpenSecrets.org, a project of the Center for Responsive Politics, which tracks the money in U.S. politics. Mr. Adelson's money also has helped finance the Coalition to Stop Internet Gambling, which last week released a letter from the FBI warning of the dangers of lifting the federal ban.

"The FBI has said definitively that sophisticated technologies can be employed by terrorist groups and criminal organizations to move money undetected, conceal their physical locations, and entangle unwitting online players," said former New York Gov. George E. Pataki, who was hired by Mr. Adelson as coalition co-chairman.

The Christian Coalition, meanwhile, budgeted less than \$40,000 over the past two years for its lobbying efforts, according to OpenSecrets.com, and welcomes Mr. Adelson's efforts.

Roberta Coombs, Christian Coalition president, said her group relies primarily on its grass-roots army to get lawmakers to realize that online gambling hurts families. Still, she said, she is happy that Mr. Adelson has entered the fight.

"I think it is great that he has come and joined the team," Mrs. Coombs said. "He has the resources to help lobby this."

The American Gaming Association also spent more than \$2 million on lobbying efforts over the first three quarters of 2013 and \$2.5 million in 2012. Caesars Entertainment spent nearly \$4.7 million over that same period, while MGM Resorts International doled out more than \$1 million.

Taken together, gambling interests spent more than \$34 million on its 2012 lobbying efforts.

Mr. Bernal said Mr. Messina's involvement is a reminder that the battle over online gambling is set against the backdrop of the 2012 election. "You would be hard-pressed to find a bigger donor today than gambling interests," he said.

Indeed, the casino and gaming industry funneled more than \$3.6 million to Democrats and about \$3.5 million to Republicans in the 2012 elections, according to OpenSecrets.com.

The fight is critical to some high-profile operations — most notably, Caesars.

"Caesars is bordering on bankruptcy," Mr. Bernal said. "To try to salvage that investment, they are lobbying heavily to get online gambling. This is not a public uprising to have casinos on everyone's cellphones and in everyone's bedroom."

Gary Thompson, spokesman for Caesars Entertainment, said online gambling is one of the ways in which the company plans to address its financial challenges. The casino chain, he said, supports "regulation over prohibition" and Mr. Adelson is making a bad bet.

"I think that the reality is when people examine all the issues and really consider them, and when you look at either the state or federal government's desire to raise tax revenues, then Adelson has a losing hand," Mr. Thompson said. "He certainly has a lot of money and he can probably outspend the entire rest of the gaming industry if he so chooses, but I think the facts speak for themselves."