

## **Spectrum Gaming Group Testimony on Pennsylvania House Bill 649, Pennsylvania House Gaming Oversight Committee, April 16, 2015**

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Our core thesis at Spectrum Gaming Group is that technology changes; human nature does not. Online play can be expected to generate more revenue and advance more public policies when it is tied to the brick-and-mortar casino, where the true “interactive” experience takes place. That is where the shopping, the nightlife, the dining and the gaming take place in social settings. That is where the conventions and meetings are held, and that is where the employment is.

That is not the case in Europe, where online wagering has little to do with land-based gaming, but Europe is not home to an equivalent land-based casino industry, and thus is of limited value as a model. Pennsylvania, like other states, must create a new model that fits the reality and the public-policy goals that have already been established.

Make no mistake about it: House Bill 649 is pioneering. Pennsylvania would be among the first states to seriously consider online wagering, and there are many unknowns. You can take lessons from the existing states, but I respectfully suggest that you take the right lessons. Clearly, the online experience to date in states such as New Jersey, Nevada and Delaware has failed to meet expectations, but I submit that is a problem with the expectations.

I-gaming is a long-term commitment, where the financial rewards are not front-ended. The experience thus far has shown that serious issues such as underage gambling and geo-location can be addressed. Among the questions that remain unanswered is how can i-gaming fully complement land-based gaming to the benefit of both, and thus be better positioned to advance public policy.

House Bill 649 is in many ways, model gaming legislation that addresses a variety of core issues:

1. The bill delegates significant authority to the Pennsylvania Gaming Control Board. The Board has earned such a high level of trust, but equally important, such delegation recognizes that any governance of interactive gaming demands maximum flexibility. The

technology, the demographics and the competitive landscape are changing so rapidly that no one knows the issues that may confront regulators in the near-term or long-term. Regulators require the authority to respond quickly and decisively as the unknown becomes known and as new challenges emerge.

2. The bill recognizes that a gaming license is a privilege, and that licensees in all forms of gaming must meet the highest standards of good character, honesty and integrity without exception.
3. The bill recognizes that casino gaming in Pennsylvania has been a public-policy success, as it creates employment, provides tax relief and other tangible benefits.

With those points in mind, it is clear that the authors and sponsors of this bill fully expect that legal interactive gaming will further enhance the competitiveness of the land-based casino industry. The bill sets out the policy goals that the Gaming Control Board would be expected to advance.

We at Spectrum worked with several staff members of the Board for many years, in some instances for several decades. I know the Board has the institutional knowledge and experience to carry out those policy goals in an efficient, expeditious manner.

What we have learned about i-gaming from the brief experience in other states is:

1. I-gaming can be effectively regulated, and it certainly would be in Pennsylvania.
2. Expectations should be realistic.
3. The initial focus should be on ensuring effective regulation and controls, rather than on generating revenue. Once regulators, operators and the general public have confidence in the process, revenues will ultimately follow.

Interactive gaming that is not tied to the land-based casino industry, that does not advance the interests of the existing operators, should be more than discouraged. It should be prohibited.