

Testimony of Andrew F. Abboud
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Before the Subcommittee on Commerce, Manufacturing and Trade
Committee on Energy and Commerce
December 10, 2013

Mr. Chairman and Madam Ranking Member. My name is Andy Abboud, Senior Vice President of the Las Vegas Sands Corporation. I appreciate your giving me the opportunity to testify today.

Two days before Christmas in 2011, the Justice Department issued a legal opinion reversing its long-held position that the Wire Act (18 U.S.C. § 1084) bars Internet gambling – effectively permitting states to authorize non-sports wagering over the Internet.

In throwing open the doors to Internet gambling, the Department apparently did not consult with Congress. It did not seek input from local officials. It did not give the public the chance to comment. There is no indication that the significant social, economic and law enforcement issues were even considered.

Whether we will have casinos in the pockets of American citizens – with gambling available 24/7 at the flick of a button – is a major decision.

It is a decision we believe should be done the right way. We urge Congress to hit the “reset button” and restore our government’s long-standing interpretation of the Wire Act, leaving any changes to laws governing Internet gambling to be considered under regular order.

At the same time, law enforcement should do what it can to shut down rogue sites, and tell Congress what additional authorities and resources it needs to get the job done.

Allow me to make three points.

1. Internet Gambling Takes Gambling Too Far.

There is a big difference between having to go *to* a casino to place a bet, and having the casino come to you.

When someone goes to a casino, it takes physical initiative. Once at a casino, individuals can be identified to make sure they are who they say they are and are not under-aged. Casinos are highly controlled environments. Security cameras mark every move, and professionals watch patrons to make sure they are not getting in over their heads. None of these protections are available to the same extent when gambling is done over the Internet.

2. Internet Gambling is Susceptible to Criminal Activity.

In a November 13, 2009, letter to then-Financial Services Committee Ranking Member Spencer Bachus, the FBI’s Cyber Crimes Division reported that: 1. “[T]he technology exists

to manipulate online poker”; 2. “[O]nline poker [can] be used to transfer ill-gotten gains from one person to another or several other people”; 3. Technology to prevent minors and problem gamblers from participating can be defeated; and, 4. The Agency’s law enforcement resources are focused on higher priorities than policing the Internet gambling market.

3. Internet Gambling Threatens Society’s Most Vulnerable

The sheer speed at which games can be played online is of significant concern. On the Internet, there is none of the time-consuming activity which comes with playing in the real world – the moving of chips, the human interaction, the changing of players, clearing of tables, etc. In a virtual casino, it all happens in the blink of an eye, bringing with it the potential that players will lose significant sums before they know what has happened.

If we have learned anything about the Internet, it is that when it comes to technology, kids will find ways to outsmart their parents. Even a cursory comparison between social gaming sites and Internet gambling sites reveals similarities that may make these sites attractive to young people. Gaming experts say that Internet gambling is, in part, intended to draw the younger generation into gambling.

For the parents of young children here today, we all know how addictive social gaming can be. One only has to look at the enormous success of the social game “Candy Crush” to get a glimpse of what may be looming on the horizon. In a single calendar year from its introduction, Candy Crush was played online a total of 150 BILLION times.

And, don’t parents preparing to send their sons and daughters off to college have enough to worry about without having to wonder whether their kids will be betting away tuition or student loan dollars or running up credit card debt playing online poker?

Poker “Carve-Out”

Allow me a moment to discuss why we oppose a poker “carve-out”. At the outset, I would be remiss if I failed to make clear how much respect we have for the Chairman Emeritus of this Committee, Mr. Barton, and his significant legislative record. On the issue of online poker however, I hope we can agree to disagree agreeably.

Poker does involve more skill than other casino games. But, ironically, this skill element may make it more susceptible to manipulation in the online world. All of the law enforcement issues with Internet gambling are also present with Internet poker – and when it comes to the potential for fraud and money laundering, the risks may be amplified since participants are playing each other as opposed to “the house.”

Consider how easy it is for either side in a poker game to simply fold. Now consider who is sitting on the receiving end of the winning pot. In short; it could include criminal elements utilizing the game to launder funds.

Online poker is especially attractive to young males – raising questions as to how many student loans, how many tuition payments, and how much credit card debt could get run up in dorm rooms and fraternity houses.

You may hear today from some others on the panel that “all we want is a poker carve-out”. But, make no mistake about it – and prior industry history will bear this out – if you authorize poker, it won’t be long before other industry players will tell you they “need more”. In fact, one of our industry colleagues has already asked the Nevada State Gaming Control Board for permission to go beyond poker and offer full blown online gambling.

Some in our industry will suggest that Internet gaming is a \$3 billion activity in this country which needs to be licensed and regulated to protect Americans who play online poker.

However, according to a study commissioned by the American Gaming Association, the market for all Internet gambling is actually somewhat less – it is \$2.6 billion and falling. But, here is the point: Online poker comprises less than 10% of this figure.

Online poker has been on a rapid decline, dropping 85% from \$1.6 billion in 2006 to \$219 million today. To put this in perspective, the online poker market across the whole country is about one-third the size of the Lawrenceburg, Indiana casino market.

Given all this, it is unclear to us how legalizing a \$219 million poker market will do anything to “protect the integrity” of the \$2.4 billion Internet gambling market which is unrelated to poker – much of which may be comprised of sports betting.

Plus, it is somewhat incongruous to argue on one hand that Internet gambling **must** be legalized because technology cannot prevent Americans from playing, and then claim on the other that we can rely on technology to keep kids off, promote responsible gambling, and prevent Internet gambling from being used for fraud, money laundering and other criminal purposes.

Some have and will compare our efforts to stop Internet gambling to Prohibition in the 1920s. Quite simply, no one is talking about outlawing gambling, as alcohol was outlawed in the 18th Amendment. Americans can continue gambling – whether it be playing poker in their own homes or in those of their friends, or placing bets at any of the over 1,500 casinos, horse tracks, dog tracks, resorts and cruise ships in our country; or buying a lottery ticket at any of hundreds of thousands of convenience stores.

The fact Internet gambling can be used by certain states to bring in revenue without raising taxes does not mean it is the right thing to do. By wide majorities, the American public knows it is not right.

Opposition to Internet gambling is bi-partisan; it cuts across all demographic groups, and all regions of the country. Even libertarians oppose it. Americans know instinctively that there is a big difference between going to a casino to bet and having the casino come to you.

In our opinion, time is of the essence. Congress should step in now and call “time out” – before it is too late. It should restore the longstanding policy banning Internet gambling to where it was before the Department of Justice reversed course in 2011, and thus provide Congress and the public the opportunity to more fully examine and consider the serious issues involved – whether it be the potential for money laundering, terrorism financing,

fraud and other criminal activity; underage betting; exploitation of those with gambling addictions, and the impact on jobs and economic growth.

Thank you, Mr. Chairman. I look forward to answering any questions you or the other members of the Subcommittee may have.