

**THE PENNSYLVANIA HOUSE OF REPRESENTATIVES  
JUDICIARY COMMITTEE HEARING  
ON HOUSE BILLS 2271 AND 2438  
WEDNESDAY, JULY 8, 1998**

**Oral Presentation by  
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Good Afternoon!

Chairman Gannon, Representative Clymer...and Members of the House Judiciary Committee...

Thank you for providing me this opportunity to address the House of Representatives Judiciary Committee Hearing this afternoon and to contribute to the formulation of responsible and effective legislation in Pennsylvania.

As an executive with Ladbroke Racing in Pennsylvania overseeing the Account Wagering Operations, I am keenly interested in the developments of House Bills 2271 and 2438.

While similar in their intent to prohibit "on-line gambling" or "gambling by computer", they are significantly different in that House Bill 2438 exempts the highly regulated and policed pari-mutuel industry, while House Bill 2271 does not include this important exemption.

We are respectfully submitting and requesting that House Bill 2271 be amended to exclude the Pennsylvania Horse Racing Pari-Mutuel Industry so it will not negatively impact an industry which, in the last 10 years, through forward thinking legislation, has allowed us to remain competitive.

Horse racing is significantly different than other forms of gambling. The "house" has no stake in whether the players win or lose. In racing, a pari-mutuel game, revenue to the operator is based on volume, not outcome. Most importantly, pari-mutuel wagering is legal and fully recognized by state regulators and racing commissioners. States thoroughly regulate and audit the industry with many safeguards mandated and monitored to protect the public.

Pari-mutuel wagering has operated over state boundaries for nearly 30 years. Since 1971, customers in one state have had the state-sanctioned right to make pari-mutuel wagers on races run in another state. Since 1983 in Pennsylvania, there has been legal Telephone Account Wagering. Since 1986 in Pennsylvania, intrastate wagering has

been available with the audio/video/data presentation of the live racing, called simulcasting.

And, more recently, since 1993 in Pennsylvania, interstate wagering, known as full-card simulcasting, has been available.

Account Wagering operations are presently legal in eight states, including Connecticut, Kentucky, Ohio, Maryland, New York, Nevada, Oregon and Pennsylvania. Of the states that actively operate full account wagering facilities, all accept customers from outside their own state. Just like a customer located in-state, out-of-state customers can wager on any track carried by the account wagering facility by using the telephone to communicate with the wagering facility. Funds must be on deposit with the licensed wagering facility in the state where the wager is being placed.

Legislation restricting the Pennsylvania Horse Racing Pari-Mutuel Industry would prevent the natural technological evolution of pari-mutuel wagering by prohibiting the use of computer technology to do what has been done for 15 years by telephone today.

This technology has the ability to allow the Pennsylvania Horse Racing Industry to increase revenue by exporting/importing simulcasting to a world wide market. In 1997, over \$100 billion was wagered on horse racing around the world. The United States represented just 15% of that total, despite having the best horses and races in the world! Through new technology we have the opportunity to tap this market.

The advances of technology have created a golden opportunity for the Pennsylvania Horse Racing Industry. In fact, we are positioned to re-introduce and re-package the "sport of kings" to a newer, savvy, and more computer-friendly audience. As we have successfully seen this decade in Pennsylvania, racing has grown from an on-track business to an off-track business. The advent of new media and technology will serve as the next natural progression of racing's distribution in a safe and exciting way.

The effective use of computer systems and technology is key for all modern business today. Ladbroke Racing has invested significantly over the years to create and capitalize on the future opportunities. I have personally spent the last 4 years researching and investigating the opportunities to safely and responsibly move our business ahead. In the last year, we have successfully developed a relationship with the You Bet! Racing Network.

You Bet! is a publicly-traded (OTC: UBET), Los Angeles-based technology company. You Bet! developed and deployed the first PC-based wagering system and transaction processing software in the world. It operates and integrates with our existing Account Wagering Operations, the same way our customers have used the telephone since 1983. We selected You Bet! for reasons related to security, performance, regulation and their ability to deliver the service through a private network. This means it is not

on the internet and members cannot access the internet from the network and vice-versa.

Implementation of the agreement was subject to and met with the approval of the Pennsylvania Harness Racing Commission. In addition, it has been approved and endorsed by our Meadows Horsemen's Association.

We believe this unique opportunity has positioned our company and Pennsylvania to continue to take a leadership role in keeping our industry viable and competitive.

In summation, we are certainly in favor of legislation to cover/eliminate activity already deemed illegal to close loopholes or "blackholes" the internet has created for the less than reputable persons or businesses. However, as you consider House Bill 2271, we ask you to exclude the Pennsylvania Horse Racing Pari-Mutuel Industry so this already highly and responsibly regulated Industry may take advantage of technology and remain competitive.

Thank you.