CHAIRMAN JAMES: Ms. Schneider.

MS. SCHNEIDER: Thank you, Madam Chair, Commissioners, thank you for allowing me to speak today. My name is Sue Schneider. I am a publisher on the Internet of a general consumer based gambling publication called Rolling Good Times On Line which had a previous life as a print riverboat gaming publication and also have another site called Interactive Gaming News which is an interactive industry publication. The idea behind that is that gaming products are being brought into new electronic mediums at this point, whether it's satellite, cable, in-flight, there are all types of options at this point that are emerging.

I think if maybe you look back to your younger years when television was first being introduced, we haven't had very many times in our lives when there was a new medium being introduced and that is the case now. The Internet definitely comes with a lot of advantages and a lot of challenges. One of them is the fact that the community on the Internet is very broadly defined at this point. We're dealing with people all around the world. We're dealing with a borderless medium that really defies the whole idea of any kind of jurisdictional oversight. So it creates challenges, particularly in an area like gaming that typically has been done on a state or provincial level from a regulatory standpoint.

As Allison mentioned, there has been a proliferation of Internet gaming sites that go across bingo, casino games, sports books, tracks and lottery. At this point there are over
1 150 total sites, and they range from all around the world in
terms of where they're coming from; Australia, European sites,
Caribbean, Central American countries, a variety of places that
have begun to emerge with developing Internet gaming options for
people. Quite frankly, there are a variety of things with which
I would agree with my two predecessors here on the panel, and
obviously one of them is that a system of unregulated gambling is
not really good for the American consumers. Our readers, who are
consumers of general gambling products and many of them enjoy the
practice Internet gaming, have told us that they feel like they
have an ability to do that, that these are options that are being
brought to their home just like a video tape that they can come
and watch for entertainment and they feel like they have the
option to do that without the fear of reprisals from federal or
state law enforcement officials, particularly in the case of many
of these that are licensed in other sovereign jurisdictions
around the world.

I also agree that the issues of underage and
compulsive gambling are ones that need to be dealt with up front.
Those are very, very critical and the responsibility ultimately
for those tends to lie within the home with filtering software
and oversight by parents and that sort of thing to help with
that. But the industry can help and regulators certainly can
help with it also and that's very, very critical. Those need to
be addressed up front, as does compulsive gambling.

Where I think we do disagree is just looking at
whether prohibition, number one, can be done and/or should be
done. It's really my impression from being involved now, what
led us into the development of looking at the Interactive Gaming
Council was the idea that again, from a consumer protection standpoint, there are people out there that are developing these products around the world and they want to see it done right. So it's very, very important to look at -- you really have a very odd aberration where you have an industry that really is crying out for regulation. That doesn't happen very often. So you have something unusual going on there.

But prohibition really is not going to be something that can be done with this. You hear a lot about it can't be regulated. In reality it can be regulated. It's much easier to do that. You have to separate out what is happening on the Internet bases versus what is happening with the gaming products. The gaming products can and should be regulated and you'll hear a little bit later from an Australian regulator who can tell you the model that they've come up with which is fairly pro-active in that regard. I'm hoping you will be open to looking at that as a model for how to grapple with those particular issues.

I found from a consumer standpoint that they want to know two things; are the games fair in the case of casino games, and will they get paid. With an adequate regulatory scheme those kind of issues can be dealt with. Again, if you look at how Australia and some other countries that are beginning to deal with this, they have dealt with that. They've dealt with provisions for money laundering and are keeping that from happening. They've dealt with probity or background checks. They've dealt with the fairness of the games. We've heard that that is an issue. There are technology companies that do game testing of slot chips. They are adapting that technology today to be able to go in and have an open line to those games, to
those algorithms, to be able to do random testing at any point in time. And that's the sort of technology that I think you'll see as the regulatory process begins to catch up with the industry out there. The whole issue of the ability to pay is very, very critical. Again, those are the kinds of things that a regulatory system will take care of and will begin to look at.

You do have a case here where the technology and the market demand is a couple years ahead of the regulatory process here. The interactive gaming industry has begun to step up to the plate, even though it's a relatively new one and is looking at things like developing a code of conduct, a process for dispute resolution, as Alan was talking about, responsible gaming guidelines and that sort of thing. But clearly just what is happening in the industry is not enough and it really is something that we really do need to figure out a way to deal with this.

You might want to, in your process, look at what is going on around the world. I think it's very critical. It's not something you can do in a vacuum, much as we might like to deal with that within the confines of the state or within the confines of the U.S. border. We don't have that luxury in this case.

European countries are beginning to get into this. The harness tracks in Germany are now offering wagering online. The Swedish lottery is offering games online. Now, what's happening in Europe is that they have -- because they have a long history of cross border lottery sale fights with each other, they have started out by saying okay, you must be a resident of Germany, for example, to be able to open an account with the harness tracks and the same with the Swedish lottery. Ultimately
you probably will see that expand. As was referenced earlier, you will hear more about Australia, that they've taken another approach at figuring out how to tackle the regulatory process, figuring out how to deal with reciprocity of licensing and figuring out how to deal with the tax sharing, which in many government cases is the ultimate goal of what they're looking for in terms of trying to balance out what that benefit is versus what the concerns are.

You talked yesterday about assessing burdens and assessing benefits. That same thing needs to happen here. When you deal with it on an international basis, what's interesting is looking at the concept of opting in or opting out. Do you assume that it's a base and Internet gambling isn't allowed anywhere until it's affirmatively authorized by a jurisdiction and then they opt into that system or do you assume that it's legal everywhere unless a state or a country, in some of the smaller countries' cases, determine that they don't want to be part of it and then they say, okay, we're not going to be part of that. So looking at those kind of things on a global basis really are what provides the challenges in this. But again, those whole issues of underage gambling and having safeguards and developing the technology systems to be able to cross check with Social Security numbers, ultimately getting into biometric encryption down the road. Five years down the road you will be putting your thumb print on your computer, on a reader, and that's how they'll determine who it is. We're not there yet, but that's the sort of safeguards that will be in place that will lead to this.

One of the things I find interesting with the idea of the prohibition that's going on now. A Canadian person who is a
software supplier for Internet gaming systems, and he sort of jokingly said, look what prohibition did here in Chicago, look at Seagram's. They certainly have been successful based on what happened with alcohol prohibition. Frankly, what is happening if the U.S. decides to go ahead and prohibit it, is that it's really not going to be effective from stopping consumers who are very interested in getting into this, but it will stop entrepreneurs, for example, that are interested in getting into it and that's been the case, as you may know, that there have been some criminal complaints that have taken place to try to finally even determine the extent of existing legislation, the federal Wire Act now and whether or not that holds any weight right now with stopping Internet gambling.

So it's really something that the prohibition we dealt with before, I think there are lessons to be learned from that. It didn't keep the unscrupulous operators out. It created organized crime and it's something we need to look back to some lessons that may be learned from previous times.

Again, the situation that is very, very important is to look at how you can deal with things like underage gambling and compulsive gambling. Contrary to what you heard, Alan or Dale had mentioned not having loss limits. That is not the case. For example, there really is no Internet gambling that is taking place within the confines of the U.S. -- oops, I have to stop. Sorry. I'll answer any questions. Thank you.

CHAIRMAN JAMES: Please know that we will carefully review the full context of your testimony and we do welcome that. Anything that you would like to submit in addition to that, the Commission is eager to receive.