

1 MR. HICKEY: Madam Chair, if we could, we would like to
2 reverse the order as it's on the thing and let the three from
3 pari-mutuel horse racing go first and then Ms. Feinstein, Mr.
4 Cashen from dog racing follow, rather than interrupt, if that's
5 all right.

6 CHAIRPERSON JAMES: This is very informal. And however
7 you choose to present is just fine with us.

8 MR. HICKEY: Madam Chair and members of the Commission,
9 on behalf of the American Horse Council and our member
10 organizations, we appreciate the opportunity to offer our
11 thoughts and recommendations about the pari-mutuel horse-racing
12 industry as you go into the final furlong of your study.

13 We very much appreciate your attention, interest, and
14 particularly your patience during this process. And we would be
15 remiss if we didn't thank the staff, who has been very, very open
16 and willing to work with the pari-mutuel industry. And we
17 appreciate that.

18 We hope that we have shown you that racing is more than
19 gambling, although gambling is an important part of racing. It
20 is a sport, an agriculturally based industry that occupies a
21 unique position among gambling enterprises in the country.

22 It has an economic impact in the U.S. of 34 billion,
23 supports a half a million jobs, and involves over 700,000 horses
24 and ponies. It preserves open land and green space and in many
25 states through farms and training facilities.

26 Our purpose today is to discuss briefly several
27 recommendations that you have already received in written form.

1 We hope that this will assist you as you continue your
2 deliberations.

3 As you know and heard in Virginia Beach over the last
4 25 years, as other forms of gambling and entertainment and sport
5 had increased, racing's part of the market has fallen to 7
6 percent. We have tried to remain viable in horse racing through
7 new forms of delivery of our product.

8 Racing. That includes simulcasting, off-track betting,
9 merging pools, and account wagering. Thirty-eight states now
10 permit off-track wagering and simulcasting, enough so that
11 Congress in 1978 enacted the Interstate Horse-Racing Act
12 specifically to ensure the cooperation of the states in accepting
13 interstate wages on horse racing.

14 Simulcasting and common pool wagering have developed
15 under this law and state laws and today represent over 70 percent
16 of our business.

17 Eight states have authorized account wagering,
18 primarily on the telephone, on horse racing under stringent
19 licensing and regulation. Account wagering has been offered in
20 New York, Pennsylvania, Connecticut, and Kentucky for over 15
21 years. The safeguards and requirements built into those systems,
22 both by state regulators and the operators themselves, have
23 ensured that this form of wagering has operated with few
24 problems.

25 Because much of what racing is doing now and has been
26 doing for some time with respect to simulcasting, interstate
27 merged pools, and account wagering is regulated by the federal

1 wire statute, we are very interested in any Commission
2 recommendation on so-called internet gambling because they would
3 involve changes to the Wire Act, which has such an important part
4 in our business.

5 We believe that there are fundamental distinctions
6 between what the licensed and regulated pari-mutuel industry has
7 been doing for many years with respect to simulcasting, common
8 pool wagering, and account wagering, and what the offshore
9 operators in internet gambling are doing.

10 It is important that this distinction be understood in
11 any recommendation that the Commission might make on internet
12 gambling. Briefly, such distinctions include that account
13 wagering is expressly authorized by state law, licensed and
14 regulated by state authorities, and operating for the benefit of
15 the state through taxes and the industry by generating additional
16 income for the tracks and the horsemen racing at those tracks.

17 Because of regulatory and security issues, account
18 wagering has used a closed or restricted delivery system, such as
19 the telephone or cable. The wagering is a live public event with
20 the odds determined by the bettors. The outcome of the race is a
21 factual certainty, easily confirmed by the bettor, unlike virtual
22 casino games offered by offshore operators. Any dispute can be
23 taken to the state racing commission for resolution.

24 Account wagering has a history of successful operation
25 in the states I mentioned, New York, Pennsylvania, Connecticut,
26 Kentucky, for over 15 years.

1 We offer those as distinctions for the differences
2 between what we are doing now and have been doing for many, many
3 years and what internet gaming might be considered.

4 We offer the following proposed recommendations for
5 your consideration. The federal wire statute, which regulates
6 racing and interstate gambling, should be updated and clarified
7 to allow the federal and state authorities to deal with internet
8 gambling. It should also be clarified to allow the interstate
9 merging of wagering pools to continue.

10 Pari-mutuel account wagering as an activity that has
11 been operating for some time licensed and regulated by the state
12 should be distinguished from internet gambling.

13 The authorization of account wagering on horse racing
14 should continue to be decided by the individual states, as are
15 all gambling rules and regulations.

16 We hope that this has been helpful to your
17 deliberation. And we appreciate the opportunity to come before
18 you.