



Testimony of Joe Asher, CEO of William Hill US

**New York Senate Committee on Racing, Gaming and Wagering
January 24, 2018**

Chairman Bonacic and Members of the Committee:

Good afternoon. My name is Joe Asher and I am the CEO of William Hill's U.S. business. We appreciate the invitation to testify today.

In a moment, I will give you some background about our business. However, the central theme of my testimony is to ask you to allow the legal sports betting market in New York, when it comes, hopefully soon, to compete with the thriving black market, which won't easily or quickly go away. Taxes and regulation will be critical to that effort.

William Hill is one of the leading sports betting companies in the world. It has been in business for about 85 years. The company is headquartered in London and traded on the London Stock Exchange with a market capitalization of approximately \$3.5 billion. William Hill holds gaming licenses in the United Kingdom, Gibraltar, Australia, Italy, Spain, the United States and The Bahamas and employs approximately 16,000 people around the world.

William Hill's US business, which I oversee, is headquartered in Las Vegas and is the leading sports betting company in the United States. We operate 108 sports books located within casinos in Nevada, representing more than half the sports books in the state, not just in Las Vegas, but in Reno and Carson City and many small towns in between. We are also the market leader as measured by sports betting revenue in

Nevada. Our market share is about 30% in a disaggregated market. We employ almost 450 people in Nevada.

In addition to retail sports books, William Hill operates Nevada's leading mobile sports betting app. Customers must initially sign up for the app in person at a licensed casino. After establishing their account, customers may place bets from anywhere within the state

Fueled by television coverage and the Internet, the popularity of sports betting has never been higher. In Nevada, around \$5 billion was wagered on sports in 2017. Nevada's sports betting business provides approximately 2,000 jobs, stimulates hundreds of millions of dollars in other economic activity and helps bring more than 30 million visitors to Nevada each year.

Elsewhere, William Hill is the exclusive risk manager for the State of Delaware's Sports Lottery, where parlay wagering on NFL football is permitted; while the product is limited, this is currently the only significant legal sports betting in the U.S. outside Nevada. Also, I'd be remiss if I didn't encourage you to visit our brand new sports book at the \$4 billion Baha Mar Resort in The Bahamas

A few years ago, we signed a deal with Monmouth Park racetrack in New Jersey to operate a sports book should it become legal. We have already built the sports book at Monmouth and we are preparing to take bets as soon as we are legally permitted to do so.

As you know, the Supreme Court will rule on the New Jersey sports betting case in the coming months. The Court's

ruling could have important implications for New York's gaming industry.

New York is clearly ahead of the curve since it has already authorized sports betting in casinos when it becomes legal under federal law. As you think about the implementation of sports betting, we ask you to consider a few important matters, including the tax rate and betting on college sports.

While sports betting will help bring many customers into New York's legal gaming market and generate revenue for the state, the reality is that sports betting is a low margin business. In Nevada, the average hold – the amount retained by the operator after paying winning customers – in recent years has been under 5%. That win percentage is much lower than other casino games. Meanwhile, the complexity and expense of running a sports betting operation is significant, which is why

many casinos choose to outsource their sports books to William Hill.

Because of the low margins, it is imperative that the tax rate on sports betting be reasonable. By way of example, in Nevada, casinos pay a tax rate of up to 6.75% on sports betting revenue. In New Jersey, we understand the tax rate for land-based sports betting is going to be 9.25%. That is in addition to the quarter point of handle federal excise tax that sports books must pay to the IRS. That quarter point of handle equates to an additional 5% tax on gross revenue.

Any state tax rate that is much higher makes it difficult for legal bookmakers to price the product competitively with the black-market operators, who pay zero in taxes. Ultimately, these illegal operators, such as offshore websites

and mob-connected bookies, will be the true competition when legal sports betting comes to New York.

Illegal bookmakers not only pay no taxes, but they also have no compliance costs. We must follow numerous state and federal regulations and the cost to comply is substantial. Illegal bookmakers don't concern themselves with Bank Secrecy Act obligations, Suspicious Activity Reports, Currency Transaction Reports and the like.

Let's be clear on another point. Any taxes or fees on sports betting, no matter what they are called, should be payable to the State of New York to benefit the citizens of New York, not to benefit wealthy private parties.

A bill was recently introduced in another state that would have a cleverly named "integrity fee" for the benefit of the

sports leagues. Now, let's be clear -- that's just a euphemism for a cut of the action. There will be plenty of financial benefits to the leagues. There is no need to divert tax revenue from the citizens of New York to a privileged few.

The sports leagues have much to gain from legalized sports betting. In Europe and other parts of the world, sports teams collect millions of dollars in sponsorship revenue from sports betting companies. Their logos are displayed on jerseys and on arena and stadium signage. In addition, the leagues will profit from legalized sports betting by selling their data to sports book operators and from increased fan engagement and the value of broadcast rights. Recently, it was reported in the press that the NBA signed a \$250 million deal with a sports data company that includes distribution of their data to sports betting operators.

Another subject I'd like to discuss briefly is college sports. This goes back to my central theme of being able to compete with the black market. In Nevada, we are permitted to take bets on our local college teams such as UNLV or UNR – the University of Nevada Las Vegas and Reno. Indeed, William Hill is a proud sponsor of UNLV basketball and football. That's right -- the William Hill logo appears courtside at Runnin' Rebels games. I know it may be confusing: The NCAA is opposed to sports betting but one of its teams is sponsored by a sports betting company, but in any event, there have not been any issues in this regard.

If legal bookmakers cannot offer betting on major college sports, it will be very difficult to migrate customers from the black market. You can't expect customers to bet in the legal market when their illegal bookie is the only one to offer betting on Syracuse basketball or the Big East Tournament at Madison

Square Garden. Betting on major college sports is essential to our ability to compete with the black market and maximize revenue to the state.

As we look forward to the Supreme Court's ruling in the next few months, we hope to one day work with you and your regulatory bodies to offer sports betting in New York. I appreciate the opportunity to appear here today and welcome any questions you may have.