



Online Poker Rakes in \$3.3B **Study estimates revenue from regulated Internet card games.**

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As lawmakers debate the future of online gambling in the United States, evidence continued to build Tuesday for the eventual regulation of an industry worth tens of billions of dollars.

A new study suggests that Internet poker, if properly regulated and taxed, could net the federal government a hefty \$3.3 billion each year. According to the study's author, Internet poker's explosion in popularity merits serious consideration.

"It is the major draw in terms of Internet gaming," said Judy Xanthopoulos. "It's already responsible for most of the growth." Dr. Xanthopoulos, an economist with Quantria Strategies, wrote the study for the poker advocacy organization Poker Players Alliance.

In 2005 alone, according to the Media & Entertainment Consulting Network (MECN), the number of people playing Internet poker each month more than tripled between January (1.7 million) and December (5.4 million). While federal regulation in the U.S. on online gambling remains murky, it's not stopping the millions of Americans who play online poker each month. According to MECN, U.S. players represent at least 75 percent and as much as 90 percent of all Internet poker players.

Players have a multitude of choices when it comes to poker-playing sites. Young international companies continue to get into the mix. The six-year-old gambling software developer Playtech—headquartered in Estonia—recently raised \$55.6 million in an IPO (see RH Internet Report).

With online poker's increase in popularity comes a greater variety of players. A rise in small wagers—typically preferred by novice players who are unwilling to risk larger sums of money—is proof of that trend.

According to MECN, in 2001 the average revenue per active player was \$1,330. By 2004, that number dropped to \$869.

Legislative Action

Lawmakers working to establish rules governing Internet gambling in the United States are discussing several proposals. House bills H.R. 5760 and H.R. 5474 acknowledge the rise of Internet gambling and seek to create commissions that would study it more closely. Such commissions would then provide lawmakers with recommendations on legislation.

Bills H.R. 4411, H.R. 4777, and the Kyl Proposal all take different approaches toward strictly regulating or completely prohibiting Internet gambling in the United States. "[Lawmakers] haven't thought about a lot of this stuff," said Dr. Xanthopoulos. "It really needs to be clarified or given a more careful examination."

Many Internet poker supporters point to the United Kingdom, which in 2004 legalized Internet gambling. Specific provisions, however, were delayed pending the results of a study by the country's gambling commission. The first part of the commission's report was released in May.

As increasing numbers of U.S. adults head to virtual casinos and card tables, people are divided over whether Internet gambling should be banned. Some 34 percent say they would support a ban, 32 percent said they would oppose one, and 34 percent remain undecided (see FastStats: Online Olympics).

In a striking blow to the Internet gambling industry, on Tuesday afternoon the U.S. House of Representatives approved H.R. 4411 on a vote of 317-93. Dubbed The Unlawful Internet Gambling Enforcement Act of 2006, if signed into law it would force banks and credit card companies to stop payments to the thousands of gambling sites located outside the United States.

The bill now heads to the Senate. "We think that's entirely wrong," said Michael Bolcerek, president of the Poker Players Alliance. "We're going to fight it."