



Memo

To: Michigan Lawmakers
From: John A. Pappas, PPA executive director & Duane Robinson, MI state director
Date: December 5, 2016
Re: The Big Lie About Online Gaming Cannibalization

The legalization and regulation of online gaming in Michigan, advanced in the form of Senate Bill 889 sponsored by Senator Kowall, has been discussed and vetted throughout a series of hearings over the last year. During that time, support for the legislation has steadily grown as more and more legislators and stakeholders have realized that regulated online gaming will better protect consumers, generate new revenue without raising taxes, and make the state more economically competitive.

Sensing the momentum behind online gaming, opponents – backed and funded by wealthy, out-of-state special interests – are making one final stand against SB 889. Unfortunately for these special interests, their last stand doesn't have a leg to stand on.

In a [recent memo](#) circulated by Meliora Solutions, LLC, opponents quite literally made-up revenue calculations and then tried to pass them off as a fact-based analysis to make the case that online gaming would “cannibalize” brick-and-mortar gaming in Michigan. Unfortunately for them, the facts tell a very different story.

First and foremost, the opponents' memo completely ignores the reality that tens of thousands of Michiganders are already gambling online, albeit illegally on black market sites, many with operators in places like Russia and China. Sites, by the way, that have a track record of defrauding players, stealing identities and preying on minors.

While the opponents lament the alleged loss of tax revenue if online gaming is authorized in Michigan, the fact of the matter is that tens of millions in already being lost due to the self-interested actions of special interests trying to block it. SB 889 provides Michigan legislators an opportunity to stop this illegal activity, protect consumers, and generate new revenue that could help to fund infrastructure improvements, healthcare, education, public safety, and worth programs for seniors, families and veterans.

As to trumped up fears about cannibalization, actual real world experience in markets that have authorized online gaming prove it to be completely unfounded. A recently published study¹ (conveniently ignored by Meliora Solutions) suggested that states that draw revenue from casino gambling should regulate online gambling as a complementary offering to their land-based games.

The study explains that there is little overlap between online and offline player demographics, but those online gamblers represent a valuable subset of potential brick-and-mortar casino players which will create a complimentary impact. Statistics from New Jersey casino companies align with the study's findings. According to the president and CEO of Boyd Gaming, “about 85 percent of our online

¹ *Consumer spending in the gaming industry: evidence of complementary demand in casino and online venues*, Philander, Abarbanel and Repetti, June 2, 2015



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players have not rated play at the Borgata in the last two years, showing there is little overlap with our land-based business."²

Further, an executive with Caesars Entertainment recently testified that 91 percent of their online players in New Jersey are new customers and because of their online offerings they have seen increased play and visitation to their land-based properties.³

Given all of the evidence, it is clear that moving forward with online poker and online gaming in Michigan will not harm existing casinos' offerings. In fact, it will do the opposite – and help drive customers from the internet platform to the brick-and-mortar settings, benefiting both the consumer and the operators.

² Kevin Smith, President & CEO, Boyd Gaming, *Press Release: Borgata Online Gaming Revenue Grows 14% in January*, February 12, 2014

³ David Satz, Senior VP Government Relations and Development, Caesars Entertainment Corp, *Testimony before the Pennsylvania House Democratic Policy Committee*, May 1, 2014