

Don't bet against online gambling

The industry needs to be regulated, not outlawed.

By David Carruthers

PEOPLE WHO NEVER bet on sports make an exception this time of year. Something about the NCAA basketball tournament — maybe it's the appeal of filling out those brackets and tracking their progress each day — brings out the gambler in all of us. But if some members of Congress get their way, we won't be able to place any of those bets online.

The proposed Internet Gambling Protection Act would prohibit using the Internet to operate a gaming business. But trying to shut down a multibillion-dollar industry with consumer demand that includes an estimated 8 million Americans annually is an empty legislative effort. Instead of outlawing it, Congress should regulate it.

Online gambling is now a \$12-billion-a-year industry. Americans anted up more than \$500 million to bet on this year's Super Bowl online, an increase of more than 12% from last year and more than five times the amount wagered through Nevada casinos. Overall, Americans wagered nearly \$6 billion online in 2005, compared to about \$1.5 billion in 2001.

The U.S. government says the consumers who placed these bets are in violation of the Wire Act, which was originally aimed at organized crime and sought to prevent gambling businesses from operating by phone in states where it was otherwise illegal to gamble.

This law, therefore, shouldn't be applied to Internet betting. Besides, no case law or statute clearly defines where Internet bets are actually taking place. BetOnSports, for example, is based in Costa Rica. Our customers can place bets from anywhere that has an Internet connection. In part because of this ambiguity, no one has been prosecuted for online betting under the law.

Enforcing this outdated law, or passing new legislation, would be foolish at best and a violation of privacy and individual freedom at worst. Politicians who seek to prohibit online wagering in order to prevent underage gambling, excessive gambling and corruption could address these goals more effectively through regulation.

It may surprise our critics to know

that we share their concern about gambling abuse. In fact, we have been seeking support from governments to devise systematic ways to protect vulnerable populations. What this industry needs is regulation, not to be pushed even further into the shadows, where organized crime and less reputable people can carve out a niche for themselves.

Regulation can address a number of important concerns about online gambling. First, we can better prevent underage gambling. Most online gambling companies already try to prevent underage gambling. We don't advertise to anyone 18 or under, for example, and we have clear rules on our sites. Regulation could make these practices more enforceable and extend their reach. New technologies can provide regulators with better information, including the ability to provide an audit trail for each transaction or to block participation by certain players or classes of players.

Second, we can better deter compulsive gambling. Currently, companies use software to help their customers keep track of their betting histories. We can also use this software to impose cooling-off periods. With regulation, these practices, too, could become standard in the industry. And third, regulators can ensure transparency and good corporate governance, as they do in most regulated industries.

The good news is that Britain provides a model for the U.S. Its Gambling Act, passed last spring, provides for the licensing and regulating of online gambling, including the establishment of a national gambling commission to protect consumers, restrict the access of minors and prevent money-laundering and other criminal activity.

It is time for the U.S. government to face the facts: The issue is not whether it is possible to stop online gambling; the issue is how to regulate a business that not only exists but is growing. We have begun the process by working to create an independent advisory council to establish operating standards acceptable to everyone. Not only would regulation strengthen companies that wish to operate responsibly, but legalizing our companies could also bring in billions of dollars in tax revenue. That's one gamble that would generate benefits for all Americans.

DAVID CARRUTHERS is chief executive of BetOnSports, an online wagering company.