

Catania Gaming Consultants



A Catania Gaming Consultants Client Newsletter

July 2011

New Federal Poker Bill Introduced; AGA Not All In

U.S. Rep. Joe Barton (R-TX) has introduced a new bill to legalize online poker. The bill would let states choose whether they want to allow residents to play poker on the Internet and require operators to already have gambling licenses in at least one U.S. state.

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Barton said he had spoken informally with Republican leadership and felt good enough about the bill's chances to move forward. The bill has both Republican and Democratic cosponsors.

Barton believes that the issue, never far from the spotlight, has gained new traction as a result of the "Black Friday" indictments. Since then, poker players have renewed their push on the issue. In addition, lawmakers are looking for ways to relieve a budget crunch and previous efforts, though unsuccessful, have laid the groundwork for a detailed solution.

"I think this bill is going to benefit from a lot of spade-work that's been done the past two or three Congresses," said Barton. "This may be the year that the stars align."

The bill was met with approval by the Poker Players Alliance. However, the American Gaming Association (AGA) announced that they would not support Congressman Barton's bill, and would instead push their own new legislation come autumn.

The main difference between an AGA-supported poker-only bill and Barton's is that the AGA will push legislation that favors Nevada and New Jersey as licensing and regulatory authorities.

“[The bill] would give oversight to the Treasury Department of the United States,” said AGA CEO Frank Fahrenkopf, “but they would delegate the licensing and regulatory authority to those states that have the longest history in gaming regulation, that have the law enforcement on staff and the financial wherewithal to do tough regulation. Probably, that only means Nevada and New Jersey.”

The proposed AGA bill would also differ from the Barton draft regarding the allocation of tax revenues. Under the AGA’s bill, taxes would be divided between the state where the bettor is and the state where the regulator is. The federal government would only be entitled to income tax on winnings.

The AGA has also lobbied for a “penalty box” to delineate between those companies that got out of the market with the passage of the Unlawful Internet Gambling Enforcement Act in 2006 and those that did not. In the past, this has been a contentious issue among land-based casinos, and Fahrenkopf even went as far as blaming that disagreement for the failure of Senator Reid’s earlier lame duck bill.

Both bills would be opt-in for states, but would at the very least provide some sort of overarching regulation instead of the current state-by-state “mish-mash,” according to Fahrenkopf.

In another development, Senator Jay Rockefeller (D-WV) also announced his endorsement of Internet gambling regulation, stating that regulating the industry could capture tens of billions in new much-needed government revenue. It is not clear, however, whether Rockefeller will back Barton’s bill.

Spain Issues First Online Gaming License

Spain has issued its first online gambling license, joining other European countries like France, Italy, and Estonia. In May, Spain’s Congress passed legislation paving the way for a regulated online gaming market within its borders, and shortly thereafter announced that Casino Gran Madrid would be the first operator to receive a license.

Once the casino’s new web site is deemed satisfactory, it will be able to offer a range of online gaming including poker, blackjack, roulette, and slots. The web site will only be available for Madrid residents, and will be powered by Playtech.

In a surprising move, the Casino Gran Madrid actually received its license a few months in advance of a proposed national online gambling law, thus allowing it to gain a hold in the market before licenses are issued on a national level.

The new web site is expected to be up and running later this summer, with 10% of its gross gaming revenue being channeled to the Spanish government as taxes.

Nevada Eases Tough Licensing Requirements

New legislation in Nevada will reverse a 1980's state law intended to prioritize license applications for those already doing business in Nevada's casinos over outsiders with more speculative plans. Under the new law, companies and individuals are no longer required to run a gaming company in Nevada or to have a purchase agreement to acquire a casino in the state to file for a license.

The original law, which was installed during the speculative frenzy of Vegas' Wall Street-financed development boom, allowed regulators to focus limited resources on deals that seemed more certain. But now that development has stopped and the economy has taken a downward turn, it makes less sense to deter interested investors who are willing to shore up troubled casinos or, eventually, build new resorts.

The new law, supported by regulators and the gaming industry, will allow a "preliminary finding of suitability" without any previous casino interest or deal in the works. This removes uncertainty about whether companies or individuals will obtain a license. The finding of suitability is just like a regular gaming license, except that it must be renewed every two years.

"Uncertainty and time delay is never good for someone who wants to make a potential investment," said Gaming Control Board Chairman Mark Lipparelli. "This change potentially reduces that uncertainty and creates more flexibility."

Interestingly, "statements of compliance" – suitability determinations for individuals and companies that did not already have an interest in an Atlantic City casino – have long been available in New Jersey.

New Report Blames UK Gaming Act

A new report from Ernst and Young commissioned by the United Kingdom's National Casino Industry Forum (NCiF) has concluded that the country's 2005 Gambling Act has stifled the land-based casino industry.

The report states that the Gambling Act, instead of creating more land casinos as desired, has actually limited the capacity of existing casinos to create new products. To blame are fixed stakes rules and quotas for gambling machines, which have prevented casino operators from passing rising costs on to customers. Over time, this has led to a significant erosion of margins. "Amusement choices that are not gambling choices."

The report also blames the 500% tax increase that came with the Gambling Act, which increased the casino duty rate from 2.5% to 15% or more. It argues that the land casino industry is now at a disadvantage as one of the most regulated forms of gambling in the UK, especially compared to online gambling.

Ernst and Young has offered a list of recommendations, and the NCiF is poised to act. “It’s time to take some of these words and put them into action,” said Michael Silberling, NCiF President. “I think the UK would be grateful for more jobs, more capital investment and more taxes. The time is now, not later.”

Hard Rock Means Business

Hard Rock International has submitted its long-awaited plans for what would be the first of two smaller-scale casino hotels allowed in Atlantic City under a new state law. The law, passed earlier this year, allows for a limited number of “boutique” casinos with as few as 200 rooms.

According to documents filed with the New Jersey Department of Environmental Protection, the \$275 million Hard Rock project would be built in phases, eventually topping out at 850 hotel rooms, far more than the minimum. The proposed casino is to be located at the southern end of the Boardwalk, on the same property where the ill-fated Dunes Casino was proposed years ago.

Though there is no guarantee that the project will reach completion, submitting paperwork is an important first step, and could indicate a change in Atlantic City’s 4 ½ year streak of poor luck and low revenue. State Senator Jim Whelan said he hoped that the move would indicate to other interested casinos that Hard Rock is serious.

“If they realize that Hard Rock is for real and there is only one more license remaining, then they will say, ‘We’ve got to get going here,’” Whelan said.

Gaming in DC? Bet On It!

Moving forward with its plan to become America’s forerunner in online gaming, the D.C. Lottery announced roll-out dates for its Internet gambling program. The program will kick off with two demonstration games later this summer, before players begin wagering real cash in September.

The lottery will debut blackjack and the Battleship-esque “victory at sea” in late July, followed by four additional games—bingo, poker, e-scratch offs, and random number games—by August 20. That way, players will be able to try out the games before wagering any money on them.

The D.C. Lottery and Charitable Games Control Board will control the program, called iGaming, though it will be operated by Greece-based Intralot. Players will be able to log onto a secure site from a home computer or “platinum sponsor” vendor at hotels and other select areas.

According to the rules, players must be 19 or older, and can log on from anywhere within the District’s borders. The base age is intended to prevent high school students from logging on without excluding the college market, according to D.C. Council member Michael A. Brown, who introduced the measure.

While blackjack and random number games will feature interplay with the computer, games like

bingo, poker, and the victory at sea have a multiplayer component.

The executive director of the D.C. Lottery said it is still hammering out ways to prevent collusion among players. It is also working out ways to prevent players from hacking in from outside D.C. Additional details will be worked out before September, and some security methods will remain confidential.

No high-stakes games will be offered, thus this is not a site for professional gamers. Nevertheless, the new program is expected to bring in considerable revenue for the District.

After the measure was first passed as part of a larger budget bill, Congress had a thirty-day review period to reject it but did not act. Still, some worry that Capitol Hill could still intervene on the basis of questionable legality. Attorney General Eric H. Holder Jr. has said publicly that he would not support efforts to legalize online gambling, a position taken by many state attorneys general.

In any case, any effort to implement online gaming would have to comply with the federal Johnson Act, which generally prohibits the manufacture, possession, use, sale, or transportation of any gambling device in the District of Columbia.

Another worry is whether there will be enough liquidity to support poker games. D.C. only has about 600,000 full-time residents, though it has millions of tourists coming in and out every day. To solve the problem, demonstration games will be offered only during limited hours each day, at least at the beginning.

Though there is much still to be resolved, one thing is for certain: D.C. legislators are serious about legalization and plan to move forward. Perhaps it won't be long until other states jump on board.

Singapore to Surpass Las Vegas as Gaming Hot Spot

A recent Los Angeles Times article on Singapore's growing gaming industry reports that the city-state's total gaming revenue will likely match that of Las Vegas this year at around \$6.5 billion, and is expected to surge past it next year with an estimated \$8.1 billion. It will then be surpassed only by Macao, still by far the biggest gambling site in the world, with \$23.5 billion in gaming revenue last year.

Singapore, which was once known as little more than a "business-friendly nanny state," has in recent years invested heavily in reinventing itself as an ultra-modern resort and convention destination. After lifting a decades-old ban on gambling, the city-state opened two brand-new casinos just last year, one operated by Las Vegas Sands Corp. and the other by Malaysian-owned Resorts World Sentosa.

Still, Singapore has not jumped into the gaming industry with both feet yet. Hoping to minimize negative byproducts such as addiction and crime, the government has made it difficult for its own citizens to gamble. Singaporeans and permanent residents must pay the equivalent of \$80 for a one-day pass to enter one of the casinos.

The government also requires operators to offer additional attractions, and to limit the amount of total floor space dedicated to casinos to 5% or less. Even so, several outspoken critics have opposed the growing industry. “They’ve run out of ideas,” said Tan Jee Say of the Singapore Democratic Party. “The casinos prey on human weakness to capture economic growth. Is this a long-term solution? I don’t think so.”

Whether or not it’s a long-term solution, though, it’s certainly a lucrative one, and likely won’t be disappearing any time soon.

