

Statement of Ranking Member Spencer Bachus, Full Committee Markup, H.R. 6870, "Payment System Protection Act"

September 16, 2008

It is disappointing that we are marking up yet another bill intended to impede the implementation of the Unlawful Internet Gambling Enforcement Act (UIGEA) just two months after this Committee rejected a similar measure. Because I believe that UIGEA should be implemented without further delay and congressional interference, I must oppose this latest attempt to derail it.

Enactment of UIGEA at the end of the last Congress capped a bipartisan, multi-year effort to protect American families. The law was passed with the support of a broad coalition that included the overwhelming majority of members on this committee, college and university presidents, the American Bankers Association, the American Psychiatric Association and major sports organizations including the NCAA, Major League Baseball, the NFL, NBA, and NHL.

Some claim that illegal Internet gambling is a victimless crime. In fact, its very real victims are the young people who by the tens of thousands are becoming compulsive, addictive gamblers. Studies show that the earlier one begins gambling, the more likely it is he or she will become an addicted problem gambler. And in the most recent study of Internet gambling in Canada -- where Internet gambling is regulated -- University of Lethbridge professor Robert Williams found that the average monthly loss of Internet gamblers is \$541, compared to an \$82 loss for all gamblers.

The characteristics of illegal Internet gambling are unique: online players can gamble 24 hours a day from home; children may play without sufficient age verification; and betting with a credit card can distort a player's perception of the value of cash, leading to gambling addiction, bankruptcy and crime. Imagine your outrage if someone tried to open a casino next door to your house and said that children were welcome to come in and gamble. In effect, that is what these offshore casino sites are doing as they turn the computer in your child's bedroom into a slot machine.

Before UIGEA, Americans were sending nearly \$6 billion to unregulated, offshore online casinos per year, nearly half of the \$12 billion bet world-wide over the Internet. These sites evade rigorous U.S.-based regulations that control gaming by minors, problem gamblers, and ensure the integrity of the games.

Since UIGEA, big players in the industry such as PartyGaming, which runs the PartyPoker.com and PartyBingo.com Web sites, have pulled out of the U.S. market. According to the Annenberg Public Policy Center, weekly use of the Internet for gambling among college-age youth has declined precipitously, dropping from 5.8 percent in 2006 to 1.5 percent in 2007. "The strong drop in use of Internet sites also suggests that federal legislation restricting the transfer of funds to Internet gambling sites has had its intended effect," the director of the Annenberg survey said.

We shouldn't stop now. UIGEA is indispensable because other enforcement tools were so inadequate. It is true that the law imposes new obligations on financial institutions to identify and block Internet bets; however, this is necessary because Internet gambling regulation cannot work like traditional casino-based regulation. Without UIGEA, illegal casinos will sweep billions of dollars out of the U.S. into largely unknown -- and all too often criminal -- hands.

The bill that we are considering today does reflect a more targeted approach than the one the Committee rejected in

June. It would at least require financial institutions to begin blocking sports betting over the Internet once final regulations implementing UIGEA are promulgated. While I appreciate the efforts that Chairman Frank has made to scale back the bill, I still cannot support it. And I should also note that the professional and amateur sports associations that would presumably benefit from the blocking of sports bets on-line have just informed me that they oppose this bill as well.

In closing, Mr. Chairman, let me once again implore officials at the Treasury Department and Federal Reserve to complete their work on the UIGEA implementing rules. These regulations are now more than a year overdue. It is not too much to ask that the Executive branch comply with its legal duty and finalize these regulations.

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