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

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

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

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

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

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

Our purpose today is to discuss briefly several recommendations that you have already received in written form.
We hope that this will assist you as you continue your deliberations.

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

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

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

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

Because much of what racing is doing now and has been doing for some time with respect to simulcasting, interstate merged pools, and account wagering is regulated by the federal
wire statute, we are very interested in any Commission recommendation on so-called internet gambling because they would involve changes to the Wire Act, which has such an important part in our business.

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

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

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

Account wagering has a history of successful operation in the states I mentioned, New York, Pennsylvania, Connecticut, Kentucky, for over 15 years.
We offer those as distinctions for the differences between what we are doing now and have been doing for many, many years and what internet gaming might be considered.

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

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

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

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