Casinos Weigh an Online Bet - New York Times

Written by Administrator
Sunday, 03 October 2010 20:29 -

Although online gambling is popular with millions of Americans, it is illegal in the United States, and the casino industry has considered it a threat.

But a trade group that represents major casinos like

Harrah's Entertainment , MGM Resorts and Wynn Resorts is working on a proposal that would ask Congress to legalize at least some form of online gambling, the group's chief executive said.

The group, the American Gaming Association, issued a statement in the spring suggesting that online gambling could be properly regulated — the first public indication that its hard-line stance was softening.

The chief executive, Frank J. Fahrenkopf Jr., said in an interview by phone that the association had not settled on the details of its proposed legislation, including how the proceeds from Internet gambling would be taxed. "We have been working on something," he said, "and continue to work on it."

Gambling specialists said it was likely that any casino-supported legalization would be limited to Internet poker because it was considered the least threatening to brick-and-mortar casinos. Internet poker already had the backing of some in the casino industry, and was seen as a new and lucrative source of revenue for the casino companies.

Congress has been weighing a bill by Representative Barney Frank , Democrat of Massachusetts, that would legalize all types of Internet gambling apart from sports betting. In July, the House Financial Services Committee approved the Frank bill, but most industry analysts give it little chance of passage in the full Congress because it is opposed by the big casinos and some other gambling interests.

The move by casinos to open the door to online gambling could bring a powerful new lobbying force into Congressional debate. It would also most likely intensify fights in state legislatures as various gambling interests — groups that include lotteries, racetracks and Indian tribes — push lawmakers to grab more gambling dollars for states by moving to the Web.

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California, Florida and New Jersey recently made unsuccessful efforts to legalize Internet betting on casino-style games, said Mark Balestra, the director of the BolaVerde Media Group, a consulting firm in St. Louis that tracks Internet gambling. Current law does not prevent in-state gambling over the Internet but to do so across state lines would require a change in federal law.

The flurry of activity suggests the state efforts will continue, Mr. Balestra said. "Gambling expansion typically happens during difficult times," he said.

For some time, operators of large casinos have been split on the industry's approach to Internet gambling.

Some companies like Harrah's, which has actively supported legalization, have aggressively invested in software companies or businesses involved in Internet gambling overseas. Harrah's, which operates the popular World Series of Poker, has also been building a prospective customer base. Last month, the company ran a full-page advertisement in USA Today, inviting readers to take part in a nongambling Internet version of the event.

But other operators like Wynn Resorts have argued that online gambling would, among other things, cannibalize profits by reducing casino attendance. In recent years, casino operators have sought to generate added revenue from visitors by investing heavily to turn smoke-filled gambling rooms into "resorts" that feature fine dining and other amenities.

The chief executive of Wynn Resorts, [Stephen A. Wynn](#) , also stated last year in response to a reporter's questions that he thought it "would be impossible" to regulate Internet gambling.

However, the company, when recently asked for comment, issued a more temperate statement. "Wynn Resorts monitors any legislative activity, federal or state, that pertains to our industry," the statement said. "We make judgments after such legislation is passed."

A gambling industry analyst, Sebastian Sinclair, said that a change of heart among casino operators like Wynn Resorts should not be surprising, given the stakes involved. One of the

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Internet poker industry's biggest sites, Pokerstars, which operates on the Isle of Man in the Irish Sea, has estimated annual revenues of $1 billion, according to Poker Analytics, a consulting firm in New York.

"When any industry is confronted with something of this nature, a game changer that is a paradigm shift, the first reaction is to circle the wagons to protect your business," Mr. Sinclair said. "But then, that changes over time."

Senator [Harry Reid](#) of Nevada, the Senate majority leader, might also be rethinking his opposition to Internet gambling. A spokesman for Mr. Reid said he was still reviewing the Internet issue and had not decided. Last month, The Reno Gazette Journal reported that several operators of smaller casinos in Nevada had left a meeting with Mr. Reid, a former state gambling regulator, with the impression that he was prepared to support a bill legalizing online poker.

Bill Hughes, the marketing director of one of those operations, the Peppermill Resort Casino in Reno, said that smaller operators viewed online poker as a threat to profits and jobs. Typically, poker accounts for about 2 percent of a casino's revenues but some operators contend its legalization would soon lead to online versions of other casino games. "It opens the crack in the door to expand to all types of gaming online," Mr. Hughes said.

Mr. Fahrenkopf, of the casino trade association, said that his group started about two years to look closely at a number of issues involved in Internet gambling, including taxation, online security and consumer protection.

He said that the big turnabout came when a study by a panel of industry officials concluded that online poker would not cut casino profits to the degree some operators had feared.

Poker Analytics said that data it compiled indicated that there were significant differences between those gambling in casinos and those playing poker on the Web. Among them, it said, was that people who played poker online were more likely to be male and less wealthy than those who visited casinos.

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