

Internet Gaming News

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Being Frank: U.S. Regulatory Bill Likely this Spring

by [Christopher A. Krafcik](#)

As the industry turns the calendar on March, it will soon be two years since Barney Frank introduced the Internet Gambling Regulation and Enforcement Act, a bill that would legalize and regulate Internet gambling in the United States.

After securing reelection in November, Mr. Frank, who is chairman of the House Financial Services Committee, has redoubled his rhetorical assault in recent months against America's more hard-line gambling opponents.

In [an interview with the Financial Times in early February](#), he chided the Justice Department under George W. Bush for the arrests of David Carruthers, the former chief executive of BetonSports, as well as Neteller's two founders, Stephen E. Lawrence and John D. Lefebvre.

"I expect an Obama DOJ to be less zealous about locking people up," Mr. Frank told the paper. "These outrageous arrests in transit -- they should be stopping that stuff."

While Mr. Frank's regulation and enforcement act failed to make it out of committee, a subsequent bill he introduced, the Payment Systems Protection Act, was referred to the full House in September 2008.

As the global financial crisis deepens, and as government spending increases here, industry insiders wonder whether now is the most opportune time to exploit Internet gambling's tax-generative promise, politically.

A study by PricewaterhouseCoopers this year, prepared for the London payment processor UC Group, estimated that Internet gambling could deliver as much as \$52 billion in revenue over the next ten years, up considerably from its January 2008 projection of \$42.8 billion.

Mr. Frank intends to introduce a new regulatory bill -- this much is clear -- though the timing, due in large part to the current economic and political climate, remains uncertain.

Jeffrey Sandman, who is a spokesman for the Safe and Secure Internet Gambling Initiative -- a public relations initiative endorsed by UC Group, the Remote Gambling Association and other European industry organizations -- agreed to speak to IGamingNews about Mr. Frank's new bill, its prospects and the possibility of a joint introduction in the House and Senate.

Although Mr. Frank's bill has yet to be introduced, what can you say about where things are now?

I think there's a sense of tremendous excitement and optimism -- I think the expectation is that Chairman Frank will likely introduce a piece of legislation this spring.

The reason for excitement, I believe, is the combination of the need -- as

dramatized by all the data -- for a regulated system to protect American citizens, and, two, the potential to raise substantial revenues at a time where [another trillion dollars in federal spending was announced](#). I think that combination creates a real sense of excitement for all of those looking forward to a regulated and secure Internet gambling mechanism.

I understand that the bill may be introduced jointly in the House and Senate. How far along is this process, and how, politically, is a joint introduction significant?

I think there's some anticipation and further excitement about the possibility of having a piece of legislation introduced in the Senate, at or about the same time Congressman Frank introduces his bill. One of the reasons something like that is both exciting and important is that it indicates the interest and concern that both chambers have over such pieces of legislation.

Has a list of Senate sponsors been narrowed down? Is Harry M. Reid of Nevada a possibility?

At this time, there are discussions with a number of Senators, but it's premature to speculate at this time who may or may not introduce a piece of legislation.

Can you give any indication as to what the legislation is going to look like, and what people can expect?

I think the expectation is that the legislation probably will be similar to that Congressman Frank introduced in the last Congress. Other than that, I've not seen anything yet, but the expectation is that it should be similar in scope. (A copy of Mr. Frank's original bill is available [here](#).)

As best you can say, where can we situate Internet gambling on Mr. Frank's agenda right now? I imagine his plate is quite full as chair of the financial services committee.

Well, I don't speak for the chairman, nor do I know which bills on his agenda take precedence, but as we all know, the chairman has been extraordinarily busy with the most pressing economic and financial issues in our lifetimes.

Nevertheless, it's an issue of importance based on the number of Americans who are shown still to be gambling online, so there's still the need for and keen interest in creating a regulated and secure marketplace with protections for American consumers. When you combine that now with what looks like are substantial potential revenue raisers, and his comments that he's interested in pushing this forward, I think that's why all of us in the Internet gambling sector -- and those who want to make sure we have a protected sector -- believe that something will happen, hopefully, this spring.

To be frank, the last bill, introduced in April 2007, didn't even make it out of committee. What's different about spring 2009?

I think where we are now, spring 2009, is vastly different than where we were when Congressman Frank first introduced the legislation. We see now that UIGEA, frankly, doesn't work, and now we have a track record that shows it doesn't work.

On the one hand, you show that the need to protect American citizens is still very much needed, and two, when we're talking about the billions of dollars in potential revenue that this kind of legislation -- combined with a companion tax-raising piece -- may create, it's vastly different than the place we were 12 months ago.

I think that, combined, that puts this whole issue higher on the agenda, and I think we'll gain the attention of many more members in Congress, and, potentially, in the administration.

Is the several-billion-dollar figure proposed in the recent PricewaterhouseCoopers study enough to overcome the morality-laden oppositional rhetoric that has for many years dogged Internet gambling?

I think that no one is suggesting that the tax revenue, on its own, is enough to overcome anything.

I think the reality is that, one, you have a law which has failed, which failed from the day it was enacted; two, there is a strong desire that anyone -- that all Americans -- have basic protections; and three, the financial sector said early on in the commentary that the law is so ambiguous they don't know what's going on.

All of that combined with the revenue raises is the potential icing on the cake. It was never suggested that the potential revenue is the panacea over here. It was that the revenue, combined with the ability to create a regulated structure, creates the two necessary pieces of the puzzle.

On the record, is there anything else you think we should've addressed that we didn't?

No, you've touched on the points. As I said, all of us are looking with enthusiasm toward the coming months where we hope that we'll be able to push all of this ahead, which will be to the benefit of all consumers in the country.