

Slow start, gradual improvement for U.S. Internet gaming

By Wayne Parry, AP

ATLANTIC CITY – Internet gambling is off to a slow start in the United States, with banks hesitant to handle credit card payments for online bets and some politicians and casino moguls pushing to ban it, but there remains potential for great growth, participants in a major gambling conference agreed Wednesday.

Despite the nascent industry's many challenges, including illegal offshore websites that casinos admit are easier to use, gradual improvements are happening, they said.

Three states currently offer Internet gambling: New Jersey, Delaware and Nevada. Other states are considering doing so, including California and Pennsylvania.

New Jersey took in \$122 million from Internet gambling last year; Delaware took in nearly \$2.1 million and Nevada won \$8.1 million at poker, the only game it offers online, from February to November of last year, when it stopped reporting online revenue results.

In March, Morgan Stanley cut its estimate of the potential U.S. Internet gambling market by nearly half. The firm now estimates the nationwide online betting market at \$2.7 billion by 2020, down from an initial estimate of \$5 billion.

Speaking at the East Coast Gaming Congress in Atlantic City, casino operators, payment processors and legislators agreed the legalized online gambling industry is still being held back by the refusal of some banks to handle Internet betting

transactions, and the relatively limited liquidity in games of online poker that would be improved by having more states join together to increase prize pools.

“The biggest challenge of Internet gambling in the U.S. is that this is an industry still looked at as having been born out of sin,” said Gil White, whose law firm represents 888 Holdings. “The new world of Internet gambling is clearly regulated and regulatable.”

When online gambling began in 2013, many customers had a hard time making deposits to fund their accounts because banks refused to authorize the transactions. That has improved somewhat with new transaction codes adopted by Visa last month to narrowly recognize Internet gambling transactions from state-regulated, approved sites. That has raised Visa acceptance rates for Internet gambling from the 18 to 22 percent when it first started to about 50 percent now, said Joe Pappano, senior vice president of Vantiv Gaming Solutions, which handles electronic transfers for New Jersey online gambling sites.

Thomas Winter, vice president of online gambling for the Golden Nugget Atlantic City, also said his casino is seeing half of all attempts to fund Internet betting accounts using Visa cards accepted.

“It’s improving, but it will take time,” he said.

Raymond Lesniak, a New Jersey state senator who sponsored his state’s Internet gambling law, was blunt about the biggest challenge facing online gambling.

“The biggest problem is Sheldon Adelson,” he said of the Las Vegas Sands chairman who has vowed to spend as much as necessary to ban Internet gambling in the U.S. Adelson says he fears for exploiting “vulnerable people” and worries about children being able to access betting websites.

“When a billionaire says he’ll spend whatever it costs to stop Internet gambling, that scares the bejeezus out of legislators,” Lesniak said.

Proposed legislation to ban Internet gambling is being considered by Congress but has not yet been brought to a vote.

David Rebuck, director of New Jersey’s Division for Gaming Enforcement, said the crucial questions of preventing illegal activity and protecting customers have already been mastered, which should encourage other states to approve Internet gambling as well. He also said sports betting, if it is legalized nationwide, will take place primarily over the Internet. New Jersey is waging a court battle to overturn a ban on sports betting in all but four states.

Rebuck also said state lotteries could be the next wave of growth for Internet gambling nationwide.