

# DOWN BUT NOT OUT

Could the AGA's decision to withdraw its support for regulated online gambling open the door to a federal egaming ban? MARTYN HANNAH REPORTS

The American Gaming Association's (AGA) decision to turn its back on regulated internet gaming in the US will have come as a shock to many. As early as January this year AGA chief exec Geoff Freeman was singing the praises of federal egaming law, saying regulation could bring more than US\$26bn in tax revenue each year and create more than 20,000 new jobs. So what happened in a matter of months to bring about such a significant U-turn? And what does it mean for the industry?

The Association's decision was due to serious infighting between its members over the future of regulated egaming in the US, and comes at a time when support for banning online gambling at a federal level has never been greater. A bill submitted to Congress by South Carolina Senator Lindsey Graham and Utah Republican Jason Chaffetz to restore the Wire Act is thought to have the backing of billionaire anti-egaming warrior Sheldon Adelson, as well as governors in Indiana and Florida.

## Little impact

Adelson, whose Las Vegas Sands Corporation is also a member of the AGA, has said he will spend whatever it takes to ensure the Bill is passed into law and a ban put in place. But will the AGA's decision and pressure from Adelson impact other states considering passing legislation? Has the AGA opened the door to success for those fighting in favor of prohibition? Jeff Ifrah, a partner at Ifrah Law, thinks it will have little or no impact on other states considering a move online.

"The AGA had zero to do with successful legislation in Delaware, Nevada, or New Jersey. And AGA infighting will have zero impact on future states like New York looking to come online," he says. "Operators know the future is state regulation, and state regulators are doing a darn good job that any federal regulator would be both proud and jealous of," he adds.



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BARBARA DEMARCO, PORZIO GOVERNMENTAL AFFAIRS

Indeed, since the AGA first dropped its support for regulated egaming back in March, both Pennsylvania and California have made significant strides to passing online gambling law. Barbara DeMarco, vice president at Porzio Governmental Affairs, says that since individual states have already asserted their rights to have internet gaming, "it is hard to put the internet gaming genie back into the bottle".

## Off the cards

Perhaps, then, the greatest impact of the AGA's decision to drop its support will be on the prospect of federal regulation. In some regards the AGA was the most high-profile supporter of federal law being passed to legalize the activity at a national level. In an interview with *eGR North America*, Freeman said federal law would improve efficiency and innovation, and help open up the US market proper.

While federal law would be welcomed by online operators, those in the know say it was never going to be a reality, with the future of the industry reliant on individual states legalizing egaming. "There never was any chance of federal legislation, so the AGA's change has no significance," says New Jersey Senator Raymond Lesniak. "The only federal legislation that has any chance of passing would be limiting online gaming to card games, an outright ban has no chance."

Ifrah agrees and says "federal regulation didn't have a chance to begin with, but of course AGA infighting will not improve the chances of a federal bill passing in our lifetime."

While the Graham/Chaffetz Bill continues to gather support, the likelihood of it being passed into law and states already live being forced to shut down their sites remains slim. State governments do what is in each of their best interests and do not take their lead from the federal government. As DeMarco points out: "States won't yield their rights to the federal government willingly as individuals or as a whole."

The AGA may have turned its back on egaming in the US, but the industry appears to be doing fine without its support. While the threat of federal intervention continues to linger, the industry is fast outgrowing any chance of the clock being turned back. ■