

**SUE SCHNEIDER**

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3 CHAIRMAN JAMES: Ms. Schneider.

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

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

27 As Allison mentioned, there has been a proliferation  
28 of Internet gaming sites that go across bingo, casino games,  
29 sports books, tracks and lottery. At this point there are over

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1 150 total sites, and they range from all around the world in  
2 terms of where they're coming from; Australia, European sites,  
3 Caribbean, Central American countries, a variety of places that  
4 have begun to emerge with developing Internet gaming options for  
5 people. Quite frankly, there are a variety of things with which  
6 I would agree with my two predecessors here on the panel, and  
7 obviously one of them is that a system of unregulated gambling is  
8 not really good for the American consumers. Our readers, who are  
9 consumers of general gambling products and many of them enjoy the  
10 practice Internet gaming, have told us that they feel like they  
11 have an ability to do that, that these are options that are being  
12 brought to their home just like a video tape that they can come  
13 and watch for entertainment and they feel like they have the  
14 option to do that without the fear of reprisals from federal or  
15 state law enforcement officials, particularly in the case of many  
16 of these that are licensed in other sovereign jurisdictions  
17 around the world.

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

26 Where I think we do disagree is just looking at  
27 whether prohibition, number one, can be done and/or should be  
28 done. It's really my impression from being involved now, what  
29 led us into the development of looking at the Interactive Gaming

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1 Council was the idea that again, from a consumer protection  
2 standpoint, there are people out there that are developing these  
3 products around the world and they want to see it done right. So  
4 it's very, very important to look at -- you really have a very  
5 odd aberration where you have an industry that really is crying  
6 out for regulation. That doesn't happen very often. So you have  
7 something unusual going on there.

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

18 I found from a consumer standpoint that they want to  
19 know two things; are the games fair in the case of casino games,  
20 and will they get paid. With an adequate regulatory scheme those  
21 kind of issues can be dealt with. Again, if you look at how  
22 Australia and some other countries that are beginning to deal  
23 with this, they have dealt with that. They've dealt with  
24 provisions for money laundering and are keeping that from  
25 happening. They've dealt with probity or background checks.  
26 They've dealt with the fairness of the games. We've heard that  
27 that is an issue. There are technology companies that do game  
28 testing of slot chips. They are adapting that technology today  
29 to be able to go in and have an open line to those games, to

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1 those algorithms, to be able to do random testing at any point in  
2 time. And that's the sort of technology that I think you'll see  
3 as the regulatory process begins to catch up with the industry  
4 out there. The whole issue of the ability to pay is very, very  
5 critical. Again, those are the kinds of things that a regulatory  
6 system will take care of and will begin to look at.

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

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

22           European countries are beginning to get into this.  
23 The harness tracks in Germany are now offering wagering online.  
24 The Swedish lottery is offering games online. Now, what's  
25 happening in Europe is that they have -- because they have a long  
26 history of cross border lottery sale fights with each other, they  
27 have started out by saying okay, you must be a resident of  
28 Germany, for example, to be able to open an account with the  
29 harness tracks and the same with the Swedish lottery. Ultimately

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1 you probably will see that expand. As was referenced earlier,  
2 you will hear more about Australia, that they've taken another  
3 approach at figuring out how to tackle the regulatory process,  
4 figuring out how to deal with reciprocity of licensing and  
5 figuring out how to deal with the tax sharing, which in many  
6 government cases is the ultimate goal of what they're looking for  
7 in terms of trying to balance out what that benefit is versus  
8 what the concerns are.

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

28           One of the things I find interesting with the idea of  
29 the prohibition that's going on now. A Canadian person who is a

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

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

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

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

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