The Subcommittee met in the Potomac I Room at the Windham Bristol Hotel, 2430 Pennsylvania Avenue, Washington, D.C., at 4:00 p.m., William Bible, Chairman of the Subcommittee, presiding.

PRESENT:

WILLIAM BIBLE Chairman
LEO MCCARTHY Commissioner
PAUL MOORE Commissioner
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CHAIRMAN BIBLE: This is a meeting of the Regulation, Enforcement and Internet Subcommittee of the National Gambling Impact Study Commission.

We’ve met on a number of previous occasions. The last occasion we met, which was at our meeting in Virginia Beach, we decided that we were going to recommend to the full Commission a condition of supporting a banner of prohibition against Internet wagering versus some of the aggregate groups who had recommended a variety of other approaches to Internet gambling and probably the final approach was that we regulate it and we rejected that particular approach.

We indicated that we would flush out that particular recommendation at a future meeting and this to a great extent is that future meeting. And because it is kind of warm in here it might be in everybody’s interest if you want to take off your jackets. I don’t believe they have the air conditioner on yet in the hotel. But it is fairly hot.

And I want to proceed in this manner. We really have two separate issues to talk about today. One of the issues involving the Internet and the other issue is involving regulation. And they are two separate and distinct issues. I thought I would proceed first with talking about the Internet and I want to talk in this order. One is about the applicability of our recommendation to prohibit wagering on the Internet.

I know we had quite a bit of correspondence and some contact with various interest groups who expressed some concern about that particular recommendation. And then take a look at some of the potential enforcement options that we could recommend in terms of a final report to the full Commission. In terms of
the applicability issues that we’ve received quite a bit of testimony and quite a bit of correspondence from a number of groups, as I indicated previously.

One group who has been fairly active has been the American Horse Council. Mr. Hickey has supplied us with quite a bit of information. I don’t know if you want to run through that briefly or if you want to just let the record stand with what you previously provided?

MR. HICKEY: As long you all read it, just try to distinguish --

CHAIRMAN BIBLE: Well, we all read it, but again you are assuming we all understand it.

MR. HICKEY: Well, what we were suggesting --

CHAIRMAN BIBLE: And I understand the --

MR. MCCARTHY: At the appropriate time, Mr. Chairman, I’ll have one or two questions that I want to pose to Mr. Hickey.

MR. HICKEY: Did you want to come up here?

CHAIRMAN BIBLE: Sure, sure, no, why don’t you?

MR. HICKEY: Well, I wasn’t prepared to, I don’t have all my stuff here.

MR. MCCARTHY: Good. Well, we’ll ask you questions about the stuff you don’t have.

(Laughter.)

CHAIRMAN BIBLE: First, why don’t you tell us what you don’t have and we’ll just --

MR. HICKEY: I don’t have the answers to your questions. What we’ve tried to do over the last 18 months is, with respect to Internet gambling, is distinguish what the horse racing industry has been doing for 20 years in some cases with
respect to telephone wagering, account wagering in seven or eight
states, where it has been specifically legalized, from what might
be called off-shore Internet virtual casino-type stuff.

We’ve tried to make the case that, with respect to
horse racing at least, whether you can regulate the Internet or
not, clearly you can regulate horse racing because the tracks and
the facilities are in the states and the racing commissions and
the legislatures have authority over it. We do several things.
Information on the Internet, simulcasting on private computer
systems and telephone wager. And we try to distinguish that from
--

CHAIRMAN BIBLE: But no one at least at this point to
my knowledge is taking wagers via the Internet, are they?

MR. HICKEY: No, to my knowledge I don’t think that’s
true either.

MR. MCCARTHY: I thought there was a marketing that
Churchill Downs and TVG had done marketing for --

MR. HICKEY: That’s a good question. No, TVG is
using a cable box --

MR. MCCARTHY: Right.

MR. HICKEY: -- on top of their --

MR. MCCARTHY: Oh, I’m sorry.

MR. HICKEY: And that’s a closed, I mean I would
think that that’s --

MR. MCCARTHY: That’s not the Internet?

MR. HICKEY: No. That’s about as closed as you can
get. Also TVG is not operating, I mean other than in Kentucky.

CHAIRMAN BIBLE: They’re on a trial basis there,
aren’t they?
MR. HICKEY: Yes. It is a grand, it is a grand idea -- I want to say grandiose. It’s a grand idea and they are going to start operating in, this summer. Now that has been pushed back a number of times and it is going to be a 24-hour racing/entertainment channel that will allow wagering in those states where it is specifically legal. So TVG is not using the Internet.

CHAIRMAN BIBLE: Now the eight states that authorize account wagering, how many of those states allow it or restrict it to intrastate and how many also allow interstate wagering?

MR. HICKEY: Three of them, I don’t know how many, I know that Kentucky restricts it to intrastate. Pennsylvania, Connecticut and New York allow interstate, into the state. And that has been approved by the legislature.

MR. MCCARTHY: Kentucky, Indiana --

MR. HICKEY: Kentucky, Pennsylvania and New York. I believe that’s accurate. And New York, for example, has been doing it for over 20 years, including by a state agency, New York City Off Track Betting, which is operated by the state. But in terms of distinction --

CHAIRMAN BIBLE: Do we know if the Justice Department has ever ruled on the applicability of the Wire Act to that kind of activity?

MR. HICKEY: No, they have, to my knowledge they have not. With respect to simulcasting, they did go in with -- simulcasting is track-to-track, track-to-off track betting facility where you merge the pools. The racing industry in California went into the Department of Justice about 15 years ago and said we want to do common pool wagering across state lines.
CHAIRMAN BIBLE: A completely different issue.

MR. HICKEY: Okay.

CHAIRMAN BIBLE: Totally different issue.

MR. HICKEY: Then that’s the only, and Justice said no, we don’t issue opinions like the FCC or something like that. So as far as I know, the Justice has not stated their position on it, or have any enforcement actions been brought under 1084.

CHAIRMAN BIBLE: Well current pooling gets a specific, I won’t say endorsement but it looks like it is very permissive language in the Horse Racing Act.

MR. HICKEY: I would think so too.

CHAIRMAN BIBLE: Which would not be shared by some of your, some of the other groups that have major pull. I’m thinking of the dog people and the jai alai people.

MR. HICKEY: Correct. So in any event, we have tried to distinguish, you know, it’s, you bet on a race, it’s a live event, it’s handicapped, you know the results of it, it’s regulated in the states, it’s licensed, to try to distinguish us from the so-called Internet gambling.

CHAIRMAN BIBLE: And common pooling to some extent may involve systems that would be similar to the Internet? Or maybe methods of transmission --

MR. HICKEY: Well, I don’t know whether --

CHAIRMAN BIBLE: -- technology?

MR. HICKEY: -- I wouldn’t think that they’re similar to the -- they are computer systems certainly. They are hooked up by computer across the country.

MR. PUTSAVAGE: They would not be in the sense that they are not using URL’s.
CHAIRMAN BIBLE: So you are not asking for any kind of an exemption in the Kyl legislation in terms of that particular activity, in terms of --

MR. HICKEY: We’re just asking for clarification of the, in the federal legislation that common pool wagering has been --

CHAIRMAN BIBLE: If you’re asking for endorsement then it’s okay.

MR. HICKEY: Yes. That it has been --

CHAIRMAN BIBLE: You want an affirming statement that says this doesn’t apply to --

MR. HICKEY: We think it come under 1084-B which is information. That’s simulcasting.

CHAIRMAN BIBLE: But it’s all wagering information.

MR. HICKEY: It’s all, yeah, which is, as long as it is legal in both states.

CHAIRMAN BIBLE: Yeah. Okay.

MR. MCCARTHY: Just for clarification, Mr. Chairman, Kentucky, Pennsylvania and New York all allow betting from home?

MR. HICKEY: Yes. There are actually, Oregon --

MR. MCCARTHY: By phone, by phone?

MR. HICKEY: By phone. And now Kentucky says by phone, by telephone or interactive computer service, something like that. It doesn’t say interactive computer service, but other electronic means. By phone, though, yes. And also Oregon has authorized it. Nebraska has authorized it but it is not up yet.
MR. MCCARTHY: And by what other means, in addition to phone, how do they allow betting, by what other means, be specific?

MR. HICKEY: Kentucky would say by, I don’t know what it says, electronic, I don’t exactly what the term it. But it is more than just telephone.

MR. PUTSAVAGE: But what the Commission has expressly authorized there, in this TVG test market, is cable?

CHAIRMAN BIBLE: Well they are transmitting the data over the cable and it’s hooked to a --

MR. PUTSAVAGE: And it’s on street.

MR. MCCARTHY: And before TVG, any other means of placing bets?

MR. HICKEY: Before TVG, which started I think five years ago, there was a gentleman and Kentucky allowed him to take telephone bets about 20 years ago for a short period of time. I don’t know that for sure, in Kentucky. He’s, you know, one of these old Colonel, Colonel Joe Johnson or something like that. But that has been going on, one of those old timers.

CHAIRMAN BIBLE: Well, and if I understand the situation is, so we have eight states that have a kind of wagering. Three of those states will do it on an interstate basis, the others are simply allowed on an intrastate basis --

MR. HICKEY: Correct.

CHAIRMAN BIBLE: -- and they apparently developed or are trying to develop some kind of mechanism to police where those phone calls are coming from.

MR. HICKEY: Well, and I think that you can, the phones, I think you can do that now.
CHAIRMAN BIBLE: Well, maybe. I mean I think the technology is there if you marry the phone to a GPS or something like that or you can do something like that.

MR. MCCARTHY: On this issue, looking at your letter, Mr. Hickey, with respect to account wagering on horse racing, the Commission might recommend safeguards to be considered by a state in making any decision to authorize licensed account wagering. And then, but we know from other communications, I think you refer to a bit by Mr. Putsavage, that there are a series of safeguards proposed by Churchill Downs and TVG’s.

Use of a smart card to try to prevent people under age. No direct use of a credit card for wagering. A cooling off period before deposited funds could be accessed and so on. There’s a little bit of a contradiction in my mind about recommending the Federal Government -- these are federal laws that have to be amended to permit this to happen. And I take it it would, it would require some further clarification on federal law for all states to want to do what’s proposed here.

MR. HICKEY: It would also take more states to specifically approve it, too.

MR. MCCARTHY: Sure. But the other states don’t have safeguards. And we don’t know whether they ever will have safeguards. We don’t know whether they will show what the combination proposing this program in Kentucky showed.

MR. HICKEY: Yeah, what I was trying to do there was that if you distinguish telephone account wagering and horse racing from Internet gambling and it would be wonderful if you would recommend that every state would adopt telephone account wagering, but I don’t think that is possible. But in considering
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whether you should, what position you might take, we suggested that there are some safeguards that could be built into any system that you might suggest a state consider if they were to adopt that.

MR. MOORE: Let me make just a simple comparison here. Whether this is wagering by Internet or whether it is wagering by the telephone or whatever, basically each of those would go into the home. That’s what you’re advocating. That we will be able to wager from the home, right?

MR. HICKEY: What I’m advocating is that every state be given the opportunity, if they wish, to decide that for themselves.

MR. MOORE: To gamble from the home? To place a bet from the home?

MR. HICKEY: If they wish to do that, yes.

MR. MOORE: So that would be comparable, on a simple way of, it comes down to an issue, well, do we want to recommend that gambling enters every home. I mean you could, you could go to the market and buy a gasoline engine or buy a diesel engine and each one of them would get you to the market. So to me the issue is not particularly Internet, even though it just scares me to death because it’s out there for everyone.

The issue is though, to me personally and I’d like to state that. I mean is the gaming into the home. And you’re going to say, well it’s already there, we’ve been doing it for 20 years, someone said. Just because we’ve been doing it for 20 years -- I practiced medicine for 20 years and then lo and behold the government stepped in. So, and maybe they did good by it, I don’t know. But this is really is true to the issue. And I
won’t interrupt you anymore other than me trying to understand the technology.

Technology has gotten ahead of all of us. Technology has gotten ahead of -- there’s some gurus out there I guess. But they are all up there at Microsoft and we’re trying to break them up. But technology is so far ahead of us, it just scares me to death. It’s ahead of me in my field.

MR. HICKEY: Well with respect to that, we’re not, we’re not asking or suggesting that you recommend that states allow gambling in the home. What we’re trying to do is clarify and distinguish us from the prohibition of Internet gambling.

CHAIRMAN BIBLE: But you’re trying to preserve the exemption for account wagering from the home.

MR. HICKEY: Well, I’m not sure that there isn’t --

CHAIRMAN BIBLE: Well, maybe not an exemption, but you’re trying to preserve account wagering at least in these eight states and expand upon that to become a state option to --

MR. HICKEY: We’re trying to keep the states rights at the states rights position that if they, if those states, for example New Jersey is considering it now. If they wish to go to account wagering in the home for horse racing, then let the states decide what they want to do. That’s the, our position.

CHAIRMAN BIBLE: So you in effect are advocating what you call wagering up to the authority of the states?

MR. HICKEY: As gambling -- yes, as gambling has always been regulated. And as 1084-B has right now with respect to information, provided it’s legal in both states. Just leave the ultimate decision to the states as to what they might want to legalize with respect to parimutuel racing.
MR. PUTSAVAGE: Just to elaborate also in response to the points about the controls on an accounts system, might be in effect the second level of policy recommendation that the Commission might choose to undertake. To say that we’ve looked at this issue and assuming you agree to the position that that remains a state decision, at your observations I want what you might see as a suitably protective system for those states still considering venturing into that.

CHAIRMAN BIBLE: But some of the account wagering systems have some of the same characteristics as the Internet, I think, that concern us. And I would imagine a resident in Utah can figure out how to establish an account and set up an account with either a track in Pennsylvania, Kentucky or New York and place a wager where that activity may be illegal in the state of Utah.

MR. HICKEY: You’d have to go to an awful lot of trouble.

MR. PUTSAVAGE: And let me clarify for a second --

CHAIRMAN BIBLE: Well, I think a lot of people, well call forwarding is a pretty simply device nowadays that I think it has become fairly common place. In fact I dealt with trying to regulate accounts for a number of years.

MR. HICKEY: But then that’s why you try to get the, you know, the Social Security Number, the credit information, find out where the person’s residence is so that if he’s from a state where it’s not legal you would not take that bet. And let me just say one other thing. We’re not advocating that every, even if a state legalizes --

CHAIRMAN BIBLE: Oh, I’m, I’m --
MR. HICKEY: No, no, no, I just want clarify. We’re not saying that, for example, everybody in Pennsylvania should be able to gamble from their home. You have to do an affirmative action. You have to go to a race track, open up an account, put money there and then decide whether you want to have that activity. It’s not going to be --

CHAIRMAN BIBLE: You don’t need to go to a race track. You can call them up and establish a credit line through your credit card.

MR. HICKEY: All right. Well you have to, but it’s not going to go into your home without you asking for it. Same with TVG.

MR. MOORE: Now who, was it TVG that has the 24-hour racing channel or is advocating or what?

MR. HICKEY: No, they are, they are going to hopefully start a 24-hour entertainment racing and wagering in those states where it is legal.

MR. MOORE: Umm hmm.

MR. HICKEY: A channel. But it’s going to be a show about horse racing. It’s going to be about jockeys, it’s going to be about the horses, it’s going to be the fun of horse racing. The idea is not going to be just totally wagering. They are only going to show four races an hour and you can only wager in those states where it would be legal. They will not facilitate the ability in the other states.

MR. PUTSAVAGE: It would be like the golf channel.

MR. HICKEY: Yeah, it would be like the golf channel or Home Shopping Network or whatever.
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CHAIRMAN BIBLE: Or ESPN had on two hours of horse racing this afternoon.

MR. MOORE: But you didn’t bet on it though, did you?

MR. HICKEY: What they are trying to do is

CHAIRMAN BIBLE: They didn’t take any action over here at Friday’s.

MR. HICKEY: -- as you heard at the last meeting, we’re down to seven percent of the wagering dollar with the idea of the racing channel. And there are a number of others who are trying to get racing on television. We missed the television boat, you know, when the NFL and baseball have been on it and we’re trying to get back on the boat now. To build our fan base so that people will see on television, hopefully take an interest in it and if they wish, come out to the track and enjoy themselves.

MR. MOORE: You know all this is interesting. About the first or second week after I was appointed to this Commission and I had a call from this young lady who was covering racing in Virginia. I have no idea who her name is and I really don’t know who she was working for, I don’t really care. But she tried to sell me on the idea that when we deliberated that in Virginia that horse racing was not gambling or gaming it was a family and fun activity. I said, well you know, that’s strange.

Other than us as kids riding horses and mules out on the farm, I’d never been to a horse race where they didn’t have a place that you could bet. And so what it all comes down to is all this gambling has accelerated all of you in the states. That’s why this Commission is in existence, I guess. One of them
is to study the effects of social and economic because of the acceleration of gaming.

And it’s taken, as you just said, it’s taken, people have decided, well, maybe shooting craps is more exciting than watching a horse race. Or maybe, you know, they’d rather go to the Indian Reservation or they’d rather do this. And so it’s really all coming back adding more gaming to really I’d have to go back and agree with this young lady a little bit.

In the beginning this probably was more of a social than it was to go and think that you were going to fill your pockets full of money. And there you are just sort of betting against each other. I mean in the house you’re not putting up much money on a horse race. You’re just betting against yourself. But now we’re trying to change that concept a little bit and it’s for survival, as you were saying.

MR. HICKEY: I would take issue that there are a lot of people who still go to the races on a daily basis. All those people in the infield at the Derby or the Preakness.

CHAIRMAN BIBLE: Well your at home, your annual figures at least for on track have, are showing decline. I think your attendance figures for on track are showing decline.

MR. HICKEY: That’s right.

CHAIRMAN BIBLE: Your total annual figures are showing --

MR. HICKEY: Because of simulcasting.

CHAIRMAN BIBLE: -- because of simulcasting and OTB activity.

MR. MCCARTHY: I have three ongoing concerns, Mr. Chairman, that I think these gentlemen have heard before. And
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I'm really trying to address them in my mind and not be inflexible on this. Try to be fair at least and listen carefully to what’s being said. The first was home betting. Although the safeguards introduced by what’s proposed with Churchill Downs does address that for, for me somewhat to avoid youthful gambling.

And it’s certainly one of the cleanest approaches to trying to, trying to do something about seriously troubled gamblers, a cooling off period, the other things. And incidentally, I know you’ve probably seen and been dismayed by the NORC Report showing the -- well as you know NORC did a patron survey and they included horse racing in that.

Now, we have to emphasize here it was not a large sample of the total of 530 interviews, all right. So it really, to be, to have legitimacy it would really have to be a much larger sample of horse racing patrons. And I think it had dog racing patrons in that group too, although not much. It showed that horse racing patrons, compared to all other forms of gambling, had a much higher percentage of pathological gambling, which is five or more hits on the diagnostic screen.

And that it had a much higher percentage, not as high comparatively, but a higher, as to problem gamblers. If I could just use the term to describe three or four hits, it was 25 percent pathological gamblers and 14 percent problem gamblers. Now again, it was a small sample of the part of the 532, but it just, it cut it in half. And if I were the industry I would want to fund, through a totally independent survey or researcher.

I would want to fund a sizable patron interview study as quickly as I could put it together. And try to know
yourselves what the numbers are, as well as telling the public. But I raise that in connection with the home betting issue. If that’s anywhere near true, then shrink it by half. Safeguards about who can bet from home and so on are a very important issue to me.

But at least the Churchill Downs TVG thing tends to make some approach to that. You know when you say leave it to the rest of the states, this is a state issue, we’re also under Mr. Bible’s leadership on this Subcommittee, looking at the regulatory models around different states. And there is wide variety. There are, there are some leadership states that are really doing a good job of regulating, you know, other casinos.

But then there are some states that are pretty clearly deficient. So leaving it to the other states is, it doesn’t give me a lot of confidence. Now the second concern that I have that I talked -- I don’t think I raised it during your Subcommittee Hearing in Las Vegas. I may have talked to the industry folks after the meeting was over. Adding other forms of gambling at the race tracks. Slot machines, card rooms, other things, all in the name of preserving an American tradition, horse racing.

And it’s true, everybody in the industry is -- Track Owners mainly want this because it goes to the profit line. Thoroughbred people I’ve talked to and so on, they really, they’re not on that wave length. But adding other forms of gambling, I’ve started thinking if we allow all kinds of betting from home and eventually get to the Internet, is that going to stop at horse races?
Or might they be able to plug into video poker screen or some other form of gambling? I’ve never heard anybody from the industry address that issue. Now admittedly, there are only five race tracks that have other forms of gambling. But there are a number of others that are applying for other forms, including in Kentucky. I read a newspaper article just a few weeks ago. Was it Churchill Downs? I’m trying to remember who it was.

MR. HICKEY: No, it was Turfway. The river boat was going up.

CHAIRMAN BIBLE: We’ve got to have more than five race tracks that have other forms of gambling?

MR. MCCARTHY: Well, maybe it’s five states.

CHAIRMAN BIBLE: In California, you know, we have card clubs. So it might be five states, because we have slot machines in them.

MR. MCCARTHY: Five states that may include more than one race track that has it, yeah. But I mean this is, it is clear where this pattern is going. They’ll each go to their state legislatures and their Governors are saying, gee, this great tradition that has made our state something special is going down the tube. We need you to let us put in slot machines or black jack or whatever it may be.

Now when, if we support liberalizing under federal law betting, you know, intranet, Internet, whatever, does that stop just with horse racing or is there some iron clad way we can make sure that betting from home or from wherever or the Internet isn’t going to go to other forms other gambling. So I don’t know that there’s an answer to that right now.
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Maybe it might not even be fair to even pose it to you because I know you’re not thinking about that very much and the industry is clearly not unified on this. And the final point I want to make, Mr. Chairman, is what I raised with these gentlemen -- I know I didn’t raise this during your Subcommittee Hearing in Las Vegas, it was after. My belief that, whether it’s the Kyl Bill or whatever Bill that’s being considered in Congress, any significant exemption you put in will be used as the launching pad for other segments of the gambling industry. Gee, they got it, why can’t we gamble over the Internet?

Or why can’t we get this exemption. So as the night follows day, having spent a little time in Sacramento, I’ve seen that happen again and again and again and followed it happening in Congress on other issues.

CHAIRMAN BIBLE: And I agree. The most common phraseology you hear in terms of any regulatory or restrictive type activity is, you know, we want a level playing field with the competition. I think that’s what you’re hearing from the tracks in a number of places that they want to have a level playing field. Maybe, well we’ve got a little different spin to the argument because we want to preserve the American tradition of horse racing which may or may not be an American tradition in another 20 or 30 years from now as we increasingly become urbanized and move away from agrarian-based economy.

But I think what you do hear and I’m surprised you haven’t articulated, but you started to articulate it in terms of market share which is American. And what’s happened is they’ve suffered decreased handles and decreased profitability because of rise principally in lotteries. I mean if you take a look at the
data you would see that in states that have introduced lotteries, California being a prime example, there is a rise in lottery revenues on one graph and a decrease in track participation has been one of the fallouts.

You know, the argument that you hear in a number of states and you hear it very loudly in California is that because the tribes are operating slot machines. And you hear that in California and you’ve heard that to a large extent already in New Mexico which has gone one step farther and actually legalized slot machines on tracks, but to keep the playing field level.

So it tends to become a great ratchet at least from my perspective as to how you handle these particular issues. I don’t think we should make any recommendations that affect common pull income when there has been a widespread practice around the United States for a number of years and I think the existing system seems to take care of that. I think there is some question as to whether dogs and jai alai are indicative of common pooling.

And at least my personal opinion, I don’t particularly care for dog racing activities, so I don’t have, I suppose, a dog in that hunt, at all. So I don’t, I don’t care for the activity period. But I do think that at least the horse guys should, if you don’t want to make any recommendations that affect the common pooling regardless of the methodology of communication.

I think in terms of track activities, I don’t think you can make any recommendations that are particular, influence account wagering. Recognizing that account wagering goes into the household. But I think it goes into the household and there
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are methodologies that you can recommend that I think give you more information than you do probably as a patron at the track. I saw the same figures you did in the NORC Survey and was somewhat alarmed by the incidence and prevalence of pathological gambling activities. Although it was a very small sample and probably not particularly valid on which to draw any conclusion. But it is suggesting, as you indicated, perhaps some other difficulty.

And that you, and at least if you recommend no changes in account wagering, if you’re done with the recommendation that anybody who implements it do such things as safeguards as they’ve enumerated here, if you have a great deal more information about your patron than you get normally. I think when you get into intrastate account wagering, I think it becomes more problematic. And I’m not altogether convinced at this point that that doesn’t violate the Wire Act. I don’t think the Department of Justice has looked at it or taken any enforcement action.

MR. HICKEY: Well, I mean that is an open legal question and I’m not going to be able convince, until a Judge rules on it, no one knows the answer. But it is similar for me to say horse racing activity would suggest what states utilize it and if they wish to work together. But let me go back to one other thing with the problem of gambling, as you just point out. There are those who are in the problem gambling area who would argue that with those safeguards, particularly the cooling off period, and the fact that you can’t put money into an account with a credit card and that you have to wait 24 hours or a day
like a check before you can do it, that you can actually control

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CHAIRMAN BIBLE: That’s not what you say here. You

CHAIRMAN BIBLE: That’s not what you say here. You

say no direct use of a credit card for wagering. I assume that

say no direct use of a credit card for wagering. I assume that

you can use a credit card to establish an account balance and

you can use a credit card to establish an account balance and

wager from that. You just can’t call and make an instantaneous

wager from that. You just can’t call and make an instantaneous

wager with a credit card.

wager with a credit card.

MR. HICKEY: No, well, no.

MR. HICKEY: No, well, no.

MR. PUTSAVAGE: You can’t wager the same deposit day

MR. PUTSAVAGE: You can’t wager the same deposit day

either.

either.

CHAIRMAN BIBLE: What do you mean by no direct use of

CHAIRMAN BIBLE: What do you mean by no direct use of

-- but you can use a credit card to establish a wager intent?

-- but you can use a credit card to establish a wager intent?

MR. PUTSAVAGE: To replenish. Only to replenish.

MR. PUTSAVAGE: To replenish. Only to replenish.

CHAIRMAN BIBLE: Then you’re still wagering by credit

CHAIRMAN BIBLE: Then you’re still wagering by credit

card. It’s just more, it’s just interim.

card. It’s just more, it’s just interim.

MR. HICKEY: I’m not sure that, I don’t think TVG is

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allowing --

allowing --

CHAIRMAN BIBLE: When you say no direct use of a

CHAIRMAN BIBLE: When you say no direct use of a

credit card, are you advocating then that you can’t use a credit
credit card, are you advocating then that you can’t use a credit
card to either establish or replenish or an account?
card to either establish or replenish or an account?

MR. HICKEY: To establish, yes, because they want to

MR. HICKEY: To establish, yes, because they want to

try to get that information to find out who you are, what your

try to get that information to find out who you are, what your

age is and all this stuff.

age is and all this stuff.

CHAIRMAN BIBLE: You can’t show up in person?

CHAIRMAN BIBLE: You can’t show up in person?

MR. HICKEY: I don’t think you have to show up in

MR. HICKEY: I don’t think you have to show up in

person at most places, no.

person at most places, no.

CHAIRMAN BIBLE: Just do it over the phone.

CHAIRMAN BIBLE: Just do it over the phone.

MR. HICKEY: In the Kentucky --
CHAIRMAN BIBLE: In Lybrook, you can call Lybrook right now from this, the Lybrook operation up in Pennsylvania, you can call them and they will send you the information to establish an account.

MR. HICKEY: I do want to say, because you mentioned a couple other things. With respect to the Kyl Bill, the exception that was proposed for parimutuel racing was not an exception to allow them to use the Internet. It was an exception and it was specifically spelled out a closed loop subscriber-based service that was much more restricted than the, you know, the so-called worldwide web, the Internet.

And then the one part about the slots at the race track. We’re not suggesting that the Commission recommend that all race tracks be permitted to use, install slots or VLT’s or other forms of gambling. All we’re saying --

CHAIRMAN BIBLE: It would probably be tough to get that one on.

(Laughter.)

MR. HICKEY: -- we’re saying --

MR. MCCARTHY: We weren’t really thinking about that too much actually.

MR. HICKEY: Well, then I feel safe on that, to say that. But we were saying that if a state wishes to legalize slots or VLT’s, do not just automatically kick out of the mix a potential location as a race track, because it is a race track. As Mr. Bible said, the competition is what’s hurt us to a great extent because casinos, for example, can offer all forms of gambling including racing.
You know, in the race books. And we can only offer racing. We would like to be considered in the mix if a state wishes to do that. In other words, don’t just say because you are a race track, you can’t put a slot in. And there are --

MR. MCCARTHY: Well, we say that to card rooms too. You can’t put roulette tables in. I mean there are many forms of gambling who’s limits are defined.

MR. HICKEY: I understand that. But we would perhaps disagree, not with the card rooms, but if, with respect to the race track.

CHAIRMAN BIBLE: In California you have card rooms at the track.

MR. HICKEY: At Hollywood and a couple of other --

MR. MOORE: These nice casinos that are being built now, how long do you think it will be before they put a race track in the lobby of them?

MR. HICKEY: A thousand years.

(Laughter.)

MR. MOORE: Why is that?

MR. HICKEY: Because they are too expensive and they are not making any money.

CHAIRMAN BIBLE: They have to pay two manufacturers to make a simulated horse race.

MR. MOORE: Yeah, that’s what I was getting to. Won’t this get down to what he was talking about before, four races an hour. Of course that’s about how many they run at a race track, I guess. It seems like that.

MR. HICKEY: I’d say at least about three.
MR. MOORE: Maybe, I didn’t think maybe four. They are just having simulated races, you know, that these horses are just running all the time.

MR. HICKEY: We’re proponents of live horse racing.

MR. MOORE: Yeah, right. But because you’re proponents of it doesn’t keep this 24-hour channel from having those. Because if you put your quarter in and there are about 30 an hour you make more money. It would sort of be like video poker. A video poker machine, except it would be video horse racing.

MR. HICKEY: No, well you could only wager on the races that they show.

MR. MOORE: By what you proposed --

MR. HICKEY: It’s not quarter-by-quarter.

MR. MOORE: -- what you’re proposing?

MR. HICKEY: Right. Or what they’re proposing. We’re not.

MR. MOORE: Yeah, but I’m talking about what they’re talking about. What it could come to and what it will come to.

CHAIRMAN BIBLE: But it would start out with two or three races per hour and then you’d bring the signal from some other track and get up to six races an hour. I mean there would be a driver always for more revenue, more activity.

MR. HICKEY: I can’t obviously --

CHAIRMAN BIBLE: I watched it in Nevada and they bring in signals from Australia.

MR. HICKEY: They’re not even operating yet. I just want to make sure you understand that they haven’t even started.
MR. MOORE: Right, but this is what, if we're looking at the problems in, maybe there's not any problems out there in gambling. That's what we're looking at. And we have to consider, I would have to consider the worst. If we don't, I don't think we're doing much.

MR. MCCARTHY: Well, the pattern is pretty clear isn't it, historically, looking at what's happening in the horse racing industry. They stopped coming to the track and there was a decline even before the multitude of other kinds of legal gambling that got situated in many communities. Just a decline, for whatever reason. Maybe they are going to professional basketball games or they were spending their entertainment dollar in some other way.

This was even before the plethora of casinos. All right, so then went to state legislatures and the federal government and got the okay on simulcasting and on off track betting parlors and so on, all right. So now, you know, the forward thinking minds are saying, well, we still aren't doing it so now we have to go into the home.

We have to go where the people are because we can't get them to come to the race track. It's logical, I guess, but at some point the industry is going to have to make up its mind -- maybe this is the call we've been waiting for -- make up its mind as to, does it want to preserve the tradition of horse racing and try to make enough money so that the purses can be pretty good and, you know, all the other bills to be paid can be taken care of.

Or do we want to be in the gambling business like casinos and, you know, card rooms and all the rest of it. Well,
it sounds like the kind of stumbling position is, well let’s just kind of leave everything open. After all this is states’ rights issues and --

MR. HICKEY: Well remember, the money from the slot machines and the VLT’s is used by, most laws require it for purse money for the horsemen and to update the track. And that money goes back into racing. And the higher the purses, the purses are what drive the racing, the breeding business and the actual event it supports. With respect to the racing channel, and trying to get on television, the whole point of that, one of the express purposes of that, whether -- I see that you are somewhat dubious here -- is to try to bring the enjoyment of horse racing.

Explain horse racing, so it’s not such a complicated situation and handicapping and looking at the racing form, so that people will take an interest in it and perhaps go back to the track so that there will be more betting. Now there is a strong belief that the baby boomers, one of the problems with horse racing is handicapping. I mean handicapping is an art. A lot of people make their livings handicapping races.

It’s different than slot machines or other forms of wagering. There’s a belief that a lot of the baby boomers are going to have more time. And they are going to hopefully say, well handicapping is not so tough. Maybe I can learn. Maybe it’s not so bad sitting around at a race track for an hour or two looking at that sheet and then trying to pick, beat the other people there.

So part of the purpose of these racing channels is to get on television again, much like the NFL or like with the trash
boards. It’s not solely wagering, although wagering is important.

MR. MCCARTHY: That makes sense.

MR. HICKEY: Because wagering is what, is the handle which is what is divided up between the track, the horsemen and the state.

MR. MCCARTHY: Umm hmm.

CHAIRMAN BIBLE: Well, because I think the prime economic value of your signal is the wagering activity, not recreation or entertainment activity.

MR. HICKEY: Certainly the signal.

CHAIRMAN BIBLE: Other questions?

MR. MOORE: You know sort of the American way when something goes wrong and the way we solve that is we appropriate more money or try to raise more money and hire more instructors to teach us how to do it better. And whether that’s morals or whatever, I mean, we always try to cure everything with money. I mean, you know, you go off to school and you get a Phd and you get you a job at the college teaching and you build you a new house and buy you a new car and a boat and your children can go to hell with more teenage pregnancies and all of that kind of stuff. But the economy is good and you’re doing it up.

CHAIRMAN BIBLE: Does that mean Old Miss is going to turn around that new federal building?

MR. MOORE: Right.

(Laughter.)

MR. MOORE: So one time or some times we’ve got to take a stand. Or let it go like Mr. McCarthy said that maybe we suggest just let the states go and let the states do, not
suggesting, and let them do what they want to do. And I’m not
certain that being from Mississippi I’m probably more anti-
government than most people in here. You know we advocate small
government unless we can get some of the money. And, some of
that federal money and we get our share.

(Laughter.)

MR. MOORE: But one of these days, as a legacy has
implicated, you’re going to have to just say, are we going to
educate people and make them love to come and watch a horse race.

MR. HICKEY: That’s what we’re trying to do.

MR. MOORE: Instead of going on tv and that’s good.
And I would probably sit there and learn about horse racing and
how to raise a horse and things. I don’t think I’d bet much.
But if you didn’t bet, if the people didn’t bet, you can bet your
bottom dollar that program wouldn’t be on too long. Too many
people want it just for the information.

MR. HICKEY: I wish you could see the program.
Because it goes into an awful lot more than --

MR. MOORE: That’s what I say, I wouldn’t look at,
probably.

MR. HICKEY: You know it goes into the horse that
drinks beer. It goes into the, it’s even blatant selling of sex,
which everyone has been opposed to. I mean they do a short story
on one of the grooms in California who is trying to be a star so,
you know, you see him in his bathing suit and that sort of stuff.
But it is mainly entertainment or, you know, to try to get people
interested in the horse.

MR. MOORE: Why would we need all that to make you
get interested in a horse?
MR. HICKEY: Because people don’t -- I might risk a little, getting your ire up here, but there are some people who have never been around a horse. Who are so far from the farm and the agrarian society that people don’t understand horses. And they don’t appreciate, you know, the will to win that the horse has. I mean one of the best stories I’ve ever heard, the one race that Secretariat lost as a two-year-old up in Saratoga.

Henny Tweedy who owned Secretariat at that time, when they took Secretariat back to his barn he faced the back of his stall. He usually was out looking at everybody and neighing and everything. He was in the back because he was, and she says because he was so embarrassed and upset that he lost that race. Now that’s the story we’re trying to get out. The idea of the horses and the jockeys and the trainers.

MR. MCCARTHY: I’ve done the same thing.

(Laughter.)

MR. HICKEY: I’m going to go do it right now.

MR. MOORE: You told us you’ve never lost.

CHAIRMAN BIBLE: Okay, I don’t think we have any further questions.

MR. HICKEY: Does this mean we don’t have to appear tomorrow then?

CHAIRMAN BIBLE: Well, your presentation will be tomorrow then.

MR. HICKEY: Oh no, I’ll just be here.

(Laughter.)

CHAIRMAN BIBLE: And since we talked to you today you don’t have to anticipate a formal response to your letter.

MR. HICKEY: Oh, of course not.
CHAIRMAN BIBLE: We do appreciate your input though.

Thank you.