

HOUSE OF REPRESENTATIVES  
COMMONWEALTH OF PENNSYLVANIA

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House Bill 2308

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House Judiciary Committee

Ceremonial Courtroom  
Federal United States District Court  
601 Market Street  
Philadelphia, Pennsylvania

Monday, July 1, 1996 - 1:15 p.m.

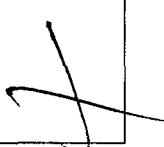
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BEFORE:

Honorable Thomas Gannon, Majority Chairman  
Honorable Lita Cohen  
Honorable Timothy Hennessey  
Honorable Al Masland  
Honorable George Kenney  
Honorable Thomas Caltagirone, Minority Chairman  
Honorable Michael Horsey  
Honorable Kathy Manderino  
Honorable Harold James

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ALSO PRESENT:

Honorable Paul Clymer

Honorable Babette Josephs

Brian Preski, Esquire  
Chief Counsel

David L. Krantz  
Minority Executive Director

## C O N T E N T S

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1                   CHAIRMAN GANNON: I'd like to convene  
2                   the Judiciary Committee public hearings on House  
3                   Bill 2308. Our first witness is the Honorable  
4                   Edward G. Rendell, Mayor of the City of  
5                   Philadelphia. Welcome, Mayor Rendell.

6                   Before I start, though, I'd like to  
7                   have the members of the committee who are here  
8                   to introduce themselves.

9                   REPRESENTATIVE HORSEY: Mike Horsey,  
10                  Philadelphia County.

11                  REPRESENTATIVE CALTAGIRONE: Tom  
12                  Caltagirone, Democratic Chair, Berks County.

13                  REPRESENTATIVE COHEN: Lita Cohen,  
14                  Montgomery County.

15                  MR. PRESKI: Brian Preski, Chief  
16                  Counsel to the Committee.

17                  REPRESENTATIVE KENNEY: George Kenney,  
18                  Philadelphia.

19                  REPRESENTATIVE MASLAND: Al Masland,  
20                  Cumberland.

21                  REPRESENTATIVE JOSEPHS: I'm not a  
22                  member of the committee. I'm Babette Josephs,  
23                  Philadelphia.

24                  CHAIRMAN GANNON: Representative  
25                  Thomas wanted to be here today. He's ill so he

1           could not be with us. Thank you for your  
2           patience, Mr. Mayor. You may begin any time you  
3           like.

4                       MAYOR RENDELL: Thank you very much,  
5           Mr. Chairman, and members of the committee. We  
6           appreciate your coming to Philadelphia to hold  
7           these hearings. We also appreciate the  
8           extension of an invitation to testify.

9                       As you all know, I have been a strong  
10          proponent of riverboat gambling since my  
11          election in 1991 when I came up to the  
12          Harrisburg to talk to both the Democrat and  
13          Republican caucuses in the House of  
14          Representatives. We have gone down a number of  
15          different roads in that time period. Much has  
16          stayed the same, but much have changed.

17                      As you are aware, our sister State of  
18          Delaware to the south now has legalized  
19          gambling. They have legalized gambling at the  
20          tracks and that includes motor sports tracks, as  
21          well as racetracks. It is basically a limited  
22          form of casino gambling. By reports, including  
23          one that was reprinted in the Inquire three  
24          Sundays ago, the yield for gaming in Delaware  
25          has been extraordinary, way beyond the hopes of

1 the state officials who implemented the program.

2 To tell you just the level of public  
3 acceptance, I was down at Dover Air Force Base  
4 for the ceremony when Ron Brown and the others,  
5 their bodies were sent back from Bosnia. We had  
6 a memorial service in the airplane hangar. That  
7 was not only for Secretary Brown's, but also one  
8 of the businessmen from this area.

9 On the way back from the hearing we  
10 got a little lost and we were looking for Route  
11 1. We pulled into a McDonald's and I went up to  
12 the counter and asked the fellow behind the  
13 counter, how do we get on Route 1? He said, no  
14 problem. We were near Dover Racetrack, Dover  
15 Downs. He said, no problem; just turn left at  
16 the light and then go one block, you'll see the  
17 casino. It's right past the casino.

18 The reason I mention that is, we now  
19 have 2 sister states, Delaware and New Jersey,  
20 that are actively pursuing gambling; that are  
21 taking gambling dollars from the citizens of  
22 Pennsylvania. Those gambling dollars are going  
23 to Jersey; they are going to Delaware. We are  
24 getting no social benefit out of those dollars.  
25 Whatever ails comes from gambling, people from

1 Southeastern Pennsylvania can in fact gamble by  
2 just going a few short miles to Delaware or a  
3 few short miles to New Jersey.

4 You may not have seen but there is a  
5 proposal in New Jersey to bring riverboat  
6 gambling to the Camden waterfront. That's was  
7 printed in the Camden Courier Post, and I have  
8 sent that or it's in the process of being sent  
9 to legislative leaders and members of my  
10 delegation. Ohio and New York, although they do  
11 not have legalized gambling yet, both with  
12 conservative Republican governors are taking  
13 some decided steps toward the goal of legalizing  
14 gambling.

15 You and most of the folks here are  
16 from the Delaware Valley. But if you were to  
17 go -- And I think you all know this. If you  
18 were to go to the Walt Whitman Bridge or the Ben  
19 Franklin Bridge at 5 o'clock on a Friday night,  
20 you will literally hear the sounds of dollars  
21 being sucked out of the Pennsylvania economy and  
22 being sucked out of the tax rolls of  
23 Pennsylvania going to Atlantic City. It is  
24 something that I believe that we can no longer  
25 afford. We cannot be an isolated island that

1 does not have any form of legalized gambling  
2 when our sister states do and take jobs and tax  
3 revenue and entertainment dollars from us which  
4 should be rightfully ours.

5 What would the impact be of riverboat  
6 gambling along the scope of the bill that we are  
7 here discussing today, Representative Kenney's  
8 bill? While we have had a gambling commission,  
9 I appointed my first year as Mayor a commission  
10 on gaming. The gentleman to my left is Ted  
11 Beitchman who is the Deputy Chief of Staff and  
12 he has been the liaison to the commission. The  
13 commission was headed by former United States  
14 Attorney for the Eastern District, Michael  
15 Baylson who was appointed by President Bush to  
16 be United States Attorney for this district.  
17 The commission has strongly recommended the  
18 implementation of legalized gambling for the  
19 State of Pennsylvania and for the Philadelphia  
20 area.

21 We have had studies commissioned by a  
22 number of different consultants. Ernst Young  
23 has done a study on this particular legislation  
24 that is before this committee. Let me just read  
25 you briefly what Ernst Young says the economic



1 impact would be, first for the City of  
2 Philadelphia.

3 Ernst Young estimates from the 15  
4 percent gaming tax the City of Philadelphia  
5 would net on an annualized basis \$87 million a  
6 year. We would also get 8 to 10,000 new jobs if  
7 the number of franchises was increased to 5 as I  
8 will recommend here today for Philadelphia and  
9 Allegheny County. We would get \$10 million as a  
10 result of the wage tax paid by employees to this  
11 industry. That would be \$97 million.

12 Assuming the requirement for fee  
13 simple ownership is removed, and I will testify  
14 for reasons that I think we should remove that,  
15 the City of Philadelphia would get a market rate  
16 of 5 percent of the gross for its incinerator  
17 site and net \$12 million annually. That would  
18 be \$109 million in annual revenue for the City  
19 of Philadelphia. We are not going to even begin  
20 to calculate the ripple effect that it would  
21 have from other vendors doing business with  
22 those 5 franchises. The ripple effect in terms  
23 of jobs and tax dollars would be enormous. We  
24 don't even get into that.

25 Ernst Young estimates that under this

1 current legislation with 19 dock-side facilities  
2 it would create a \$2.5 billion industry  
3 immediately and that would mean a gaming tax  
4 revenue of \$375 million statewide, to be split  
5 along a formulation that has been laid out in  
6 the bill. We have done a Wharton School  
7 Econometric Study that estimates that in 4 years  
8 the Pennsylvania market will create a  
9 \$4 billion industry, which, given a 15 percent  
10 tax on the win which this bill hauls would  
11 create a pool of 600 million from the gaming  
12 tax.

13 In either of that, the state's share  
14 of that 375 million or 600 million can go a long  
15 way to rectify some of the problems that you  
16 just dealt with in this year's budget. I know  
17 that this year's budget was not a happy task for  
18 almost anybody. School districts all around the  
19 State of Pennsylvania felt decidedly short-  
20 changed, hospitals, health care agencies,  
21 museums, institutions, ordinary citizens in need  
22 of health care. All those individuals  
23 complained that there wasn't enough in this  
24 budget for them. Many of you felt on given  
25 issues that they were correct. The reason there

1 was not enough in the budget for them is that  
2 there wasn't adequate revenue. No one wants to  
3 raise basic taxes.

4 Gambling revenues are a way for this  
5 city and this Commonwealth to deal with some of  
6 its pressing problems. This bill carries a  
7 formulation for how the money should be spent  
8 both in counties of the first class,  
9 Philadelphia, and in the state. Obviously,  
10 you'll take a look at that formulation and I'm  
11 sure there will be some give and take.

12 I would urge today that the statewide  
13 money be allocated with the exception of the  
14 portion that's there to guarantee any net losses  
15 in the lottery and the remainder would be given  
16 to education. I think if we dedicate these  
17 dollars to education, it will be a very, very  
18 important step, not only garnering public  
19 support, but more importantly in dealing with  
20 what is a problem in Philadelphia, in Beaver  
21 County, in Berks County, in Clarion County.

22 It's a problem everywhere in the  
23 state. There isn't a school district out there  
24 that doesn't believe that it seriously and  
25 genuinely needs additional dollars. I think we

1           should dedicate the majority of the revenue pool  
2           for education.

3                       I would even go as far as to say the  
4           other 50 percent for counties of the first  
5           class; for counties of the first class, one-half  
6           of it is held aside for wage tax reduction, and  
7           I am in favor of that. I think the other half  
8           of that could be dedicated to education for  
9           counties of the first class as well, and I would  
10          so propose.

11                      So, the economic impact for us is  
12          substantial; a hundred and 9 million dollars of  
13          direct annual revenue a year for Philadelphia,  
14          and for Pennsylvania somewhere between 200 and  
15          \$300 million of annual revenue a year. The mind  
16          boggles at the opportunities for using those  
17          dollars. It is one of the most significant  
18          opportunities that we will have as a city and I  
19          believe as a state to use those dollars for a  
20          purpose that will meet the needs of our  
21          citizens.

22                      But, I am not unaware of the problems  
23          that the opponents of this legislation and other  
24          legislation say that gambling will cause. I'd  
25          like to just very, very briefly address some of

1           those comments. The comment that we hear most  
2           often is that gambling will create other crimes  
3           in Pennsylvania. If you legalize gambling,  
4           crimes like prostitution, drug dealing, money  
5           laundering, organized crime will take over in  
6           this state.

7                         We have to look no further than  
8           Atlantic City, New Jersey, or Las Vegas, Nevada,  
9           to see that as far as the street crime offenses  
10          that is incorrect. Those cities have both, over  
11          the course of time since they have had gambling,  
12          seen a reduction in street crime in their areas;  
13          a reduction in street crimes; not an increase.

14                        As far as organized crime getting a  
15          foothold because of gambling, again, I would  
16          address -- Take a look at the situation in New  
17          Jersey where the Casino Control Commission, an  
18          effective, well-funded, independent body has  
19          stripped the licenses from 3 franchisees on what  
20          many would consider remote and tangential links  
21          to organized crime. Three licensees lost their  
22          entire license to operate 100 percent; were  
23          kicked out of Atlantic City. I believe the type  
24          of Casino Control Commission that we could  
25          institute, whatever you called it, could do the

1 same type of effective job.

2 Michael Baylson, the United States  
3 Attorney for this district under President Bush  
4 also believes that that is a goal eminently  
5 achievable. Robert Colville, the District  
6 Attorney, the long-time District Attorney of  
7 Allegheny County also believes that that is a  
8 readily achievable goal; a properly operating  
9 Casino Control Commission to ensure that those  
10 influences not come to pass in Pennsylvania.

11 The second argument we hear against  
12 legalized gambling of any form is that gaming is  
13 immoral; that it will, in fact, cause people who  
14 work hard for a living to spend their money on  
15 gambling and not bring it home to their  
16 families, not take care of there children, not  
17 take care of their obligations, their legal  
18 obligations. That is a hard argument to deal  
19 with in the sense that I believe that instances  
20 of that will occur. I believe they are smaller  
21 than the opponents of gambling would lead you to  
22 believe, but they will occur.

23 But I will suggest to you very  
24 respectfully that whether you legalize dock-side  
25 riverboat gambling or not, the people who have

1           that problem, Pennsylvanians who have that  
2           problem, will continue to have that problem.  If  
3           we never have legalized gambling in Pennsylvania  
4           but we have Pennsylvanians who are bound and  
5           determined because of addiction or of something  
6           else to spend their salaries on gambling, they  
7           have ready vehicles to do it in Pennsylvania.  
8           They can do it at our racetracks.  They can do  
9           it at our off-track betting parlors.  They can  
10          do it playing our legal lottery.  They can do it  
11          by going to Atlantic City or New Castle County,  
12          Delaware.  They can do it in many many different  
13          ways, and they do do it in many, many different  
14          ways.

15                        Whatever immorality there is with  
16                        gambling, whatever side effects there are with  
17                        working people blowing their money those are  
18                        going to continue whether this state has  
19                        legalized gambling or not.  In this area that  
20                        argument has absolutely no weight and no merit  
21                        because people can readily obtain gambling  
22                        opportunities outside of the state and readily  
23                        obtain them inside of the state as well.

24                        You cannot cure what I believe has  
25                        been a human weakness since man and woman

1 organized on the banks of the Tigres and  
2 Euphrates. If I read my history, there was  
3 gambling even back then. Nothing we do here is  
4 going to stop people who are bent on gambling  
5 from doing so. That is very very very important  
6 because there are benefits from gambling that  
7 are obvious from the figures that I read, from  
8 the reports from Delaware, from New Jersey where  
9 the casinos continue to generate more and more  
10 gross revenues, and therefore, produce more and  
11 more revenues for the state. Those benefits are  
12 there. Pennsylvanians right now only are  
13 suffering the downsides of gambling. They are  
14 getting none of the upsides.

15 Next you will hear from people who  
16 fear that our restaurant industry will be hurt  
17 in Philadelphia by the institution of dock-side  
18 gaming. I think that can be regulated by either  
19 you, the state, or by us. It is our intention  
20 not to allow any significant food service on any  
21 of those gambling franchises--none.

22 So, in fact, the restaurant industry  
23 here would not be hurt. It would be helped  
24 because, if, in fact, people are coming down and  
25 gamble and eat, they will have to eat at



1 riverfront restaurants or eat at restaurants in  
2 downtown Philadelphia. That is a very  
3 controllable problem that you can control or  
4 that we can control by our local zoning power,  
5 and we intend to control it. I have told the  
6 Riverfront Developers Association that. I have  
7 said that on a number of occasions publicly. We  
8 will not let anything happen that will hurt our  
9 existing businesses, our clubs, our restaurants,  
10 our hotels, or the like.

11 Next there is raised by residents who  
12 live somewhat near gambling the problems of  
13 traffic, parking, et cetera. Those also are  
14 legitimate problems that none of us takes  
15 lightly. Number 1, Representative Kenney in  
16 this bill was very clear and very astute to not  
17 disallow -- He disallowed all other taxes or  
18 fees, but he did not allow fees on the  
19 franchises that are related to enforcement  
20 activities.

21 So, we can charge the franchises for  
22 additional police. We can charge the franchises  
23 for additional sanitation services. And we can  
24 mandate, again, through our land use power or  
25 through something that you put in the bill, we

1 can mandate the appropriate number of parking  
2 spaces on their own property to make sure that  
3 there is no spillover parking problem for any of  
4 the neighborhoods that are close to where  
5 gambling would be allowed in the City of  
6 Philadelphia.

7 Those are problems, again. They are  
8 not spurious problems. They are substantial  
9 problems. But they are problems that either you  
10 or we can address. We intend to address them.  
11 I have already said that publicly. If it is  
12 left to us and with our land use power that you  
13 reserve to the local governments--it probably  
14 will be left to us--we will mandate a proper  
15 amount of parking spaces on the property before  
16 any franchise would open. We will take use of  
17 the allowable provision that allows us to charge  
18 fees for extra police, extra sanitation, extra  
19 traffic control. I believe we will address  
20 those problems very readily.

21 So, I am a strong supporter of  
22 legalized gambling under proper and appropriate  
23 circumstances here in Pennsylvania. I want to  
24 make 8 specific suggestions for this legislation  
25 which I think will strengthen the legislation

1 and will make it more productive and more  
2 efficient. I'd like to go over these for you  
3 one by one. We will submit this portion of my  
4 testimony in writing later on.

5 Number 1. As I stated a little bit  
6 earlier, it is our belief that the number of  
7 licenses designated for Allegheny and  
8 Philadelphia counties should be raised from 3  
9 each to 5 each. This will increase the  
10 potential revenue for the Commonwealth, the  
11 casino operators and the political subdivisions  
12 of Allegheny, the City of Pittsburgh, and the  
13 City of Philadelphia. We believe that the 2  
14 largest counties in the state, Allegheny and  
15 Philadelphia, can absorb 5 gaming franchises  
16 well, without any of the intended problems and  
17 without dipping into the marketability of those  
18 franchises.

19 We also believe that where gaming  
20 should take place should be restricted in this  
21 legislation, so that voters who don't want  
22 gaming in their area will have a clear  
23 understanding that it will not be coming to  
24 their area. The Atlantic City, New Jersey  
25 experience is very instructive. The first time

1           legalized gambling was put on a statewide  
2           referendum in New Jersey it went down by 60 to  
3           40.

4                       But, another attempt was made a year  
5           and a half later. In that referendum gaming was  
6           restricted to Atlantic City. With that  
7           restriction, with that restriction, gambling  
8           passed by almost as much as it was defeated the  
9           first time.

10                      We would urge you to specifically  
11           restrict in this legislation the areas which can  
12           have legalized gambling. That way citizens of  
13           other parts of the state can understand that  
14           this legislation is not opening the door for  
15           gambling in their areas, and the areas where you  
16           specify that gambling is potentially allowed  
17           those citizens can make their own decision. So  
18           that is the first and I think a very important  
19           change that we would urge upon you.

20                      Secondly, we would urge that this  
21           legislation carry a requirement for a statewide  
22           referendum. We do that because Governor Ridge  
23           has insisted on that. He has made it absolutely  
24           clear. I think publicly he has made it clear to  
25           me that without that provision he would veto





1 want to repeat the story of Atlantic City. Even  
2 though the annual revenues that would come to  
3 the city and county of Philadelphia are great in  
4 these bills, we would be missing a huge  
5 opportunity if we did not charge upfront  
6 franchise fees. Because remember, the cost for  
7 a casino or a gambling operator to purchase a  
8 boat without eating facilities, without the  
9 requirement for hotel rooms, the cost is  
10 minuscule compared to what it is in Atlantic  
11 City. The debt service is infinitely less to  
12 the operator than it would be in Atlantic City.  
13 There should be an upfront, one-time franchise  
14 fee that goes to the local political  
15 subdivision.

16 We believe from studying new gambling  
17 enterprises in other areas of the country -- for  
18 example, if the city and county of Philadelphia  
19 could charge \$50 million for a franchise fee,  
20 and easily find takers, avid and willing takers,  
21 that \$250 million I've already publicly stated,  
22 if this legislation would allow us to get it,  
23 that \$250 million would go towards community  
24 development; \$200 million of which would be  
25 spent in our neighborhoods, creating housing

1 opportunities for people needing it, creating  
2 commercial opportunities, and economic  
3 development in the neighborhoods of  
4 Philadelphia, and \$50 million would be spent in  
5 downtown Philadelphia helping us with such  
6 vitally needed projects as new hotels.

7 That's already included in the  
8 projected economic stimulus plan that I publicly  
9 disseminated 2 years ago. It's still our hope  
10 that those franchises be awarded. If that had  
11 been done in Atlantic City, if the initial 9  
12 casinos had pumped in \$450 million, a half of a  
13 billion dollars into Atlantic City, just close  
14 your eyes for a second and think of the level of  
15 development that could have occurred in the  
16 neighborhoods of Atlantic City.

17 No one today would be saying, look at  
18 what happened in Atlantic City. The people of  
19 Atlantic City didn't get anything in return for  
20 gambling. That is correct, because the City of  
21 Atlantic City and its neighborhoods did not get  
22 those upfront franchise fees.

23 I feel so strongly about the need for  
24 upfront franchise fees that without it I would  
25 not publicly support gambling in a public



1 referendum. There is no reason not to do it.  
2 The operators won't like it because that money  
3 could stay in their own pockets, but they will  
4 pay that money easily.

5 We have had discussions with over 20  
6 different casino gambling operators who have  
7 been in to see us during my first 4 years as  
8 Mayor. I have told every one of them that I  
9 would seek that type of upfront franchise fees.  
10 I'm not talking just about Philadelphia. I'm  
11 talking about Erie. I'm talking about Delaware  
12 County. I'm talking about Bucks County. I'm  
13 talking about Allegheny County. Not one of them  
14 has said to us that that would be a problem that  
15 would stop them from coming here.

16 When you compare the debt service on a  
17 riverboat, dock-side riverboat in Allegheny or  
18 Philadelphia or Erie compared to building those  
19 huge casino hotels, the debt service is so much  
20 dramatically lower that those upfront franchise  
21 fees would be paid just like that, and it would  
22 be an incredible economic development boom to  
23 the City of Philadelphia, to the residents of  
24 our neighborhoods, and to the people of  
25 Pennsylvania.

1 Council President John Street, who  
2 could not be with me today to testify but wanted  
3 to, has asked me to indicate to you that this  
4 bill with the franchise provision would carry  
5 his strong support. Having the ability to spend  
6 \$200 million in our neighborhoods on top of our  
7 CDDG and homes money would give us the  
8 opportunity to totally in 18 months revitalize  
9 the face and the look and the feel of each and  
10 every neighborhood in the City of Philadelphia.  
11 The franchise fee amendment would be of vital  
12 importance to me and to the people of  
13 Philadelphia.

14 Fifth, we would also request that  
15 there be a change in the fee simple language  
16 that would permit gaming by casino operators  
17 that do not own land. The reason we ask that  
18 requirement is, one of the prime locations in  
19 the City of Philadelphia for dock-side gaming  
20 would be the city's former incinerator site on  
21 Delaware Avenue. That site is just used for  
22 storing vehicles which could be easily moved to  
23 a different site. That site is a prime location  
24 where we could easily accommodate 2 franchisees.  
25 It's a very large site, 12 and a half acres in

1 size. We could accommodate 2 franchisees and we  
2 could get the rent from that site as part of our  
3 annual revenue from gambling.

4 So, it's very very important to us,  
5 and I would assume there might be other areas  
6 that would want to do the same thing. In fact,  
7 I know there are other areas that want to do the  
8 same thing. So, I would ask the requirement  
9 that there would be a fee simple ownership of  
10 land of any casino operator be accepted when  
11 that operator rents from a political subdivision  
12 or public entity. That would have application  
13 not only for Philadelphia, but also for Erie.

14 My sixth suggestion has been urged --  
15 I've been urged to make this suggestion to you  
16 by Mayor Joyce Savicchio, the great Mayor of the  
17 fine City of Erie, Pennsylvania. She would  
18 request that a change be made to House Bill 2308  
19 that would permit gaming on Presque Isle in Erie  
20 because that is the location that Mayor  
21 Savicchio feels could best accommodate gambling  
22 with the least impact on her neighborhoods and  
23 communities. She will be sending the committee  
24 a letter along those lines, but I will also  
25 submit that to you in writing.

1                   Those are our 6 basic changes.   Some  
2                   of them carry 1 or 2 parts to each one of them.  
3                   As I said, I will submit them to you in writing.  
4                   Let me say in closing that this is the first, in  
5                   my judgment, serious effort since Governor Casey  
6                   indicated in late 1991 that he would veto  
7                   gambling legislation.

8                   I appreciate Representative Kenney  
9                   stepping forward and submitting this bill.   I  
10                  appreciate Chairman Gannon holding these  
11                  hearings, the willingness to hear opposing  
12                  sides.   I know this is an emotional issue and  
13                  people feel very strongly on the other side of  
14                  this issue.   We do not scuff off their  
15                  assertions.   We do not believe that their  
16                  arguments are spurious or not founded.

17                  But for the reasons I stated, we  
18                  believe when you analyze the benefits against  
19                  the liabilities in proceeding with legalized  
20                  gambling; when you look at what's happened in  
21                  Delaware, extraordinary results, and Delaware is  
22                  fairly close to Atlantic City; when you look at  
23                  the ever-increasing revenue yield in New Jersey;  
24                  when you look at the experiences in other cities  
25                  and locations that have undertaken riverboat

1 gambling.

2 I sent a letter to every member of our  
3 delegation and to the legislative leadership  
4 about the town of -- There's a town in Illinois  
5 that has riverboat gambling and the incredible,  
6 dramatic effects -- Joliet, excuse me. The New  
7 York Times wrote a huge article about the impact  
8 it has in Joliet. It has taken Joliet from a  
9 devastated area to a vibrant area, new economic  
10 activity, with thousands of residents gaining  
11 jobs for the first time. Joliet had no capital  
12 budget and now it has a booming capital budget  
13 to deal with its problems.

14 The benefits are great. The  
15 liabilities are there but they can be controlled  
16 by proper regulation. We should not turn away  
17 from an economic opportunity to generate revenue  
18 for political subdivisions and for the  
19 Commonwealth of Pennsylvania when we need  
20 revenue.

21 You have all had to sit in your chairs  
22 and seen the effects of federal budget cuts. I  
23 would submit to you very unhappily that we have  
24 seen just the first wave of those effects and  
25 how it will impact on the State of Pennsylvania

1 and the City of Philadelphia and all our other  
2 political subdivisions. We will need new  
3 revenue. We will need new revenue desperately.  
4 This is a way to generate that new revenue.  
5 It's a way to do it and give local communities  
6 an opportunity to redevelop themselves beyond  
7 their wildest dreams, hopes and expectations.

8 It is no panacea. Riverboat gambling  
9 will not solely save the economic situation here  
10 in the City of Philadelphia, but it is a very  
11 important part of redeveloping our city.

12 In short, if you were to ask me where  
13 I could find a development that would produce  
14 eight to 10,000 jobs, \$109 million a year in  
15 annual revenue and \$250 million in upfront  
16 one-time franchise fees for my city, I will tell  
17 you it doesn't exist. We could bring a General  
18 Motors plant to the City of Philadelphia.  
19 Boeing Airline Company could create a place to  
20 do new air buses for Europe and the world in the  
21 City of Philadelphia; they won't come close to  
22 matching those figures.

23 There is no economic development  
24 enterprise that you could think of that comes  
25 close to matching those figures. If you

1 resurrected the Navy yard at the height of its  
2 economic vitality, we might regain some of their  
3 annual tax revenues and the 8 to 10,000 jobs,  
4 but we wouldn't get the upfront franchise fees.

5 This is something that the City of  
6 Philadelphia needs and would be a vital part of  
7 their economic regeneration, and I will also  
8 submit a wonderful thing for the Commonwealth of  
9 Pennsylvania to allow us to take public  
10 education to the next step in every district in  
11 this state.

12 I thank you for the opportunity to  
13 testify. We will submit those specific changes  
14 in writing.

15 CHAIRMAN GANNON: Thank you, Mayor  
16 Rendell. We've been joined by Representative  
17 Kathy Manderino and also Representative Paul  
18 Clymer, who is not a member of the committee.  
19 But if he cares, he can come up and join us if  
20 he wishes.

21 REPRESENTATIVE CLYMER: Mr. Chairman,  
22 I'm going to respectfully decline. This is your  
23 hour here, so to speak, and I'll sit right here.  
24 Thanks very much though. I appreciate your  
25 kindness.

1                   CHAIRMAN GANNON: Thank you,  
2                   Representative Clymer. Mr. Mayor, would you be  
3                   willing to answer questions from the committee?

4                   MAYOR RENDELL: Sure.

5                   CHAIRMAN GANNON: Representative  
6                   Horsey.

7                   REPRESENTATIVE HORSEY: Thank you, Mr.  
8                   Mayor. Thank you for coming before the  
9                   committee to provide your comments. My  
10                  questions are relatively brief. We don't have  
11                  affirmative action. We have just passed  
12                  anti-discriminatory legislation for the state.  
13                  Would you be in favor or how would you guarantee  
14                  minority participation is the first question?

15                  The second question is, would you  
16                  present a specific formula on how the 250  
17                  million one-time license fee will be used within  
18                  the neighborhoods? Would you develop and  
19                  present a particular formula?

20                  And the third question is, on a  
21                  residential lot on those who work in the casino  
22                  as being mandated to live in the city, would you  
23                  be in favor of that?

24                  MAYOR RENDELL: Number 3, I would be  
25                  in favor of a residential requirement just as



1 New Jersey does. That's Number 1. Number 2, as  
2 to minority input into ownership and jobs, I  
3 would be in favor of that being in your  
4 legislation, but if it were not in your  
5 legislation, I believe we could use our land use  
6 power in a way to at least set goals so that we  
7 could have proper diverse employment in at least  
8 the 5 Philadelphia franchises. If it's not  
9 addressed in your bill, it would be our hope to  
10 address it in our bill as well. I think we  
11 could deal with that. The middle question was?

12 REPRESENTATIVE HORSEY: The allocation  
13 of a one-time --

14 MAYOR RENDELL: We will submit to you  
15 our economic stimulus plan where I talked about  
16 this as part of the record that we submit to  
17 you. But I would also say, it would be my --  
18 If, in fact, this came to pass, let's assume we  
19 had it and the franchises had all paid  
20 \$50 million and we had a pile of \$250 million,  
21 our plan of operation, and I've talked to the  
22 City Council President Street, not to every  
23 council member, but we would ask individual  
24 neighborhoods to present their own development  
25 plans to us, giving us an idea what their

1 priorities were; housing, commercial  
2 development, retail, industrial development.  
3 So, we would not dictate to the neighborhoods.  
4 We would find a formula or apportion that  
5 \$200 million around the city and then ask the  
6 individual neighborhoods to submit plans.

7 If you don't believe that's workable,  
8 that's what we did with our 3 empowerment-zoned  
9 neighborhoods. It worked enormously  
10 successfully. If you studied our empowerment-  
11 zoned process, that's exactly what we did.  
12 Through the benchmarks that they submitted to me  
13 in the empowerment-zoned process, it worked  
14 enormously effectively. So, that's what we  
15 would do. I will submit what we have already  
16 filed publicly with City Council in our economic  
17 stimulus plan.

18 REPRESENTATIVE HORSEY: Thank you, Mr.  
19 Mayor. Thank you, Mr. Chairman.

20 CHAIRMAN GANNON: Representative  
21 Cohen.

22 REPRESENTATIVE COHEN: No questions.

23 CHAIRMAN GANNON: Representative  
24 Kenney.

25 REPRESENTATIVE KENNEY: Thank you, Mr.

1 Chairman. Mr. Mayor, thank you for your  
2 leadership on this issue. I guess in developing  
3 this legislation I truly believe there's no  
4 other industry like you have said that offers  
5 the potential for job growth and revenue growth,  
6 not only in the City of Philadelphia but  
7 throughout Pennsylvania. In analyzing those  
8 benefits versus the liabilities, I guess the  
9 community groups have been the most outspoken  
10 towards me in asking, just what is the benefit  
11 to us of moving forward on this issue?

12 You mentioned public education. I, in  
13 drafting the legislation, I guess hear most  
14 about taxes up in Northeast Philadelphia. I  
15 guess as I look at more data on this issue,  
16 public education becomes one of those issues  
17 that people see as a direct benefit.

18 Do you see that or is that something  
19 that you have seen?

20 MAYOR RENDELL: I agree. I think the  
21 legislature is wise to codify where the benefit  
22 would go. Because, if you don't codify it, you  
23 might go back to the old days of revenue sharing  
24 when cities and other political subdivisions got  
25 blank checks from Washington with no

1 restrictions on how it was to be used. A lot of  
2 that money was wasted. It went to blotted  
3 benefits. It went to a lot of things; not to  
4 the people in the neighborhoods.

5 I do believe you as a legislative  
6 body, whatever your decision is, you should  
7 codify where it goes. In our case 50 percent  
8 wage tax reduction I think is vital.

9 As you know, Representative Kenney,  
10 there is nothing that more adversely affects the  
11 City of Philadelphia's economic viability than  
12 having the nation's highest wage tax. It is  
13 something that we have pledged to reduce and we  
14 are on our second year of a 9-year incremental  
15 wage tax reduction plan. But, I am not certain  
16 that federal and state budget cuts may not force  
17 us to give that up sometime in the future.

18 We just entered a new contract with  
19 our nonuniform workers last night around  
20 midnight. That contract is affordable. We know  
21 we can pay it. We will not be leaving a deficit  
22 and we can pay it keeping our tax reduction  
23 plan. However, if we get hit with further  
24 federal or state budget cuts we will need some  
25 new source of revenue to stay on course and even

1 speed up that course for wage tax cuts. I think  
2 your dedicating 50 percent to wage tax cuts is  
3 very appropriate.

4 Even though there is no legal  
5 requirement that a political subdivision give  
6 money to the school districts, and in fact, the  
7 City of Philadelphia is the only political  
8 subdivision in the Commonwealth that gives some  
9 of its own money to the school district. Every  
10 other district relies on state funding and  
11 property tax funding. We have given almost  
12 \$60 million in the last 14 months to education.

13 Even though that is the case I would  
14 still be willing to commit now to give the other  
15 50 percent on an annualized basis to public  
16 education. We have the most serious needs. We  
17 have so many different constituencies to balance  
18 in our educational system, and so many different  
19 needs. We have the highest number of learning  
20 disabled kids. We have the highest number of  
21 kids who go to school hungry, or sick or beaten.  
22 We have extra requirements and I would have no  
23 hesitation in seeing the legislature designate  
24 the other 50 percent to public education.

25 REPRESENTATIVE KENNEY: On the issue

1 of upfront development fees, should we write in  
2 state law, or in state statute what assurances a  
3 community should receive from those fees or  
4 should we leave that to local government?

5 MAYOR RENDELL: I would have no  
6 problem with the legislature prescribing that  
7 the upfront franchise fees be used for community  
8 development so that they cannot be used for  
9 paying off salaries, or for stadiums or  
10 something like that. You could write very  
11 clearly into the law that those upfront  
12 franchise fees be used for community development  
13 or it would give you a formula that at least 75  
14 percent, or 50 percent be used for community  
15 development. I think that would be very  
16 reassuring.

17 You said that you hear from community  
18 groups in opposition to legalize gambling. As  
19 all Philadelphians know, I am out every night  
20 and every weekend speaking to people in the City  
21 of Philadelphia in every neighborhood. When I  
22 mention the upfront franchise fees going for  
23 community development, and when I mention the  
24 possibility that the annualized revenue could go  
25 half for wage tax reduction and half for maybe

1 something like public education, those community  
2 groups by and large are not against it anymore;  
3 not against it anymore at all. I think there  
4 would be no problem prescribing that at least  
5 some percentage of the upfront franchise fees be  
6 reinvested into community development.

7 I think the question about Atlantic  
8 City is a legitimate question. Every time we  
9 talk about gambling people say, it didn't do  
10 Atlantic City one darn bit of good and they were  
11 right at the beginning. I think it's starting  
12 to do Atlantic City a little bit of good. But  
13 it didn't at the beginning because they didn't  
14 get those upfront franchise fees and didn't  
15 reinvest them back into their neighborhoods. I  
16 would have no problem with you legislating them  
17 in.

18 REPRESENTATIVE KENNEY: When we say  
19 reinvesting into communities, I guess when you  
20 submit to the Chairman your language, just how  
21 would we say that? How detailed --

22 MAYOR RENDELL: For example --

23 REPRESENTATIVE KENNEY: I literally  
24 heard from groups in Center City Philadelphia.  
25 Community groups have been asking me the size of

1 the sewage pipes leading to the -- I'm  
2 thinking --

3 MAYOR RENDELL: The sewage pipes from  
4 the --

5 REPRESENTATIVE KENNEY: From the  
6 facilities on the river --

7 MAYOR RENDELL: Remember because of  
8 your bill you exempted that from the general  
9 appropriation against other fees and taxes. We  
10 could charge a specific fee, and we do intend to  
11 charge a specific fee for that problem. That  
12 wouldn't have to come out of the upfront  
13 franchise fees at all, because your bill very  
14 appropriately carves out the ability to charge  
15 for fees for enforcement, sanitation, things  
16 like that. We would cover that in that  
17 provision of your bill.

18 For example, I might suggest that the  
19 upfront franchise fees percentage be spent  
20 according to the guidelines of the Federal  
21 Community Development Block Grant Program. But,  
22 you would have to modify that because the CDDG  
23 program has some income requirements and we'd  
24 want every area in the city to benefit. We will  
25 work on appropriate language and submit it to



1 the committee.

2 REPRESENTATIVE KENNEY: Mr. Mayor, do  
3 you or Mr. Beitchman have any language that  
4 communities have ever submitted stating what  
5 they would like to see -- to support it what  
6 language they would like in the legislation to  
7 be supportive? Because, one thing I have said  
8 to communities, what do you want? At the same  
9 time I haven't seen anything come back in  
10 writing detailing what they want done. Maybe  
11 they have done that.

12 MAYOR RENDELL: I think it's basically  
13 what falls under the broad definition of  
14 community development.

15 REPRESENTATIVE KENNEY: Have they  
16 responded in writing on those issues?

17 MAYOR RENDELL: No, but we can  
18 generate that response. There's no question.  
19 We've had discussions, ongoing discussions with  
20 an extraordinary amount of community groups. In  
21 fact, I have urged a lot of our community groups  
22 who aren't automatically eligible for CDDG funds  
23 to submit to us neighborhood redevelopment plans  
24 like Frankford has done, you know the Frankford  
25 plan. I have suggested that to some other areas

1 of the city. We would use basically those plans  
2 as the earmark for how we would spend the  
3 allocated franchise fee money.

4 REPRESENTATIVE KENNEY: Good. Thank  
5 you, Mr. Mayor. Thank you, Mr. Chairman.

6 CHAIRMAN GANNON: Thank you,  
7 Representative Kenney. Representative Masland.

8 REPRESENTATIVE MASLAND: Very briefly,  
9 Mr. Chairman. Thank you, Mr. Mayor, for  
10 appearing before us. I do appreciate your  
11 recognition of some of the downside of the  
12 problems because I come from a part of  
13 Pennsylvania, Cumberland County, which many  
14 would consider rural, although we do have a big  
15 town Carlisle there with all kinds of problems.

16 MAYOR RENDELL: And a great  
17 university.

18 REPRESENTATIVE MASLAND. That's right.  
19 But my constituents, interestingly enough, about  
20 70 percent of them in a recent poll said that  
21 they were opposed to riverboat gambling. Even  
22 though they're opposed to it, about half of them  
23 would still like to see it on a statewide  
24 referendum. They're willing to at least see it  
25 come up for a vote, but they're concerned about

1 the downside.

2 One aspect of that which I know  
3 they've tried to address in New Jersey, and  
4 forgive me, Representative Kenney, I haven't  
5 poured over your bill over the past few weeks  
6 since we've been doing other things in the  
7 General Assembly, but I don't recall seeing  
8 anything specifically in the bill regarding  
9 setting up some type of council for compulsive  
10 gambling. That is something that they do have  
11 in New Jersey. I think that's something if this  
12 does pass should be considered.

13 I do note that in New Jersey last  
14 summer they were experiencing some problems with  
15 the funding of this council because it was  
16 funded exclusively from fines on the various  
17 casinos. When those fines dropped, so did  
18 funding from about 600,000 to I think they were  
19 about at 450,000; 150,000 short. The editorial  
20 in the Atlantic City Press basically said, if  
21 we're going to rely on this for our income, and  
22 it accounted for about 7 percent of New Jersey's  
23 state income that year; if we are going to rely  
24 on it to that extent for our income, we ought to  
25 also address the underside or the downside of

1           this. What are your thoughts?

2                       MAYOR RENDELL: I agree with you.

3           Just as I think Representative Kenney did a good  
4           job allowing the local subdivision to charge  
5           fees for enforcement, for sanitation, et cetera,  
6           I would have no problem if the legislature  
7           mandated that a percentage, and it wouldn't have  
8           to be very much of a percentage given the  
9           figures that we talked about, a percentage of  
10          the county share or the political subdivision  
11          share must be paid on an annualized basis to  
12          like organizations, because I think it is a  
13          problem.

14                      Although I will say that and I'm sure  
15          those organizations do some good and have had  
16          some effect, but just like Alcoholics Anonymous  
17          hasn't cured all alcoholism, I don't think  
18          you're ever going to cure--I think you should be  
19          honest--you're never going to cure all gambling  
20          addiction. If you can make a dent in it, it's  
21          certainly worthwhile and it's certainly worth an  
22          expenditure of some of those funds. I would  
23          write it in. Write it in not in fines, but  
24          write it in off the revenue side. Because the  
25          revenue side is always going to be strong,

1           certainly strong enough to sustain the level  
2           that's necessary to keep those organizations  
3           functioning.

4                    REPRESENTATIVE MASLAND: I would agree  
5           with you there and not try to define it. As you  
6           said earlier, and the figure is pretty  
7           astronomical if you think about it. If these  
8           casinos would be willing to pay \$50 million  
9           upfront in a development fee, some of those  
10          revenues ought to go toward compulsive gambling.

11                   MAYOR RENDELL: If we're going to get  
12          \$109 million a year, half of one percent of that  
13          would be like \$55 million a year for, excuse  
14          me, \$550,000 a year for those type of agencies,  
15          dedicated revenues streamed right from our share  
16          or from the state share. I would have no  
17          problem with legislating that in on the revenue  
18          side rather than depending on the fine side.

19                    REPRESENTATIVE MASLAND: But that  
20          means that I still have to say that the fact  
21          that they can pay \$50 million and get it back  
22          like that is what really worries me and really  
23          bothers me. That means there's an awful lot of  
24          losers out there.

25                    MAYOR RENDELL: There's no question,

1 but again, I will say to you that people have a  
2 tendency when they focus on the individual, they  
3 have a tendency to focus on the downside as far  
4 as individuals go. I know you don't have the  
5 time to do this. If this committee would like  
6 on any Tuesday or Thursday morning in the  
7 winter, in the cold toughest days in  
8 Philadelphia, I'd like to pile you in a little  
9 van. I can take you to locations where the  
10 buses load for Atlantic City in South  
11 Philadelphia, in Northeast Philadelphia, down at  
12 the river, in West Philadelphia and you can go  
13 with me and we'll get on the buses because they  
14 take a few minutes to wait to make sure  
15 everybody is there.

16 Let's talk to those people. They  
17 aren't rich people. They aren't the Leonard  
18 Toses (phonetic). Those are people who don't  
19 have a lot of money, and yet, they're going down  
20 with \$50 in their pocket. In most cases they're  
21 going to lose that. They are going to get a bus  
22 ride and lunch and lose that 50 or \$60, but they  
23 will tell you that that adds excitement to their  
24 lives. It's fun. It is a sense of adventure.  
25 It's a sense of anything can happen. Most of

1           these folks who take the buses happen to be our  
2           senior citizens. They will tell you that it  
3           brightens their lives considerably. That is a  
4           fact.

5                        I think there are far more, hundred  
6           times more people who enjoy gambling as a  
7           recreation, enjoy gambling as a recreation than  
8           there are those gambling addicts who lose money  
9           that they can't afford to lose.

10                      Seriously, if you went with me you'd  
11           see a lot of very excited people who don't have  
12           a lot of excitement in their lives; who don't  
13           have a lot of color in their lives; who don't  
14           have a lot of vibrancy in their lives. Right  
15           now we are requiring them to get on a bus and  
16           shuffle all the way down to Atlantic City, spend  
17           an hour or hour and 10 minutes both ways, a  
18           total of 2, 2 and a quarter hours to do  
19           something and to have that fun.

20                      You know what, over the course of  
21           their gambling lives they lose money. If they  
22           didn't, you wouldn't see the profits that they  
23           made. But that one time when they come back  
24           with \$400 in their pocket it's so exciting to  
25           them. They are very happy about it. They know

1           that they're going to lose money generally, but  
2           they're just there for the excitement and the  
3           fun. It's a very decent part of their lives.  
4           It's not all bad. Gambling is not all bad.

5                        Seriously, I would invite this  
6           committee -- It is my hope that we will get  
7           this on the ballot for the November election so  
8           we can't wait for the cold weather. But I'd  
9           invite you to come in early September and we'll  
10          just travel --

11                       REPRESENTATIVE MASLAND: You don't  
12          have to do that. I saw a bus today at the  
13          Valley Forge Plaza from Pittsburgh and they were  
14          backing up. I stopped and asked, are going to  
15          Atlantic City? I saw one Steelers hat on.  
16          Coming from Pittsburgh? Yeah.

17                       MAYOR RENDELL: Don't you think they  
18          knew the odds were against them?

19                       REPRESENTATIVE MASLAND: I should have  
20          asked some follow-up questions. I really should  
21          have. Thank you, Mr. Mayor.

22                       CHAIRMAN GANNON: Thank you,  
23          Representative Masland. Representative  
24          Caltagirone.

25                       REPRESENTATIVE CALTAGIRONE: Thank



1           you, Mr. Chairman. Mayor Rendell, we held a  
2           hearing in Harrisburg on this issue a few months  
3           back. We had different people from around the  
4           state testifying. After the hearing I had  
5           talked to some of the people from casinos and I  
6           had asked them pointedly, approximately how much  
7           money from Pennsylvania is going into Atlantic  
8           City each year? They didn't give me a dollar  
9           amount but they said roughly over 25 percent of  
10          the total take in Atlantic City is coming from  
11          Pennsylvania each year.

12                         We're kind of -- and I know that you  
13          have been doing an excellent job here in  
14          Philadelphia, by the way, managing the budget,  
15          striving for economic development. Short of  
16          this kind of potential input that you could have  
17          as new fusion of money into Philadelphia, and I  
18          know you've been grappling with trying to get  
19          other types of investments into your city, is  
20          there anything else that would have the dramatic  
21          impact that this one issue might?

22                         MAYOR RENDELL: In terms of economic  
23          development, only tax reform that could allow  
24          the City of Philadelphia to totally eliminate  
25          its wage tax and reduce its business taxes by

1           one half, but that tax reform would mean a  
2           substantial increase in the state income tax.

3                     But, if you did that, if you wiped out  
4           our wage tax entirely and reduced our business  
5           taxes by half, it would have the same economic  
6           impact. But, you know the price you pay for  
7           that type of tax reform would be a significant  
8           increase in the state income tax. Not quite a  
9           doubling but fairly close to it.

10                    REPRESENTATIVE CALTAGIRONE: I like  
11           the point that you had made because a lot of  
12           people that are anti-gambling, that's their  
13           opinion, our state lottery, the offtrack  
14           betting, the horse racing that takes place in  
15           the state, the lottery, and God knows --

16                    MAYOR RENDELL: Card games at home.

17                    REPRESENTATIVE CALTAGIRONE: The  
18           illegal kinds.

19                    MAYOR RENDELL: Card games at home as  
20           long as no one is cutting the deck are not  
21           illegal, and big money is lost at card games at  
22           home. I know, because when I was a young  
23           Assistant D.A. I prosecuted a lot of homicide  
24           cases that flowed out of arguments from those  
25           type of games. We're not going to stop them.

1 We're not going to stop them. We couldn't stop  
2 drinking liquor with prohibition and nothing we  
3 can do, and that's very important. Nothing you  
4 can do is going to stop gambling.

5 If someone is bent on feeding that  
6 addiction, there is nothing you can do to stop  
7 it, anymore than you can stop people from  
8 drinking liquor. We tried that and it didn't  
9 work and it does not work with gambling. One  
10 way or the other people who are bent on taking  
11 that paycheck and are going to spend it are  
12 going to spend it. They're going to find a  
13 vehicle for spending it. Nothing you can do.  
14 Nothing I can do.

15 If I believe that by not passing this  
16 legislation we wouldn't have one person in the  
17 State of Pennsylvania who took money that they  
18 couldn't afford to lose and lost it on gambling,  
19 I would be against this legislation. I don't  
20 believe that for a nanosecond; not for a  
21 nanosecond. Nothing we can do will achieve that  
22 result.

23 REPRESENTATIVE CALTAGIRONE: Thank  
24 you, Mayor Rendell. Thank you, Mr. Chairman.

25 CHAIRMAN GANNON: Thank you,

1 Representative Caltagirone. Representative  
2 Manderino. We have also been joined by  
3 Representative Harold James who is a member of  
4 the committee.

5 REPRESENTATIVE MANDERINO: Thank you,  
6 Mr. Chairman. I don't have my notes with me  
7 from when we had our first hearing. I'm going  
8 to paraphrase what I heard the casino interest  
9 saying. These are my words. I walked away from  
10 the first hearing with a distinction in my mind  
11 between what the casino interest considered  
12 reasonable versus unreasonable regulation. What  
13 was classified in the unreasonable regulation  
14 end of it were the very regulations that I think  
15 people try to attach to proposals such as this  
16 to try to make them acceptable; things that have  
17 to do with --

18 In essence, what they were saying is,  
19 don't put restrictions on us that tell us that  
20 you know how to run our business better than we  
21 can and that might put us in a bind where our  
22 business isn't profitable. One of the things  
23 that I took away from that was things like,  
24 don't tell us not to combine food with the  
25 gambling because we need those 2 things to work

1 off of each other to keep people there longer,  
2 to keep the gambling profitable, et cetera.

3 Would you respond to that and how you  
4 think, knowing your interest in protecting our  
5 other entertainment and restaurant facilities in  
6 Philadelphia, that you think we can accomplish  
7 that? That's one of the areas that I walked  
8 away with a clear distinction that they wouldn't  
9 be happy about or, they would be happy initially  
10 and it would not be too much longer that we  
11 would see them back in saying, you have to  
12 remove this restriction.

13 MAYOR RENDELL: Let me say, just  
14 touching on what Representative Masland and  
15 Representative Caltagirone said. Hey, these  
16 guys are coming if we legalize it no matter what  
17 restrictions you put on. No matter what  
18 restriction, they are coming. Fifty million  
19 dollar upfront franchise fees, they whined about  
20 that at some hearings. As Representative  
21 Masland said, how fast do they make that back?  
22 They are coming.

23 Food, you got a split on food. A lot  
24 of them want every available square foot on that  
25 boat to be gambling; not food. They want the

1 most amount of square footage for gambling.  
2 They'd don't like necessarily having food,  
3 particularly when there are enough restaurants  
4 in the riverfront to keep people right there.  
5 They can leave the casino, go next door, eat,  
6 come on back.

7 But understand, you decide what  
8 restrictions are right and don't worry. They're  
9 coming; they're coming. You outlaw food and  
10 double my franchise fees from 50 to a hundred  
11 for Philadelphia and I could put 20 franchisees  
12 in Philadelphia. I guarantee you. If I  
13 couldn't, we'll give all of the money to the  
14 state--all. We won't take any it if I couldn't  
15 put -- They are coming.

16 There have been months when I haven't  
17 been able to get work done because I've had to  
18 meet with different casino interests to explain  
19 to them that I have nothing to do with picking  
20 the franchisees, so they shouldn't be meeting  
21 with me. They are coming. Do not worry about  
22 the whining.

23 The money to be made -- Representative  
24 Caltagirone said 25 percent of their take.  
25 That's probably a little low. Ted, do you know

1 what the profit was last year?

2 MR. BEITCHMAN: In Atlantic City?

3 MAYOR RENDELL: Yeah.

4 MR. BEITCHMAN: The win was 3.7  
5 billion.

6 MAYOR RENDELL: The win was 3.7  
7 billion, for how many of them?

8 MR. BEITCHMAN: 12.

9 MAYOR RENDELL: For 12. Let's divide  
10 3.7 billion by 12, that comes to --

11 MR. BEITCHMAN: About 300 million.

12 MAYOR RENDELL: A mere \$300 million  
13 each. For 300 million I think they're coming  
14 regardless of what the upfront franchise fee is  
15 and regardless of whether we allow them to have  
16 food or not. You put in what you believe is  
17 right to protect the maximum amount of people  
18 that need protecting. They are coming. We  
19 don't even have to build it. They will build it  
20 themselves.

21 REPRESENTATIVE MANDERINO: Following  
22 up on that, do you perceive in addition to  
23 whatever we would put in statute with regard to  
24 legalizing gaming in Pennsylvania that we would  
25 also have our local ordinance that could or

1 would provide any additional controls with  
2 regard to what happens with the franchises in  
3 our particular county?

4 MAYOR RENDELL: Yeah, I think you  
5 could give us the right to conduct market  
6 transactions for upfront franchise fees, but  
7 then dictate how we use those franchise fees.  
8 Absolutely. That would be clearly within your  
9 purview.

10 Again, as I said after giving a  
11 response to his question, I would have no  
12 problem with that as long as we took the  
13 criteria that was fair to all neighborhoods and  
14 a criteria that everyone could live with. I  
15 think we can work that out fairly easily and  
16 we'll submit some suggested language. I'm sure  
17 you will have no trouble doing that on your own.

18 REPRESENTATIVE MANDERINO: What I'm  
19 thinking of is, you made the suggestion about no  
20 significant food on the boats. That probably  
21 works for Philadelphia.

22 MAYOR RENDELL: Right.

23 REPRESENTATIVE MANDERINO: That  
24 probably doesn't work for a smaller area. That  
25 is one of those areas that you would see being



1 left to local regulation?

2 MAYOR RENDELL: Absolutely.

3 REPRESENTATIVE MANDERINO: On the area  
4 of local -- Actually, let me go back to the  
5 statewide level too. With regard to franchisees  
6 in the County of Philadelphia and you're  
7 suggesting that we consider bumping that up to 5  
8 and not 3 franchises, are you envisioning those  
9 franchisees being limited to operating on the  
10 Delaware River, and would you be amenable to  
11 language in both the state and the local  
12 statutes or regulation that -- statutes that  
13 would exclude it from the Schuylkill River  
14 within the boundaries of the City of  
15 Philadelphia?

16 MAYOR RENDELL: I would not oppose  
17 that, although I will tell you that, generally,  
18 I think I would leave -- Again, for Philadelphia  
19 I would not oppose that. But generally I would  
20 leave that to local land use. But in  
21 Philadelphia, for example, I know there are  
22 people who feel very strongly about the  
23 Schuylkill being used for recreation.

24 I would have no problem in that for  
25 the city of first class. But I would try to

1 leave that to the local government's lands use  
2 planning statewide because local government  
3 tends to know best what they can and cannot do  
4 even more than the local representatives because  
5 we deal with land use issues all the time.

6 Specifically for counties of the first  
7 class a prohibition on the Schuylkill would not  
8 bother me at all. I have not talked to City  
9 Council at large. I've briefly discussed it  
10 with Council President Street. If I had my  
11 druthers, I would restrict it to certain areas  
12 on the Delaware; not all of the Delaware  
13 Riverfront in Philadelphia, but certain areas.

14 REPRESENTATIVE MANDERINO: You had an  
15 annual revenue projection for the City of  
16 Philadelphia of 109 million. Did that include  
17 what you were anticipating with regard to rent  
18 from 2 franchisees on the city?

19 MAYOR RENDELL: Yes. We  
20 anticipated -- We put in 12 million into that  
21 figure. Without that 12 million we would be at  
22 97 million.

23 REPRESENTATIVE MANDERINO: You did  
24 respond to Representative Horsey with regard to  
25 a residential requirement for jobs. Was that

1 for all jobs, and that was a Pennsylvania  
2 residency requirement or a Philadelphia  
3 residency requirement?

4 MAYOR RENDELL: I would say the local  
5 political subdivision, but that may not be  
6 workable in other areas because the host  
7 subdivision might be too small? But for our  
8 county I would strongly urge that it be  
9 residential.

10 I would feel differently if there were  
11 not proposed franchises for Delaware and Bucks.  
12 If we were getting all of the franchises for the  
13 Delaware Valley area, then I could see opening  
14 it up to a regional requirement. Since they're  
15 having their own franchises or may have their  
16 own franchises, I would strongly suggest for  
17 cities in the first class that it be residency.

18 It's a powerful tool. That has been  
19 one thing that has dramatically helped New  
20 Jersey. Again, can you imagine if they had done  
21 it in Atlantic City? Can you imagine what it  
22 would have done for Atlantic City. Nobody would  
23 be sitting around talking about, well, they  
24 didn't do anything for Atlantic City. Can you  
25 imagine what it would have been like for

1 Atlantic City? It actually might have been  
2 unworkable in the end as they started to add,  
3 but can you imagine what it would have done? It  
4 would have absolutely transformed Atlantic City.  
5 What it would have done for its real estate  
6 property tax base, it would have been dramatic.  
7 Eight to 10,000 employees won't do the same  
8 thing for Philadelphia, but it will help.

9 REPRESENTATIVE MANDERINO: Thank you,  
10 Mr. Chairman, and Mr. Mayor.

11 CHAIRMAN GANNON: Thank you,  
12 Representative Manderino. Representative  
13 Josephs.

14 REPRESENTATIVE JOSEPHS: Thank you  
15 very much, Mr. Chairman, for indulging in me,  
16 allowing me to ask him questions. Thank you,  
17 Mr. Mayor, for appearing before us.

18 I've been listening to this  
19 conversation about the banning of food in these  
20 establishments with a mixture of, I don't know,  
21 I guess incredulity and amazement. Are you  
22 suggesting that we allow these establishments to  
23 serve alcohol but not allow them to serve food?

24 MAYOR RENDELL: I would not suggest  
25 that they have general alcohol services bars, et



1                   MAYOR RENDELL:  What I'm saying is,  
2                   you cannot legislate against every human foible.  
3                   I would estimate that no more than 10 percent of  
4                   the gamblers in any of those casinos have eaten  
5                   something in the casino.

6                   But remember, we are putting these  
7                   casinos in an area that has some of the world's  
8                   best restaurants, restaurants at different price  
9                   scales.  All sorts of restaurants are available  
10                  right down on the riverfront.  If they want to  
11                  eat, they'll eat and then they'll go gamble, or  
12                  they'll take a break and they'll go eat.

13                  I don't think the fact that there's a  
14                  restaurant actually on the boat as opposed to  
15                  getting off the boat and walking a hundred yards  
16                  or taking -- Penns Landing has a shuttle that  
17                  goes up and down the Delaware River, has a  
18                  shuttle.  I don't think that having a restaurant  
19                  in the physical establishment is going to mean  
20                  anything.

21                  REPRESENTATIVE JOSEPHS:  A follow-up  
22                  question to that, you've been saying that you  
23                  believe these establishments, this industry will  
24                  come no matter what kind of restrictions we  
25                  place on them.  Suppose we told them they

1           couldn't serve alcohol?

2                   MAYOR RENDELL: I believe they'd still  
3           come. They would be less likely to come, but I  
4           think they'd still come.

5                   REPRESENTATIVE JOSEPHS: That might  
6           have some effect on them?

7                   MAYOR RENDELL: Some. You might lose  
8           a few, but we'd get our 5 franchises. We'd get  
9           our 5 franchises. If you are implying that  
10          casinos are dependent upon drunken gamblers --

11                   REPRESENTATIVE JOSEPHS: I am.

12                   MAYOR RENDELL: -- their revenues,  
13          you're wrong. You've obviously never spent time  
14          in a casino. Most of the people who are there  
15          are not drunk. I have been a blackjack player  
16          since I was in the Army. I go over 5 or 6 times  
17          a summer. I sit at the table. When you sit at  
18          the table you converse with your fellow victims  
19          and you commiserate. It's like you all yell at  
20          somebody who takes the wrong card because  
21          there's some notion somewhere that that screws  
22          up the game. I never understood it but everyone  
23          believes that. So you all yell at them. I have  
24          seen thousands and thousands of gamblers and I  
25          have seen maybe 1 or 2 inebriated in all that

1 time; 1 or 2 inebriated.

2 REPRESENTATIVE JOSEPHS: I don't want  
3 to prolong this argument or this discussion. I  
4 would be happy to get for you and submit to the  
5 committee chair and to you studies which show  
6 that casinos depend very much on the free flow  
7 of alcohol, not only for participation, but for  
8 their win; and that they will not operate  
9 without alcohol and I'm saying they need --

10 MAYOR RENDELL: Babette, you simply do  
11 not know anything about gambling. I do not  
12 drink. I am for my lifetime decidedly down in  
13 gambling and I do not drink. I am decidedly  
14 down. But nobody is asserting that we -- I  
15 don't think anybody is contemplating that we  
16 don't allow them to serve alcohol.

17 What I'm saying is, and it goes back  
18 to someone's suggestion, I think it was  
19 Representative Manderino, that it depends on the  
20 locale whether they should serve food. If you  
21 are in a locale in Bucks County where there are  
22 no restaurants readily available, obviously they  
23 should serve food there; clearly. But we are  
24 trying to protect our own restaurants here who  
25 have a very significant investment on the



1 Delaware Riverfront. I think by eliminating  
2 food or by maybe saying no more than sandwiches  
3 or something. Again, I don't think where you  
4 get your food is important as long as there is  
5 food readily available.

6 If you're suggesting that we ban  
7 alcohol, I'd say no. I think some people enjoy  
8 that as part of the experience. Again, you  
9 can't legislate against people's foibles. Every  
10 time you've tried to do that -- I don't mean you  
11 specifically, but every time any legislative  
12 body has tried to do that it simply hasn't  
13 worked.

14 REPRESENTATIVE JOSEPHS: I have  
15 another question if I might. There's been a lot  
16 of talk, always is a lot of talk about people  
17 who go from Philadelphia to Atlantic City and  
18 now to Delaware. I understand the logical  
19 feeling or what seems to be logical that people  
20 have that we could capture all or at least a  
21 very large part of that business.

22 I wonder whether anybody has actually  
23 ever done a study aside from the anecdotal  
24 evidence which people have been able to gain as  
25 you have said at bus stops. I have never seen

1           one and I am very curious. I wonder whether  
2           there has been a study? Will people really stay  
3           here or is part of what they like the fact that  
4           they are getting out of town and going  
5           somewhere? I don't know the answer. If you  
6           have a study, I would like to see it.

7                       MAYOR RENDELL: I can give you more  
8           than anecdotal. That same argument was raised  
9           against legalized gambling in Atlantic City.  
10          They said that it will never work because people  
11          just don't go to Las Vegas to gamble. They go  
12          for the experience. They go for the strip.  
13          They go for all of the entertainment. They are  
14          simply not going to do it in Atlantic City. No  
15          one is going to do it. They want to go away and  
16          gamble.

17                      Atlantic City, no matter how many  
18          fabulous casinos Las Vegas puts up, no matter  
19          how many pyramids, no matter how many volcanoes,  
20          no matter how many waterfalls Las Vegas puts up  
21          Atlantic City boxes their ears off. Do you know  
22          why Atlantic City boxes their ears off?  
23          Location, location, location.

24                      We will keep 85 to 90 percent of our  
25          gambling dollars here 10 out of the 12 months of

1 the year. In July and August we'll have a  
2 problem, but we are doing so well as a  
3 convention and tourist town now that those  
4 conventioners and tourists in part, not all,  
5 but in part will fill the boats in July and  
6 August as well.

7 We have got 10,000 Moose in town. I  
8 don't know if any of you belong to the Moose. I  
9 have addressed the Moose on 2 occasions. Let me  
10 tell you that the Moose are free-spirited folk.  
11 Last night at the Wyndam-Franklin Plaza in the  
12 middle of our labor negotiations, our team was  
13 in a very big suite. The Moose were under the  
14 misconception that our suite was the hospitality  
15 suite for the Canadian Moose. Our team was  
16 interrupted constantly by Moose knocking on the  
17 door asking, is this Canada? Our response was  
18 no, this is Philadelphia. They said, well, can  
19 we come in anyway? I would have a hunch that  
20 you would have a lot of those Moose down on the  
21 riverboats when Philadelphians are going to the  
22 shore.

23 Seriously, the argument was made  
24 against having gambling in Atlantic City. That  
25 very same argument that it's experienced --

1                   REPRESENTATIVE JOSEPHS:  Seriously,  
2                   I'd like to see if a study has been done.  I  
3                   would like to see it.

4                   MAYOR RENDELL:  The answer is, just  
5                   look at what Atlantic City is doing to Las  
6                   Vegas.  It's for location.

7                   REPRESENTATIVE JOSEPHS:  Mr. Mayor,  
8                   you gave me your answer and I appreciate knowing  
9                   that there's no study.  And I'm sorry because I  
10                  think we should know what we're doing before  
11                  we --

12                  MAYOR RENDELL:  Babette, do we do a  
13                  study to --

14                  REPRESENTATIVE JOSEPHS:  Well, we  
15                  should.

16                  MAYOR RENDELL:  Should we do a study  
17                  to discern that tomorrow is Tuesday?  There are  
18                  some things that we know.  We know that New  
19                  Jersey has done so well because of location.  
20                  It's got New York.  It's got Philadelphia.  It's  
21                  got location.

22                  REPRESENTATIVE JOSEPHS:  I have just  
23                  another comment; not really a question.  There's  
24                  also been some talk about neighborhood  
25                  associations and the role that they should play.

1 I have a great deal of sympathy for you, Mr.  
2 Mayor, because I know from your side which is  
3 also my side in many ways you feel -- I have  
4 been out and talked to many of these  
5 neighborhood organizations and a million people.  
6 I've spent hours and hours and hours and still  
7 they come back and they complain that they're  
8 not part of the process.

9 From the other side when you talk to  
10 people who belong to neighborhood organizations  
11 they'll say, well, yeah, we sort have been  
12 included but not enough and we still haven't  
13 made our input and nobody is listening to us and  
14 so on. I know that problem as well as anybody  
15 does, as everybody here knows that problem who's  
16 been in elected office.

17 Just the same, I would be very  
18 grateful and I think groups that all of us  
19 represent, particularly those of us who are in  
20 and around Philadelphia County, if we could get  
21 some feeling of the time and the groups and the  
22 contacts that you have made in the past and some  
23 plan or some idea that you and your  
24 administration have and how you're going to  
25 include neighborhood organizations that are

1 interested, not only in spending the money, but  
2 in having some input into how this legislation  
3 ought to be crafted; how anything that the city  
4 passes ought to be crafted; what the makeup of  
5 certain groups who might control this industry  
6 and so on; how they might have some input into  
7 making some of those decisions. I say  
8 parenthetically that I speak for the groups that  
9 I represent, they do not have a position.

10 What they are asking for is the  
11 opportunity to be at the table as citizens who  
12 live in this county. I think that you have  
13 tried to do that and I would like to see more of  
14 it both retrospectively and prospectively on  
15 paper so I can go back to my groups and say,  
16 don't complain, or, you do have a right to say  
17 that you haven't been included, or whatever the  
18 case may be.

19 MAYOR RENDELL: We'll do that.

20 REPRESENTATIVE JOSEPHS: I really  
21 would appreciate that.

22 MAYOR RENDELL: But let me say that  
23 over the last several years, myself, Mr.  
24 Beitchman and Mr. Veon (phonetic) we have  
25 appeared before community groups in even the

1 most remotely directly affected areas, Queens  
2 Village, Pennsport, Washwest, Society Hill.

3 REPRESENTATIVE JOSEPHS: I don't doubt  
4 it. I think if it were documented then you  
5 would be more --

6 MAYOR RENDELL: Let me also tell you,  
7 to be honest, that I haven't satisfied all their  
8 concerns. Every new thing that comes about  
9 strikes fear in the hearts of community groups.  
10 I understand that. I'm not denigrating that.  
11 Changes always are very scary. There's no  
12 question about that.

13 I've listened as much as we can. I  
14 think Representative Kenney listened because he  
15 put in the bill what I think is very important,  
16 the ability to charge fees for enforcement,  
17 sanitation and the like. That's a very  
18 important issue.

19 I have told the groups. I have  
20 pledged publicly to each one of those groups  
21 that we would work with them to determine what  
22 the adequate amount of parking would be for each  
23 establishment so that they could be guaranteed  
24 that the parking would be right there and  
25 wouldn't spill over into their neighborhood.

1           That's a problem.

2                         But, I think one of the things that  
3           you can look at, and I know this is a concern of  
4           yours, is right now on Delaware Avenue, as you  
5           know, there's a lot of tension between the clubs  
6           and the restaurants and some of the surrounding  
7           neighborhoods. In response to that, we set up  
8           this police task force. We urged the  
9           restaurants and clubs to kick in money to hire a  
10          task force of Philadelphia police above and  
11          beyond the baseline police that we have down  
12          there on a nightly basis during the summer.

13                        There's an additional task force paid  
14          for by the operators of the clubs and  
15          restaurants that does things like traffic  
16          control, and parking, and tries to make sure  
17          that people don't go up in the neighborhood  
18          areas and use their lawns or trees for public  
19          bathrooms, and things like that. I think we  
20          have a fairly good track record of trying to  
21          work with those groups to address problems.

22                        But, I can't--I've got to be honest  
23          with you--I can't absolutely wipe away all of  
24          their fears and all of their speculative ideas.  
25          We've tried the best we can and we will document



1 that as much as we can.

2 REPRESENTATIVE JOSEPHS: Thank you. I  
3 appreciate that. I would like to say, even  
4 though sometimes the Mayor and I do engage in  
5 some of these kinds of questions, he and I are  
6 very good friends.

7 MAYOR RENDELL: No question about it.

8 REPRESENTATIVE JOSEPHS: Thank you,  
9 Mr. Chairman.

10 CHAIRMAN GANNON: Thank you,  
11 Representative Josephs. Representative Cohen.

12 REPRESENTATIVE COHEN: Thank you, Mr.  
13 Chairman. Thank you for taking so much time,  
14 Mr. Mayor. I have to say I'm very impressed.  
15 We don't often get public officials who are such  
16 experts in the topic that we're dealing in. I'm  
17 impressed with your expertise as a participate  
18 in this industry. You've answered my question.

19 What I want to do is ask you just not  
20 to cast your answer in stone; which is, I heard  
21 you speak many many times on the subject of  
22 regionalism. You and I have some similar and  
23 certainly some different concepts of how far  
24 regionalism goes. We've worked together, for  
25 example, on the City Avenue Corridor, a project

1           which is striving.

2                       MAYOR RENDELL:   It's a great project.

3                       REPRESENTATIVE COHEN:   A wonderful  
4           example of how regionalism does work.   Having  
5           said that and, of course, as you know I  
6           represent a county of Second Class A, and there  
7           are provisions in this legislation for it.   But  
8           you've talked and said it twice today in  
9           response to Representative Horsey and  
10          Representative Manderino concerning jobs and  
11          restricting the jobs at these casinos to  
12          Philadelphians.

13                      My district borders Philadelphia.   We  
14          participate with you.   I think 80, 85 percent of  
15          my constituents actually work in the city.   We  
16          have a wonderful marriage.   Even though we might  
17          have 4 licenses, or actually I guess 2 possibly  
18          in my county, I would be very concerned that you  
19          would restrict employment to Philadelphia when  
20          I--since we are talking about gambling--would  
21          bet you dollars to doughnuts, you would get a  
22          lot of my constituents coming into  
23          Philadelphia --

24                      MAYOR RENDELL:   Even if you had your  
25          own casinos, your own dock-side?

1                   REPRESENTATIVE COHEN:  Yes.  I think  
2                   it's an area thing.  As my people now go down to  
3                   Delaware Avenue to frolic, I think they would  
4                   gamble within G-a-m-b-o-ville on your riverfront  
5                   even if they had something in Montgomery County.  
6                   So I'd just like to say, don't cast it in stone.

7                   MAYOR RENDELL:  Let me say this.  
8                   Residency would not be so much of a concern of  
9                   mine if I could find a way to guarantee minority  
10                  employment, because I think residency really  
11                  helps to achieve that goal for us.  That is an  
12                  important goal for me.

13                  My guess is that you're not going to  
14                  be able to require that in the legislation.  
15                  Absent that, residency is our best hope to  
16                  guarantee minority employment.  But, if there  
17                  would be --

18                  REPRESENTATIVE COHEN:  Just don't cast  
19                  it in stone.

20                  MAYOR RENDELL:  No, no, it isn't cast  
21                  in stone.  That would not be a deal breaker for  
22                  us.  I mean, for example, we certainly would  
23                  want to say state.  We don't want any -- just  
24                  like Jersey doesn't allow any of its gambling  
25                  employees to be Pennsylvania residents.  We

1           certainly would want to eliminate that because  
2           of our proximity to Jersey, we would lose a ton  
3           of our employees to Jersey, I think. We want to  
4           at least regulate that.

5                     It's a difficult question as to the  
6           others. If there was a way of guaranteeing  
7           minority participation in the jobs, I don't  
8           think I would be so adamant about residency.

9                     REPRESENTATIVE COHEN: Thank you.

10                    CHAIRMAN GANNON: Thank you,  
11           Representative Cohen. Representative Horsey, do  
12           you have a follow-up question?

13                    REPRESENTATIVE HORSEY: Just this one  
14           quick question, Mr. Mayor. There are some  
15           things about this process we do know. I'm not  
16           sure we are connecting the dots here. We do  
17           know that Delaware in its first month of slot  
18           machine gambling made \$50 million. We do know  
19           that we shouldn't make the same mistakes that  
20           Jersey made, the community development fee of  
21           \$50 million. I happen to know as I sit here of  
22           3 minority-owned corporations, 51 percent, who  
23           would put up the \$50 million.

24                    MAYOR RENDELL: Sure.

25                    REPRESENTATIVE HORSEY: So, getting

1 the \$50 million won't be an issue. The people  
2 want that.

3 There is one question I need to have  
4 answered because it did come up in the State  
5 House as an issue. Once again, we also know  
6 that we have revenue from liquor that is drunk  
7 by the tax in Philadelphia. We know that those  
8 taxes go to simply schools. Why would anybody  
9 want to restrict liquor in a riverboat gambling  
10 process? I don't know.

11 Anyway, the question I have for you,  
12 Mr. Mayor, is relevant to liquor-by-the-drink  
13 tax, and it's related but it's not related.  
14 What is the Mayor's position on liquor-by-the-  
15 drink tax because we considered about a month  
16 ago repealing that on the House floor.

17 MAYOR RENDELL: I am strongly in favor  
18 of it. It was a very difficult political issue  
19 for us. We only passed it by a one vote margin  
20 in City Council. It has succeeded beyond our  
21 wildest dreams. We had hope to get maybe  
22 \$10 million a year. It looks like we'll running  
23 at about 20, 21 million. As we grow as a  
24 convention and tourist town, that 20, 21  
25 million, even without gambling will continue to

1 grow. There's no substitute for it. There is  
2 no substitute for it unless -- There does not  
3 seem to be a substitute on the horizon for it.

4           Could we under the uniformity clause  
5 restrict it to the hospitality area we would do  
6 so? Chicago has a liquor-by-the-drink tax  
7 restricted to what they call their hospitality  
8 district. That way it doesn't impact on  
9 neighborhood bars. If we could have done that,  
10 we would have. But under our uniformity clause  
11 we can't; we cannot.

12           REPRESENTATIVE HORSEY: Just one brief  
13 comment. We also know that 50 to a hundred  
14 buses leave Philadelphia, many of them are  
15 senior citizens. Once again, added testimony  
16 that I provided at one hearing before was that,  
17 hundreds on those buses are little old ladies or  
18 gentlemen who want to go down there, pull a few  
19 slot machine arms and come back without ever  
20 having touched a drop of liquor. So, the  
21 correlation between liquor and gambling, I don't  
22 know.

23           My wife and I, we go down at least a  
24 dozen times over the summer and we never gamble.  
25 We go down there and eat. We get a quick meal,

1 quick evening or a little bit of entertainment  
2 and we come back. We never see a slot machine.

3 MAYOR RENDELL: I think Representative  
4 Josephs may have been talking about more of the  
5 high-end gamblers where there is some, again  
6 anecdotal evidence of drinking and then  
7 gambling. Let me tell you, I don't expect that  
8 the enterprises here, the riverboats wouldn't  
9 comp people for meals at our restaurants. One  
10 way or the other we can't, again, let me repeat  
11 it, I don't think we can protect people from  
12 their own foibles.

13 REPRESENTATIVE HORSEY: Thank you.  
14 Thank you, Mr. Chairman.

15 CHAIRMAN GANNON: Thank you,  
16 Representative Horsey. Mr. Mayor, I wanted to  
17 personally thank you for taking your afternoon  
18 to be with us today. It's been very  
19 informative.

20 REPRESENTATIVE JAMES: Mr. Chairman, I  
21 checked with Representative Horsey and he said  
22 that he did ask you a question, a concern. I  
23 just want to be assured the same, African-  
24 Americans and minorities -- I know you talked  
25 about employment. I'm glad to hear you say that

1           you are dealing with residency as an assured way  
2           to get that.

3                       As you know this House of  
4           Representatives talk about eliminating  
5           affirmative action when we really don't even  
6           have it. We need leaders like you in  
7           empowerment to assure that we have equal  
8           opportunity, equal access. I just wanted to be  
9           sure, would that be at all levels in terms of  
10          contracting, hiring; at all levels?

11                      MAYOR RENDELL: To the best of our  
12          ability to do that, and we have some leverage  
13          because of our land use powers, the answer to  
14          that would be yes. I don't want to be  
15          disingenuous. I'm not sure legally that our  
16          land use powers extend to all of the things that  
17          you just said. I'm not sure that that may not  
18          have to come from the state legislation.

19                      But let me assure you, Representative  
20          James, that whatever condition the legislation  
21          comes to us, and assuming it becomes part of a  
22          law, through our land use power we would try to  
23          achieve all of those goals because I believe in  
24          them. Again, I would like to see that and maybe  
25          just for counties of the first class, but I



1 would like to see some guarantee of employment  
2 and that may be a way around the residency  
3 question.

4 REPRESENTATIVE JAMES: Even in talking  
5 with the casinos, the people that's coming in,  
6 we need to talk to them in the front end in  
7 terms of making sure that they can assure --

8 MAYOR RENDELL: We have made that  
9 point with literally 22, 23 different gambling  
10 enterprises that their chances of getting a  
11 license, at least for a Philadelphia operation,  
12 would be much stronger with minority  
13 participation. I think that would be true  
14 regardless of what the scheme is.

15 I also make it clear to them that I  
16 have nothing to do with picking them. I think  
17 regardless of what the scheme for awarding the  
18 franchises, they would be stronger in terms of  
19 their likelihood of getting a franchise with  
20 substantial minority equity participation. As  
21 Representative Horsey said, because of the  
22 dollars to be made, this is an area where  
23 minorities can raise that equity.

24 REPRESENTATIVE JAMES: Also ensuring  
25 that it gets back into the communities other

1 than just inner city.

2 MAYOR RENDELL: I'll try to address a  
3 number of things Representative Joseph added. I  
4 will file our economic stimulus plan. I'll file  
5 with you the Ernst Young studies, as well as our  
6 specific suggestions for amendments.

7 REPRESENTATIVE JAMES: The other thing  
8 is just that I think Representative Manderino  
9 told me that she talked about as we have a  
10 statewide or you would be in favor of a  
11 referendum. Would you also prefer that the  
12 counties be controlling their own --

13 MAYOR RENDELL: Yes, I think we should  
14 have a statewide referendum. But remember, it's  
15 nonbinding; it's nonbinding on you and it's  
16 nonbinding on the Governor. It's nonbinding,  
17 but my argument would be that at the end of that  
18 referendum --

19 Let's assume hypothetically gambling  
20 went down 55, 45 statewide, but it passed in  
21 Philadelphia, Allegheny, Delaware County, Bucks  
22 and Erie. I would think that the voters of  
23 those political subdivisions should be allowed  
24 to have it.

25 That's why I said it is important in

1 the legislation to delineate those areas that  
2 are not going to be potential recipients for  
3 legalized gambling because I think it will be  
4 much clearer to those residents if they're  
5 worried about it that they have nothing to fear.  
6 Because, if I lived in Clarion County and I knew  
7 that the gambling would be in Erie, Allegheny,  
8 Philadelphia, and the Philadelphia region and  
9 maybe Dauphin and Dauphin County; and yet, I  
10 would get money for my school district for that  
11 and it wouldn't be anywhere near me, I think I'd  
12 vote to support it.

13 REPRESENTATIVE JAMES: Thank you.

14 Thank you, Mayor, and thank you, Mr. Chairman.

15 CHAIRMAN GANNON: Thank you,  
16 Representative James. Representative Hennessey.

17 REPRESENTATIVE HENNESSEY: Thank you,  
18 Mr. Chairman. Let me just extend to the  
19 committee my apologies for my late arrival. For  
20 those of you who don't know it, this is the 25th  
21 anniversary of the United States Postal Service.  
22 I spent my earlier hours today up in Elverson in  
23 celebration of that event. I certainly was  
24 otherwise occupied, but I appreciate the  
25 opportunity to be here. I'm sorry I missed your

1 testimony, Mr. Rendell, but I'll look it over.  
2 Thank you.

3 CHAIRMAN GANNON: Thank you,  
4 Representative Hennessey.

5 REPRESENTATIVE HENNESSEY: I thought  
6 I'd wait until the TV cameras had left.

7 MAYOR RENDELL: Oh, I'm sorry, Mr.  
8 Chairman.

9 CHAIRMAN GANNON: Thank you, Mr.  
10 Mayor.

11 MAYOR RENDELL: I forgot about you.

12 CHAIRMAN GANNON: I want to personally  
13 thank you for taking your afternoon to be with  
14 us. Just a follow-up question to make sure I  
15 understand what you're saying.

16 I wanted to follow just a bit on  
17 Representative Horsey about this over the bar  
18 drink tax which I knew you were a strong  
19 supporter. Do you think that City Council, and  
20 I know you can't speak for Council, but do you  
21 believe the City Council would consider  
22 repealing that type of a tax should there be  
23 make-up revenues or riverboat gaming permitted  
24 in Philadelphia?

25 MAYOR RENDELL: Only if there were

1 dedication to public education. If there was  
2 dedication to public education of a substantial  
3 portion, I think that the City Council might be,  
4 and I can't speak for them, but might be  
5 amenable.

6 CHAIRMAN GANNON: If there was an  
7 offset they would consider repealing that?

8 MAYOR RENDELL: Offset here would be,  
9 we would certainly recoup substantially. Let's  
10 assume the formula that I suggested happens, we  
11 would get over \$50 million a year as opposed to  
12 20 or \$21 million a year. So, I think that  
13 would be possible.

14 CHAIRMAN GANNON: Representative  
15 Manderino seemed to get a little bit into the  
16 issue of the micromanagement body by the  
17 governmental units. There was a great deal of  
18 complaint by the casino folks when we had our  
19 first hearing. From what I'm picking up from  
20 what you're saying here, correct me if I'm  
21 wrong, that a lot of those issues you feel  
22 should be decided at the local level.

23 For example, Philadelphia should  
24 decide whether or not restaurants or eating  
25 establishments should be operated by casino

1 operators and, perhaps, Philadelphia should  
2 decide whether or not drinks should be served.  
3 Do you feel that that, perhaps, would be the  
4 better approach than trying to --

5 MAYOR RENDELL: Yes. Representative  
6 Kenney has allowed that to be possible by  
7 reserving in the bill, by not preempting our  
8 land use power. You could have preempted our  
9 land use power; you didn't. Representative  
10 Kenney didn't and that was a very wise and  
11 appropriate decision, but we retained the land  
12 power.

13 We could hypothetically say no  
14 drinking. That could be part of the  
15 requirements to get the zoning for a franchise.  
16 Yes, whenever possible because -- I forget who  
17 it was that pointed out the differences.  
18 Because of the differences I would agree that  
19 that should be left to local land use planning.

20 CHAIRMAN GANNON: Thank, Mr. Mayor,  
21 for your testimony today, for taking the time  
22 once again.

23 MAYOR RENDELL: I appreciate it, Mr.  
24 Chairman. Again, thanks for all of you for not  
25 only allowing me to testify, but for your

1 attention.

2 CHAIRMAN GANNON: Our next witness is  
3 the Honorable Anthony Hardy Williams. He's a  
4 member of the General Assembly. Welcome,  
5 Representative Williams. Thank you for your  
6 patience.

7 REPRESENTATIVE WILLIAMS: I think we  
8 all know the Mayor wants this. I think that,  
9 frankly, your indulgence, I mean as a committee  
10 concerning an issue which has been bantered  
11 about for a number of years since we have both  
12 been here, and your individual attention in  
13 terms of the insightful questions that you are  
14 putting forward provides some level of comfort  
15 for those of us who want this endeavor to go  
16 forward. Because clearly, you're interested and  
17 you're also knowledgeable about the industry.  
18 And it is, let me be clear, a new industry. I  
19 have some comments which are drafted, but I  
20 would rather speak extemporaneously because a  
21 lot of it the Mayor has covered.

22 I want to be clear that I am  
23 supportive and in support of the current  
24 legislation, even though there may be some  
25 amendments down the road. I also want to be

1 clear that my views -- I have spoken upon this  
2 as Co-Chairman of the Philadelphia delegation,  
3 the Democrats, as an individual legislator from  
4 Philadelphia County, and frankly as an African-  
5 American who, as a citizen and a constituent of  
6 a city which has a significant population of  
7 African-Americans. Those are my views that I  
8 will represent today.

9 I believe that it should be laid out  
10 simply; that the state should have licensing and  
11 enforcement responsibilities, and that the local  
12 areas should have consideration for commerce  
13 development as well as neighborhood planning.  
14 Those two separate areas are very distinct and  
15 should not confuse either in terms of what the  
16 responsibilities are.

17 It is clear from the history in the  
18 casino and I want to also make this clear that  
19 today I'm in support of not a land-based  
20 activity. This should be, we are talking about  
21 riverboat gaming and it should not be discussed  
22 in any other form. We are talking about  
23 riverboat gaming.

24 But, the state is clearly only the  
25 body which would have the ability to enforce as



1 well as to license objectively any counties in  
2 terms of the franchisee that they would put  
3 forward and also would have the legal mechanism  
4 by which to do that. But also, I think the  
5 Mayor has laid out effectively why the local  
6 entity, be it a municipality or be it a township  
7 would need some flexibility in terms of laying  
8 out how planning should occur and who should be  
9 involved in that.

10 The reasons that I'm for this are  
11 obvious, and they should be obvious to any one  
12 of us who are here today. Revenues in the State  
13 of Pennsylvania and across the country are not  
14 increasing. They are in fact flat. To find new  
15 revenues for municipalities in particular are  
16 difficult without raising taxes. And as you,  
17 Mr. Chairman, are not for raising taxes, I'm not  
18 for raising taxes. Therefore, we clearly know  
19 this a way to raise revenues without inflicting  
20 pain upon our constituents.

21 The area that I want to also focus  
22 upon chiefly and primarily has to do with that  
23 constituency in Philadelphia County which is  
24 significant, the African-American community.  
25 While I have spoken about this publicly for

1 approximately 2 and a half years now, but I am  
2 in favor of it. I have met with 2, and I mean  
3 specifically 2 entities which are interested in  
4 placing franchisees within this county. I think  
5 as the Mayor has laid out earlier, his day is  
6 not complete without one of those entities  
7 speaking to him. There's something wrong with  
8 that picture.

9 I agree that I would not be in favor  
10 of having a great deal of mandates with regard  
11 to affirmative action policies and programs  
12 within the body of the legislation. Frankly, I  
13 don't think it would pass. We had that first  
14 activity in our made-for (phonetic) Convention  
15 Center. It did not work. What works is an  
16 agreement upfront. That agreement upfront with  
17 private industry will only occur with  
18 interaction with that community.

19 I believe early on, well before  
20 November occurs, myself, members of the black  
21 caucus, members of this committee and members  
22 from the community, the NAACP, the black clergy,  
23 other significant leaders in this county have to  
24 meet with people of industry. They have to meet  
25 in an organized way. I don't mean in a beat-up

1 way in a good section, but I mean in a proactive  
2 planning way that says 3 basic things:

3 Certainly and obviously, employment  
4 should be a chief concern. I believe the Mayor,  
5 and unfortunately Representative Cohen has left  
6 the room now--I'll speak to her later--the issue  
7 of residency is significant to those of us who  
8 want to make sure that there's a reason why we  
9 will bestow a vote upon this, an affirmative  
10 vote. I have to be able to see constituents of  
11 mine working in those locations.

12 In addition to that, I also have to  
13 provide a vision for young people in my district  
14 that vendor relationships as well as franchisees  
15 possibilities exist. That means that on that  
16 river I would hope and I would expect that the  
17 state, along with the local government, would  
18 provide a mechanism that certainly one of those  
19 franchisees could be owned wholly by a minority  
20 entity; as well as every one of those  
21 franchisees that sits on that waterfront has  
22 significant relationships with vendors who are  
23 minorities. I don't mean just mean African-  
24 Americans. I mean any minority of any sort, but  
25 that it would serve as a model for this county

1 as well as the state, as well as the country.

2 Those 3 areas have to be laid out.

3 Those 3 areas have to be defined before I  
4 believe, and I believe this with every fiber in  
5 my body, that the vote will be close; that the  
6 minority community will play a typical role in  
7 terms of how this is cast. I will also tell you  
8 that, frankly, the black clergy is not flatulent  
9 to riverboat gaming.

10 The gentlemen that heads the black  
11 clergy in Philadelphia County, Reverend  
12 Patterson, comes from Atlantic City. His  
13 impression that gambling, in particular gaming  
14 in those casinos destroyed Atlantic City. As  
15 well, even though I point out to him there are a  
16 lot of buses that come from churches that go to  
17 Atlantic City, they are not inclined to believe  
18 that perception.

19 We have a long way to go in terms of  
20 rolling this out. We have a long way to go with  
21 regard to persuasion. I believe it's achievable  
22 but a frank, honest, candid conversation is one  
23 that is long overdue.

24 Just as the Mayor convened a blue  
25 ribbon panel, I would hope that the Mayor would

1 help myself and those who have expressed an  
2 interest along the lines of a task force; a task  
3 force comprised of significant players within  
4 the minority community can be comprised, so that  
5 we can sit down and have a frank and honest  
6 understanding. I don't mean persuasion because  
7 there will be people who are on that task force  
8 who will never be persuaded, but at least they  
9 will be educated; they will be informed. So  
10 when they can go back and they can talk to their  
11 constituents, they can give them information  
12 which is accurate as opposed to opinionated.

13 If they're talking about rolling this  
14 out by November, then I guess we better get  
15 stepping to get this thing in place. Without it  
16 I don't see a significant number of minority  
17 legislators, and in particular Philadelphia  
18 legislators, being able to cast an affirmative  
19 vote for this particular legislation because it  
20 will be simply stepping on faith into something  
21 that clearly should a blueprint prescribed for  
22 it.

23 The last and final thing is that, I  
24 want to be clear that without some of the  
25 suggestions we are led to amending the

1           legislation with a variety of assorted mandates.  
2           As you know, Mr. Chairman, I am not a fan of  
3           mandates. I don't think they work. I am also  
4           not a fan of caste. That means that 10, 15, 20  
5           percent, 30 percent, 40 percent, whatever it be  
6           with regard to minorities because, in fact, you  
7           will find a minority can do a hundred percent of  
8           the work, so I'm not a fan of all of that. I  
9           want, dearly, that we do this early on, quickly  
10          and above board.

11                         With that I'll close my comments and  
12          allow for any questions. Thank you, Mr.  
13          Chairman.

14                         CHAIRMAN GANNON: Thank you,  
15          Representative Williams. Representative Horsey.

16                         REPRESENTATIVE HORSEY: I don't know  
17          if you were here or not, Representative  
18          Williams. If not, my apologies.

19                         REPRESENTATIVE WILLIAMS: That's fine.

20                         REPRESENTATIVE HORSEY: I don't know if  
21          you were here earlier when the Mayor commented  
22          on the one-time license fee. Those funds would  
23          go to community development. What are your  
24          feelings on that one-time licensing fee? What  
25          are your feelings on the city creating before

1 the legislation is passed an economic  
2 development package or community development  
3 package and would show people in the community  
4 exactly how this \$250 million he proposes from  
5 these fees, how they will be spent and where  
6 they will go?

7 One of the problems in Atlantic City  
8 is, when they initiated gambling they did not  
9 have this one-time fee which went directly into  
10 the development of the communities. As a  
11 result, the casinos got out front before  
12 community development was able to get out front.

13 Community development has been  
14 lacking. I think the \$50 million fee, and I'm  
15 going to take the same thing I told the Mayor, I  
16 know of 3 corporations, 51 percent minority  
17 owned that are interested in paying and can pay  
18 that \$50 million fee, and will pay it if given  
19 an opportunity to compete for these licenses.  
20 The fee is not an issue. The question is, I  
21 need to know your feeling on those points.

22 REPRESENTATIVE WILLIAMS: I think that  
23 the \$50 million is a conservative number. I  
24 think the Mayor knows that's a conservative  
25 number. I think the idea is a great idea. It's

1 not unique.

2 For those who have followed the gaming  
3 industry, land, you know, is the primary driving  
4 force; location as he said. The native  
5 Americans are probably the leading minority in  
6 terms of this industry who explained to us how  
7 to use our land. The Mayor just derived an idea  
8 from them. If they are going to come here, then  
9 they pay a price. He's just defined what the  
10 price is, the starting price.

11 I believe while that is a great  
12 starting place, the Mayor, along with all of us,  
13 have to provide some infrastructure for those  
14 neighborhoods by which they can articulate their  
15 concerns; in other words, how they spend that  
16 \$50 million. You and I work in neighborhoods  
17 and know how that can happen that one community  
18 group will say X, other group will say Y, and  
19 before you know it everything is confused and  
20 nothing gets done.

21 If we are smart enough early on to lay  
22 out a mechanism when that \$50 million comes,  
23 does it go to recreation in west and southwest  
24 Philadelphia? Does it go to a school in  
25 southwestern? Does it go to 52nd Street, 60th



1 Street or the like? Does it go to the park? We  
2 have to provide a mechanism by which they can  
3 express their concern early on. While I agree  
4 that \$50 million is a great starting point, we  
5 have some work in which to do to get it done.

6 REPRESENTATIVE HORSEY: Thank you.

7 CHAIRMAN GANNON: Mr. Hennessey.

8 REPRESENTATIVE HENNESSEY: Thank you,  
9 Mr. Chairman. Representative Williams, I  
10 believe your comment earlier was that the  
11 clergyman's assessment with Atlantic City has  
12 been led down the declining path by the casino  
13 industry, or something to that effect. I'm not  
14 old enough to remember this in detail, but it  
15 seems to me that Atlantic City was probably on  
16 decline before the gaming industry came to  
17 Atlantic City.

18 As I recall, that industry was almost  
19 seen as a salvation for Atlantic City in the  
20 hope that it would somehow contribute enough to  
21 turn it around. Perhaps one of the  
22 disappointments is that the industry hasn't at  
23 least in the past seemed to be very interested  
24 in making that contribution until only recently  
25 when I understand either the state or the local

1 authorities imposed a tax and allowed for  
2 credits against that tax if monies were set  
3 aside for urban development.

4 The problem we had, as we expressed it  
5 in some of the other hearings was that, the  
6 casino industry seems to think that its  
7 contribution to the city should stop at its  
8 property lines or their respective property  
9 lines. What I'm interested in is what type of  
10 feeling you have about how we could force  
11 contributions? I understand the franchise fee  
12 idea, but how would you do it on an ongoing  
13 basis, force a contribution by the industry to  
14 the cities that riverboat gambling would take  
15 place in?

16 REPRESENTATIVE WILLIAMS: Let me  
17 clarify one thing I said. I said the person who  
18 happens to head the black clergy, and that is  
19 Reverend Patterson, came from Atlantic City.  
20 His perception, which I believe a bit pristine,  
21 that the casinos were the downfall of Atlantic  
22 City. Of course, he remembers Atlantic City a  
23 lot differently than I do, because my assessment  
24 was what yours was, that it was in decline and  
25 that casinos were seen as a salvation. I think

1           that many people were disappointed that it was  
2           not the golden bullet to solve all their  
3           problems.

4                        I also want to say this. As I said to  
5           him, Atlantic City and what we are talking about  
6           here and what we're proposing in Pennsylvania  
7           are 2 decidedly different activities. They are  
8           not the same. The concerns that are raised with  
9           regard to a land-based casino capturing  
10          restaurants, day care, entertainment, movies,  
11          lodging, as well as gaming in one facility is  
12          not possible on a riverboat facility. What you  
13          have in addition to the franchise fee is, you  
14          have an inner mixture of economies.

15                      If a riverboat comes to a place, and  
16          we have examples of this in fact already in  
17          existence, even though it is a very new industry  
18          where you don't have an economy which is mature  
19          and can sustain itself independent of a  
20          riverboat gaming company, the riverboat gaming  
21          company does not do well; and, in fact, cannot  
22          stay because the boat needs good restaurants,  
23          needs museums, needs other entertainment for the  
24          gamer to participate in because it is not a  
25          captured kind of institution in and of itself.

1 Philadelphia and the Commonwealth sit  
2 in a very convenient location because that gamer  
3 will come off that boat at some point in time,  
4 walk up and down Delaware Avenue; may go across  
5 the bridge and go to the aquarium; may go to the  
6 arts; may go out into the county. There will be  
7 a variety of things that they are able to do.  
8 If given that they are conventioners, certainly  
9 there are going to be a variety of things that  
10 they're going to want to do in addition to  
11 gaming.

12 Riverboat gaming is not designed for  
13 quote unquote the (inaudible word). I'm not  
14 saying they don't happen, but it's not designed  
15 for the high ticket and high price person to  
16 come and spend their day on the boat. They're  
17 not going to do that. It is designed for people  
18 of moderate means to do an activity that they  
19 want to do that they're interested in doing, but  
20 it's not designed to lose their whole paycheck.  
21 It is designed for them to go in and come out.

22 So, an integrated economy is what will  
23 happen. Because of that integrated economy,  
24 hopefully, relationships such as most  
25 corporations in Philadelphia County and the

1 surrounding area enjoy; that is, good corporate  
2 sponsorship. You will find a lot of those  
3 people in our community meetings and a lot of  
4 those people involved in our community projects.  
5 I hope that same thing will occur.

6 REPRESENTATIVE HENNESSEY: Thank you.  
7 Thank you, Mr. Chairman.

8 CHAIRMAN GANNON: Thank you,  
9 Representative Hennessey. Representative James.

10 REPRESENTATIVE JAMES: Thank you.  
11 Thank you, Mr. Chairman. I thank you,  
12 Representative Williams, for bringing testimony.  
13 We appreciate it and know that you are going to  
14 stay on the case as the Co-Chairman of the  
15 Philadelphia delegation.

16 REPRESENTATIVE WILLIAMS: Thank you.

17 REPRESENTATIVE JAMES: Thank you.

18 CHAIRMAN GANNON: Thank you,  
19 Representative James. Representative Manderino.

20 REPRESENTATIVE MANDERINO: No  
21 questions.

22 CHAIRMAN GANNON: Representative  
23 Kenney.

24 REPRESENTATIVE KENNEY: No.

25 CHAIRMAN GANNON: I have no questions.

1 Thank you, Representative Williams, for coming  
2 today and sharing your views with us. We  
3 appreciate it very much.

4 REPRESENTATIVE WILLIAMS: Thank you  
5 very much.

6 CHAIRMAN GANNON: Why don't we just  
7 take about a 5-minute break to give our court  
8 reporter a rest.

9 (Short recess occurred)

10 CHAIRMAN GANNON: We are ready to  
11 convene our meeting. Our next witness is Joe  
12 Mahoney with the Greater Philadelphia Chamber of  
13 Commerce. I welcome Mr. Mahoney and thank you  
14 for joining us today.

15 MR. MAHONEY: Thank you,  
16 Representative Gannon. My name is Joe Mahoney  
17 and I am Senior Vice President at the Greater  
18 Philadelphia Chamber of Commerce.

19 Thank you for giving us the  
20 opportunity to testify before you today on the  
21 very important subject of gaming in  
22 Pennsylvania. We are pleased to assist in the  
23 efforts of your committee and offer, in addition  
24 to my testimony today, a copy of the statement  
25 made by our President Charlie Pizzi at a similar

1 public hearing last year before Representative  
2 Clymer's committee.

3 We have followed the debate on the  
4 issue of gaming very closely, and while our  
5 organization has not adopted a formal position,  
6 we believe that several items are vital to the  
7 formulation of any proposed legislation.

8 A comprehensive plan is critical to  
9 the success of gaming in Philadelphia and in  
10 Pennsylvania. Key to our success is the  
11 realization that gaming cannot and should not be  
12 a dominant force within our economy, but rather  
13 an adjunct to the many and varied recreational  
14 opportunities available to visitors to our city  
15 and the other fine destinations in Pennsylvania.

16 Locally, gaming is viewed as a natural  
17 component of the development along the Delaware  
18 Riverfront. But before the first card is dealt,  
19 many plans, programs, and assurances must be in  
20 place.

21 First is community impact. Provisions  
22 of the legislation must assure the community  
23 that gaming will be an added attraction, not a  
24 dominant one. We must preserve local  
25 restaurants, hotels, and other entertainment

1 sources.

2 With the already bustling development  
3 along the riverfront, the major initiatives down  
4 the Avenue of the Arts and the evident success  
5 of our state-of-the-art Convention Center,  
6 Philadelphia is truly a first-class designation  
7 city. We must be careful to approach gaming in  
8 a way that protects the growth and impact of  
9 these exciting enterprises. Riverboats can and  
10 should act as a catalyst to increase business in  
11 surrounding establishments, not detract from it.

12 Further, developers familiar with  
13 urban planning issues should be consulted on the  
14 design of boats as well as the related  
15 facilities to assure that each community is  
16 being enhanced by the design. We do not want  
17 gaudy displays which will downgrade the look of  
18 our historic districts.

19 Infrastructure planning. Traffic,  
20 parking, highway improvements and public transit  
21 issues are a few of the challenges which must  
22 also be addressed. Local groups should  
23 undertake a comprehensive planning effort along  
24 with the city to assure that the needs of the  
25 casinos are met with the least disruption to the



1 surrounding neighborhoods.

2 License and fees. To help assure that  
3 gaming is an enhancement rather than a dominant  
4 enterprise, the number of licenses available  
5 must be limited. Legislation must also  
6 guarantee that gaming revenues and fees are used  
7 in a responsible way. Both entrance and exit  
8 licensing fees must be levied to assure an  
9 operator's long-term commitment to our region.

10 These are just a few items which we  
11 believe must be addressed by any proposed  
12 legislation legalizing gaming in Pennsylvania.  
13 As all levels of government are forced to seek  
14 new sources of revenue to maintain necessary  
15 services and to continue to operate, we must  
16 also identify new industries whose revenues can  
17 help produce benefits throughout our economy.  
18 Gaming, if positioned carefully, can be one of  
19 those points.

20 CHAIRMAN GANNON: Thank you, Mr.  
21 Mahoney. Representative Horsey.

22 REPRESENTATIVE HORSEY: No questions.

23 CHAIRMAN GANNON: Representative  
24 Hennessey.

25 REPRESENTATIVE HENNESSEY: Yes, thank

1           you, Mr. Chairman. Mr. Mahoney, the exit fees  
2           that you're talking about, can you give me an  
3           idea what you have in mind?

4                     MR. MAHONEY: In some communities that  
5           have gaming down in the south as new areas  
6           opened up to gaming, you know boats left  
7           communities to go to population centers which  
8           were seen as more profitable for the industry,  
9           we would propose that you need to protect  
10          against that in any legislation, of gaming  
11          interest picking up and leaving to go to what  
12          they perceived to be more profitable  
13          communities.

14                    One way of doing that would be not  
15          only the upfront fee as the Mayor spoke to, but  
16          also an exit fee if a gaming company were to  
17          leave within a prescribed period of time;  
18          whatever would be deemed appropriate.

19                    REPRESENTATIVE HENNESSEY: I guess  
20          what I'm wondering is whatever would be deemed  
21          appropriate. Are you talking about \$50,000?  
22          Are talking about half a million dollars?

23                    MR. MAHONEY: We're talking about fees  
24          probably comparable to the licensing fees that  
25          the Mayor was talking on the front end.

1                   REPRESENTATIVE HENNESSEY: Thank you,  
2                   Mr. Chairman. That's all.

3                   CHAIRMAN GANNON: Thank you,  
4                   Representative Hennessey. Representative  
5                   Manderino.

6                   REPRESENTATIVE MANDERINO: Thank you,  
7                   Mr. Chairman. Mr. Mahoney, the Mayor had one  
8                   suggestion for us, increasing the number of  
9                   licenses in Philadelphia from 3 to 5 in the  
10                  legislation. I don't know if you have a  
11                  position on that yet, but I would be interested  
12                  if you do what it is, or if you don't, are you  
13                  developing one?

14                  MR. MAHONEY: During the discussions  
15                  that we have had, Representative Manderino, in  
16                  the past about this we have talked about no more  
17                  than 5 licenses in Philadelphia. I think that 5  
18                  is the number that we would see as being  
19                  realistic as a cap.

20                  REPRESENTATIVE MANDERINO: I note in  
21                  your testimony that you talked about it in the  
22                  context of development of the Delaware  
23                  waterfront. Can I assume from that comment that  
24                  the Chamber would support riverboat gaming in  
25                  Philadelphia exclusive to the Delaware River and

1 not any of our other waterways?

2 MR. MAHONEY: Our discussions at this  
3 point have been limited to the Delaware River.  
4 We have not given any consideration to the  
5 Schuylkill, for instance, within Philadelphia.

6 REPRESENTATIVE MANDERINO: Thank you.

7 CHAIRMAN GANNON: Thank you,  
8 Representative Manderino. Representative  
9 Kenney.

10 REPRESENTATIVE KENNEY: Thank you, Mr.  
11 Chairman. Mr. Mahoney, in your comments you  
12 said before the first card is dealt, many plans,  
13 programs and assurances must be in place;  
14 community impact, infrastructure planning,  
15 licenses and fees. How do we put into place  
16 assurances when it comes to community impact and  
17 infrastructure planning? Are we saying we  
18 should write plans and impact into the  
19 legislation, or do you have plans that --

20 MR. MAHONEY: No. I think that some  
21 of the plans and proposals, Representative  
22 Kenney, that the Mayor talked about within your  
23 legislation, having the flexibility but having  
24 the city guarantee with its land use policies  
25 that adequate parking facilities and some of the

1 other issues that he addressed in his comments  
2 are things that we consider vital as well.

3 We don't want to see gaming detract  
4 from either the established businesses in the  
5 area or to adversely impact the residential  
6 areas surrounding Delaware Avenue. We think the  
7 community input is vital and that those  
8 communities be assured that their positions will  
9 be taken under advisement and the least  
10 disruption happening to those communities is  
11 considered.

12 REPRESENTATIVE KENNEY: But I guess  
13 what the community groups are saying is that,  
14 they want to see the plan prior to the  
15 legislation being adopted or supported in the  
16 General Assembly. Do you agree to that?

17 MR. MAHONEY: No. I think that's very  
18 hard to do. I think you just have to create the  
19 most assurances that there will be input by  
20 community groups. I think you can't have -- A  
21 plan before the legislation is probably putting  
22 the cart before the horse.

23 REPRESENTATIVE KENNEY: Thank you.

24 CHAIRMAN GANNON: Thank you,  
25 Representative Kenney. Representative Horsey.

1                   - REPRESENTATIVE HORSEY: One quick  
2 question. So, do you think that the Mayor's  
3 plan for the one-time fee with the community,  
4 how do you feel about that? Is that a good  
5 idea?

6                   MR. MAHONEY: We think that's  
7 terrific. The business community as you know,  
8 Representative Horsey, has been in other areas  
9 such as the Philadelphia plan where the  
10 legislature was good enough to grant community  
11 redevelopment tax credits. The business  
12 community in Philadelphia has 12 corporations  
13 that have stepped up to the plate and made  
14 significant contributions to the neighborhoods.  
15 We think the Mayor's plan for this is terrific.

16                   REPRESENTATIVE HORSEY: Thank you.  
17 Thank you very much.

18                   CHAIRMAN GANNON: Thank you,  
19 Representative Horsey. Mr. Mahoney, are you  
20 perhaps suggesting that these issues of  
21 community impact and infrastructure planning  
22 would be considered by any commission that we  
23 set up that would actually issue licenses before  
24 they would issue a license?

25                   MR. MAHONEY: Yes. Our concern is

1           that we want to avoid some of the mistakes that  
2           happened in Atlantic City. We feel in having  
3           seen the impact there and some of the  
4           shortcomings in hindsight that we are best to  
5           craft our legislation in a way that we can avoid  
6           any of the downsides that hit that community.  
7           If it's deemed to be that the commission gets  
8           the community impact prior to the licensing,  
9           that would be fine.

10                   CHAIRMAN GANNON: Thank you very much,  
11           Mr. Mahoney, for joining us today and for taking  
12           time in your afternoon and being so patient.

13                   MR. MAHONEY: Thank you,  
14           Representative Gannon. I appreciate it. Thank  
15           you.

16                   CHAIRMAN GANNON: We're going to go  
17           out of order again. Mr. Green who is with us  
18           has to catch an airplane. He's on a pretty  
19           tight schedule so we are going to ask if he will  
20           be our next witness. Bob Green, President of  
21           Philadelphia Park Racetrack. Welcome and thank  
22           you, Mr. Green.

23                   MR. GREEN: Mr. Chairman, and members  
24           of the House Judiciary Committee, thank you for  
25           giving me the opportunity of testifying before

1           you.

2                       My name is Bob Green. I was born in  
3           London but I have been here on a permanent basis  
4           since 1989, and I have made Philadelphia my home  
5           in United States. I own a house in South Philly  
6           on the corner of Front and Christian, which is  
7           where I currently live.

8                       Apart from my corporate involvement  
9           which I will come onto later, I am a  
10          Philadelphia resident. I pay city property  
11          taxes, the city wage tax and (for me probably a  
12          larger expense than it should be) the city  
13          liquor surtax charge. That's probably why the  
14          Mayor is getting double what he anticipated.

15                      At the end of 1990 -- I should say, as  
16          a little insert that I've also learned how to  
17          run up and down the steps of the Art Museum and  
18          say yoe. I consider myself a fully-pledged  
19          Philadelphian.

20                      At the end of 1990 my company, which  
21          is based in the United States and is called  
22          Greenwood Racing, purchased Philadelphia Park  
23          Racetrack. The park is the major racetrack in  
24          the Commonwealth and sits on 420 acres just over  
25          of the northeast city line in Bensalem, Bucks



1 County. We also own 3 offtrack wagering and  
2 dining facilities, Turf Clubs we call them, in  
3 the Philadelphia area. We also operate the most  
4 extensive telephone waging system in the  
5 country.

6 We are currently building our fourth  
7 Turf Club in the Valley Forge area. We hope to  
8 start work on our fifth site out on Baltimore  
9 Pike at Route 202 this summer. Our sixth site  
10 should be open sometime next year. By that time  
11 we would have invested approximately  
12 \$110 million in Pennsylvania and we would have  
13 1,800 employees, a thousand more people than we  
14 did when we came here in 1990.

15 In addition, last year our commission  
16 validated 3,500 people to work our racetrack for  
17 owners and trainers who have horses stabled  
18 there.

19 We consider ourselves very much a part  
20 of the Philadelphia entertainment and recreation  
21 industry. This is a major element in the  
22 service industry which is so vitally important  
23 for this area and the Commonwealth as a whole.  
24 Philadelphia used to be the manufacturing  
25 capital of America. Those days are long gone.

1 As a result, there is a tremendous need to  
2 maintain this state's competitiveness in the  
3 service arena.

4 You are here to review the issue of  
5 gaming and its effect on tourism, hospitality  
6 and business within Pennsylvania. Our position  
7 on this matter is straightforward. We are not  
8 opposed in principle to the expansion of gaming  
9 in Pennsylvania. However, that expansion must  
10 be considered within the framework of the  
11 legalized gambling that already takes place  
12 within the state; namely, the Pennsylvania  
13 Lottery and the business that we are in, horse  
14 racing and pari-mutuel wagering.

15 At your March hearing you heard from  
16 the Executive Director of the Lottery, so I will  
17 not use up my time discussing that, except to  
18 say that it has been extremely successful and  
19 despite competition and the expansion of  
20 lotteries in adjoining states, it is still in  
21 good shape.

22 As for horse racing, 3 principal  
23 factors have helped it to become one of the  
24 state's most important industries, and one of  
25 the most progressive horse racing jurisdictions

1 in the country. First has been the support with  
2 the legislature who, recognizing the importance  
3 of racing and the preservation of open space,  
4 allowed the industry the opportunity to take its  
5 product to the people by permitting offtrack  
6 betting, telephone wagering and full card  
7 simulcasting.

8 Second has been the industry's  
9 willingness to invest in the future and its  
10 flexibility in adopting to changing economic  
11 conditions and consumer preference. Third has  
12 been the absence of direct immediate competition  
13 from casino gaming.

14 What this has meant, according to a  
15 recent independent study by the Economic  
16 Research Association, is that horse racing in  
17 Pennsylvania is responsible on an annual basis  
18 for supporting more than 40,000 jobs, generating  
19 \$576 million in personal income and producing a  
20 total economic impact of \$752 million. The  
21 industry supports capital facilities worth \$1.2  
22 billion; plus, another \$1 billion in equine  
23 related commercial activities.

24 In an age of sprawling shopping malls  
25 and suburban housing development, it is

1 particularly important to note that the industry  
2 is also a significant contributor to the  
3 maintenance of open space and agricultural land,  
4 with over 520,000 acres devoted to the breeding,  
5 raising and training of horses.

6 In my view, it would make absolutely  
7 no sense whatsoever to do anything that would  
8 impact in a negative way these two existing  
9 legalized gambling activities. They both  
10 operate under the strictest regulatory  
11 environment. They pose no enforcement or  
12 control issues. They do not cause the state a  
13 single problem and they produce significant tax  
14 revenues and jobs.

15 Indeed, the importance of the racing  
16 industry to the state has been recognized in the  
17 bill that George Kenney has introduced, and  
18 there is provision for racetracks to obtain a  
19 riverboat license within their primary market  
20 area. In our view this makes sense, because  
21 what we have seen in other states where an  
22 established racing industry has not been taken  
23 into account within an expanded gaming  
24 environment, has been the decimation of that  
25 industry.

1                   However, we do recognize that this  
2 bill represents a major public policy issue for  
3 the Commonwealth, and it is essential that it's  
4 approached with a clear understanding of what is  
5 being proposed and what, if it came into effect,  
6 would be the result. Your committee and other  
7 forums where this matter will be debated need as  
8 much relevant information as it is possible to  
9 obtain. With an issue of this magnitude, there  
10 should be no illusions and there should no  
11 surprises.

12                   In the meantime, our business and the  
13 very substantial investment that we've made here  
14 in the Philadelphia region is under quite  
15 serious threat. Last year the State of  
16 Delaware, faced with the potential closure of  
17 its racing industry, approved the installation  
18 of up to 1,000 slot machines at each of its 3  
19 racetracks.

20                   On the 28th of December, 1995, slot  
21 machines made their first appearance at Delaware  
22 Park Racetrack. Delaware Park is a 25-minute  
23 drive south down I-95, just 30 minutes away from  
24 this building. These slots have been  
25 phenomenally successful. They have not only

1 dramatically changed the shape of racing in  
2 Delaware, but they have also created over a  
3 thousand new jobs and added millions in tax  
4 revenues to the state's coffers.

5 Because of the bad weather that we  
6 endured in January and February of this year  
7 when our track was only open for a total of 19  
8 days of live racing, it was difficult for us to  
9 measure, on a like-for-like basis, what effect  
10 this added attraction at Delaware was having on  
11 our own business. Since March, however, what we  
12 have seen is a steady and continuing negative  
13 impact on both our racetrack and our Turf Clubs.  
14 We estimate that we are currently losing around  
15 10 percent of our business down to Delaware and,  
16 in my view, that number will continue to grow.

17 The other damaging aspect from  
18 Pennsylvania's perspective is that slots have  
19 enabled Delaware Park to revive their purse  
20 structure. The purse is the amount of prize  
21 money that you pay to horsemen. This has meant  
22 that last year they were paying \$70,000 a day in  
23 purses against approximately \$100,000 a day that  
24 we were paying in Philadelphia. This year their  
25 purses have already more than doubled to over

1           \$150,000, a day which gives them a distinct  
2           competitive advantage.

3                       As a result, owners and trainers are  
4           now moving their horses out of Pennsylvania and  
5           into Delaware. Just last month, for example, we  
6           lost two of our major outfits down to Delaware  
7           Park. This is not just ominous for the racing  
8           industry. It's also bad news for the state's  
9           agricultural industry.

10                      Not that I'm critical of Delaware's  
11           slot machine business. It's a very good  
12           operation, well regulated and properly  
13           conducted. Nor am I critical of horsemen that  
14           move there. In their position, I would do  
15           exactly the same thing. What I'm doing is to  
16           simply draw attention to the current degree of  
17           competition that our business faces here in  
18           Philadelphia.

19                      Within the Pennsylvania context, this  
20           competition is not just confined to Delaware.  
21           At the western end of the state, West Virginia  
22           has slots at their racetracks and this  
23           undoubtedly attracts wagering dollars from  
24           Pittsburgh and the surrounding region. Nearer  
25           home, in addition to the planned, massive

1 expansion of facilities in Atlantic City, New  
2 Jersey has just introduced enabling legislation  
3 for slot machines at racetracks and similar  
4 measures are currently under active  
5 consideration in Maryland and New York.

6 This propensity for states to put  
7 slots at their racetracks is understandable. In  
8 the first instance, it is a limited and  
9 restrained response to the clamor for expanded  
10 gaming, and wherever they have been introduced,  
11 they have been an unqualified success. And this  
12 has been a success without causing any problems  
13 to the community or the state concerned.

14 In our view, this would be the same  
15 case in Pennsylvania. The racing industry is  
16 already highly regulated with every employee  
17 licensed and every contract subject to State  
18 Commission approval. The control functions are  
19 already in place, without having to set up a new  
20 and expensive bureaucracy.

21 Each racetrack is already zoned for  
22 racing and for wagering. Each one has at its  
23 disposal hundreds of acres of available land.  
24 Each racetrack has many thousands of available  
25 parking spaces and there are no problems with



1 access and traffic flow. They present no  
2 difficulties to the communities in which they  
3 are located, and they're all highly regarded  
4 within their own neighborhoods. The primary  
5 purpose after all of a racetrack is a place  
6 where people go to have a bet.

7 I'm not here to whine about our  
8 industry, nor to ask for special protection for  
9 it. We are businessmen and risk is one of the  
10 functions of business. What I do think needs  
11 serious consideration is for Pennsylvania to  
12 measure what is going on around it and then to  
13 determine its response.

14 From a simple economic standpoint, it  
15 would be totally unrealistic in my view to  
16 expect this Commonwealth to sit idly by and  
17 continue to allow more and more of its money to  
18 be drained away across state lines. We know  
19 that people in this state play slot machines.  
20 It's just that they play them, not in  
21 Philadelphia nor in Pittsburgh, but they play  
22 them in Atlantic City, at Delaware Park  
23 Racetrack and racetracks in West Virginia. It  
24 won't be long before you can add New York and  
25 Maryland to that list.

1           As I said, the racing industry does  
2 not need special protection. It just needs the  
3 tools to compete. As a highly regulated  
4 industry, it is only the legislature that can  
5 give us those tools.

6           By way of an example, between 1992 and  
7 1993, Philadelphia Park lost 25 percent of its  
8 trade to the New Jersey racetracks and we were  
9 facing the elimination of our business. It was  
10 a simple matter. The New Jersey racetracks had  
11 full card simulcasting; Pennsylvania tracks did  
12 not.

13           In the summer of '93, the legislature  
14 recognized that problem and allowed us to do the  
15 same thing--no better, no worse. Within 6  
16 months we had not only recaptured the business  
17 we had lost, but we significantly increased our  
18 market share at New Jersey's expense. Why?  
19 Because once we were given the tools to compete.  
20 We invested heavily in developing the technology  
21 that underscores our business in such things as  
22 satellite communication, digital up-linking and  
23 information text display systems.

24           What I am saying is this, give us the  
25 tools to compete and we will deliver. We will

1 deliver the money, our imagination and our  
2 resourcefulness in order that we keep the  
3 wagering dollar within Pennsylvania and for the  
4 benefit of Pennsylvanians.

5 Does it makes sense for Pennsylvania  
6 dollars to drive 30 minutes away and fund social  
7 programs for Delaware residents? This is a time  
8 when major components of our future, matters  
9 like higher education, which have been referred  
10 to remain critically underfunded. These items  
11 can always be remedied by an infusion and  
12 reallocation of cash, but with all citizens  
13 facing higher state and local taxes, maybe the  
14 way to do it is through tax revenues from the  
15 expansion of gaming.

16 Maybe the way to go is via the Kenney  
17 riverboat bill which is very thoughtful, well  
18 constructed, or might be through wholesale,  
19 theme related, Las Vegas style casino complexes.  
20 Maybe, in the short term and as a lead into  
21 future expansion, the sensible thing at this  
22 stage would be for slots at racetracks.

23 These are clearly matters for  
24 consideration for the legislature and your  
25 committee. In any event, I hope this address

1 will be of some assistance to you in assessing  
2 the current competitive picture and help you in  
3 your deliberations. I would be pleased to  
4 answer any question, Mr. Chairman.

5 CHAIRMAN GANNON: Thank you, Mr.  
6 Green. Representative Horsey.

7 REPRESENTATIVE HORSEY: I have a  
8 question for you. Before I ask the question,  
9 Mr. Chairman, and Representative Kenney, just  
10 real quick, does our legislation address any of  
11 the possibilities because I think I hear from  
12 his testimony that slot machines or some other  
13 type of additional gambling might aid that  
14 particular industry? Does this legislation  
15 address that in any way?

16 CHAIRMAN GANNON: Representative  
17 Kenney, why don't you answer that.

18 REPRESENTATIVE KENNEY: Not at the  
19 present locations, no. I guess in trying to  
20 look for a preference, giving this industry a  
21 preference, the horse racing industry, because  
22 this legislation would have an impact on it, we  
23 said to those for racetracks that you will  
24 qualify for a license under the same conditions  
25 as anyone else would within 35 miles of the

1 racetrack. That does not mean -- Mr. Green has  
2 his facilities in Bensalem, Bucks County. He  
3 could not open up a casino-type gaming at his  
4 facility now.

5 REPRESENTATIVE HORSEY: Slot machines  
6 would be considered casino type?

7 REPRESENTATIVE KENNEY: He couldn't  
8 open up anything at his facility.

9 REPRESENTATIVE HORSEY: Under this  
10 legislation?

11 REPRESENTATIVE KENNEY: Correct.

12 REPRESENTATIVE HORSEY: Let me ask  
13 you, Mr. Green. First of all, would something  
14 like slot machine gambling help your industry  
15 any?

16 MR. GREEN: Just to go back to Mr.  
17 Kenney's point that the draft bill proposes at  
18 this stage that the granting authority may issue  
19 an additional license in addition to the  
20 licenses that are already planned for Class A  
21 counties. It gives a discretion to the issuing  
22 authority, the power to grant an additional  
23 license to a racetrack that's within that area  
24 if riverboat gaming is allowed. We would have  
25 the opportunity to obtain the fourth license.

1           If there were 3 existing licenses in  
2 Philadelphia, we would have the opportunity  
3 being within that primary market area to open a  
4 fourth, or to apply for a fourth riverboat  
5 license within that vicinity.

6           Putting that to one side and then  
7 coming back to your question, clearly, this is  
8 fairly immediate for us because we are seeing  
9 the impact of what's happening 30 minutes away  
10 in Delaware. Outside of this particular bill,  
11 certainly, slot machines at racetracks which  
12 have been introduced in Delaware and West  
13 Virginia are being very popular and certainly  
14 would assist our industry, yes.

15           REPRESENTATIVE HORSEY: Separate and  
16 apart from riverboat gambling because that's the  
17 legislation that we are taking notice of today.  
18 I understand your availability in applying for a  
19 riverboat license. Is this the correct way to  
20 go as opposed to just having another category of  
21 gambling available vis-a-vis the tracks  
22 themselves?

23           MR. GREEN: I think the legislation  
24 has quite rightly in this bill taken account or  
25 tried to take account of the racing industry. I

1 think that's important because there's no point  
2 in creating a new industry at the expense of a  
3 very substantial existing industry, which is  
4 what we have in Pennsylvania. I think the  
5 legislation tries to address that point. I  
6 would not know, quite frankly, whether that  
7 would make us whole; in other words, the amount  
8 of money that would be lost in cannibalization,  
9 whether we would make up that revenue promoting  
10 the riverboat license, I don't know. Only time  
11 will tell that.

12 REPRESENTATIVE HORSEY: That's part of  
13 the direction of my question. If we could  
14 somehow hypothetically, because I don't have the  
15 ability to do this, but if we could somehow  
16 consider another category of gambling and that  
17 is gambling at racetracks in one way, for  
18 example, slot machines as opposed to just  
19 riverboat, I'm asking for your opinion in that  
20 area?

21 Because, like you said, from the  
22 riverboat it may not make you or your industry  
23 whole, but I think to allow -- because the  
24 bottom line of this legislation is, we are only  
25 talking about controlled gambling. That already

1 exists in Philadelphia, in Pennsylvania, by the  
2 way of racetracks. Are we still talking about  
3 controlled gambling when I address the question  
4 of allowing racetracks to operate slot machines?  
5 I need to have a definitive opinion from you on  
6 that particular topic. What is your opinion?

7 MR. GREEN: It would be extremely  
8 helpful. It would enable us to compete with  
9 surrounding states, yes.

10 REPRESENTATIVE HORSEY: Thank you.  
11 One quick statement, Mr. Chairman, and that is,  
12 I happen to know and I have seen the statistics,  
13 they've been in the newspaper, \$50 million in 30  
14 days from Delaware. Pennsylvania is losing  
15 revenue. Thank you, Mr. Chairman.

16 CHAIRMAN GANNON: Thank you,  
17 Representative Horsey. Representative  
18 Hennessey.

19 REPRESENTATIVE HENNESSEY: Thank you,  
20 Mr. Chairman. Mr. Green, you had given us some  
21 statistics indicating that last year Delaware  
22 Park was paying \$70,000 a day in purses and this  
23 year it's up to 150. Was that just for Delaware  
24 Park Track or is that an average across the  
25 State of Delaware?



1 MR. GREEN: Just the Delaware Park  
2 Track.

3 REPRESENTATIVE HENNESSEY: What has  
4 happened across the State of Delaware? Can you  
5 tell us that in comparison with other racetracks  
6 across the other state lines?

7 MR. GREEN: Delaware Park is the only  
8 thoroughbred track in the State of Delaware.  
9 There are two small harness tracks, Dover and  
10 Harrington. They've been later in introducing  
11 machines than Delaware Park. The actual numbers  
12 from Dover and Harrington are not up and running  
13 yet. Dover just got up and running. It's too  
14 early to say what the effect of the purse  
15 structure will be on those harness racetracks.

16 The only thoroughbred racetrack,  
17 that's what we are concerned with as far as our  
18 track is concerned, is Delaware Park. I  
19 wouldn't be surprised if their purse structure  
20 is up to 190, \$200,000 a day by the end of the  
21 year.

22 REPRESENTATIVE HENNESSEY: To give us  
23 a comparison, what is Philadelphia Park's purse  
24 structure today? It was a hundred thousand  
25 dollars a day last year on average.

1 MR. GREEN: It's a hundred thousand  
2 dollars a day.

3 REPRESENTATIVE HENNESSEY: That stayed  
4 relatively the same?

5 MR. GREEN: Yeah.

6 REPRESENTATIVE HENNESSEY: Same as  
7 last year, but while you've seen an increase in  
8 fact of a hundred percent down south of us?

9 MR. GREEN: Yes.

10 REPRESENTATIVE HENNESSEY: Are we  
11 talking apples and apples in terms of the number  
12 of days you have been opened, the number of  
13 races on your card in a particular day,  
14 comparing you and Delaware Park now?

15 MR. GREEN: We do race more days. We  
16 race approximately 210 days. They race about  
17 150 days. Our program is approximately the  
18 same. We run either 9 or 10 races a day.

19 REPRESENTATIVE HENNESSEY: The  
20 addition of slots in Delaware is what you  
21 describe as 10 percent loss of your business  
22 too, right?

23 MR. GREEN: Yes.

24 REPRESENTATIVE HENNESSEY: I'm not a  
25 person who frequents tracks or the casinos down

1 in Atlantic City, but it would seem to me that  
2 people go from here to Atlantic City not just  
3 for slot machines, but for the shows, for the  
4 gaming tables or restaurants. There are a lot  
5 of other attractions in a casino resort that you  
6 wouldn't have if we were to allow slot machines  
7 in Philadelphia Park. Why do you hitch your  
8 start to the slot machines and think that they  
9 will be that much of a boost to your business?

10 MR. GREEN: If you look at the  
11 Atlantic City breakdown, 70 to 80 percent,  
12 depending on the casinos, that their revenue  
13 comes from slot machines. The actual percentage  
14 that's contributed by table games has been on  
15 the decline virtually since they opened. The  
16 vast majority of their revenue comes from slot  
17 machines and that is the basic attraction.

18 Really, it's proximity. The fact that  
19 people in south and west Philadelphia can get  
20 there in 25 minutes, much easier actually than  
21 they can get to Atlantic City and play the  
22 slots. It's just another feature of that  
23 entertainment. If a man goes out to play the  
24 horses on a Friday afternoon, he would take his  
25 wife with him and she'll probably play the slot

1 machines at Delaware Park. It's just an added  
2 feature of that entertainment, and the fact that  
3 it's so close to Philadelphia.

4 REPRESENTATIVE HENNESSEY: Thank you,  
5 Mr. Green. Thank you, Mr. Chairman.

6 CHAIRMAN GANNON: Thank you,  
7 Representative Hennessey. Representative  
8 Manderino.

9 REPRESENTATIVE MANDERINO: Thank you,  
10 Mr. Chairman. Mr. Green, I guess I'll ask the  
11 questions of you, but some of mine go to my  
12 understanding of the legislation and what it  
13 allows or doesn't allow in light of your  
14 testimony. I admit there are some things I'm a  
15 little confused about. It's Section 702 of the  
16 bill that provides for the additional authority  
17 to issue gaming licenses vis-a-vis what the  
18 horse race industry does now.

19 Just so I'm on the right page, we  
20 have -- and it doesn't refer to them by name but  
21 it talks about one additional gaming license for  
22 each primary market area as defined by the Race  
23 Horse Industry Reform Act. As best I know, we  
24 have 4: Philadelphia Park, Penn National,  
25 Pocono Downs, and the Meadows.

1 MR. GREEN: That's correct.

2 REPRESENTATIVE MANDERINO: The bill  
3 calls for 15 licenses. The Mayor is suggesting  
4 17 licenses, but the bill really calls for 15  
5 licenses plus a possible additional 4 under this  
6 Section 702.

7 MR. GREEN: That's correct.

8 REPRESENTATIVE MANDERINO: Okay. As  
9 it's written now in the bill, 702, that section  
10 would not allow you to bring slots into your  
11 current racing facility, but would allow you to  
12 be a franchisee on a river.

13 MR. GREEN: Yes, within our primary  
14 market area.

15 REPRESENTATIVE MANDERINO: Right. I  
16 was getting that with my next question. We  
17 already know vis-a-vis your park, Philadelphia  
18 Park, that there will be at least one  
19 opportunity. There will be an opportunity for a  
20 franchise within 35 miles because you are within  
21 35 miles, not only of the sites on Philadelphia  
22 and Delaware River, but probably Bucks County  
23 and up along the Delaware.

24 I assume also with regard to the  
25 Meadows and how and that's written that

1 vis-a-vis the rivers in Pittsburgh that they are  
2 within 35 miles of that.

3 Do you know, even though you don't  
4 represent them, whether Penn National and Pocono  
5 Downs are also -- I'm assuming this 35 miles.  
6 It's not written in this bill, but I'm assuming  
7 that's your primary marketing area as written in  
8 the Horse Race Act?

9 MR. GREEN: Yes.

10 REPRESENTATIVE MANDERINO: Are they  
11 also within 35 miles of a defined county by this  
12 bill?

13 MR. GREEN: Certainly Penn National  
14 just outside Harrisburg, yes. I'm not sure  
15 about Pocono Downs.

16 REPRESENTATIVE MANDERINO: I'm not  
17 either. When we had our last hearing there was  
18 a representative from Ladbrook (phonetic), I  
19 believe, Meadows facilities--Am I on the right  
20 page here?--and I walked away and it was  
21 probably because I didn't have a understanding  
22 until your testimony exactly what was provided  
23 in this section. I walked away from that  
24 hearing with an overall impression that what he  
25 was advocating was, if you give riverboat

1 gambling the horse race industry, or at least  
2 we'd like to see slot machines at our current  
3 racetrack facilities, different than what's  
4 provided in here. Am I hearing you say the same  
5 thing or am I hearing you say, we're satisfied  
6 with how it's written in this bill now?

7 MR. GREEN: No. As I said, we are not  
8 opposed to the expansion of gaming, and we  
9 believe it's correct that we should be part of  
10 this particular bill. What I was doing in my  
11 testimony I think was relying on what is  
12 currently happening out there. I don't know  
13 what the passage or the progress of this  
14 particular bill will be, and assuming that it  
15 goes through with the various stages, gets on  
16 the ballot, goes through referendum, legislation  
17 takes place, 8 months is spent in writing the  
18 regulations; 6 months is the licensing and the  
19 determining process. Six months is in  
20 construction. You may be talking about 1999.  
21 We've got a problem in 1996. I was just raising  
22 that.

23 How we deal with that I'm not  
24 proposing an answer. I'm just saying that  
25 that's the situation that's currently out there.

1           Certainly, we are satisfied with the fact that  
2           we've been made, there's a provision made for  
3           the industry within Mr. Kenney's bill.

4                         REPRESENTATIVE MANDERINO: I don't  
5           want to put words in your mouth. What I'm  
6           hearing is, regardless of this particular bill,  
7           we as an industry may need to be coming back to  
8           you in Harrisburg vis-a-vis whether or not the  
9           current status of the Horse Race Industry Reform  
10          Act is enough given expansion in other areas?

11                        MR. GREEN: Yes.

12                        REPRESENTATIVE MANDERINO: And you  
13          aren't weighing in, at least at this time,  
14          whether you have a preference for slot machines  
15          on site or inclusion in this bill or both, or  
16          are you and I just missed what it is?

17                        MR. GREEN: Not at this time. I think  
18          it's important to note that, actually, in my  
19          opening remarks I said that by next year we  
20          would have invested \$110 million in our  
21          business. Forget the other tracks; just in our  
22          business.

23                        In a sense, it's two businesses. We  
24          have a business, a racetrack business, in  
25          Bensalem and then we have our Turf Club business



1           which is another. One might be, let's say, an  
2           \$80 million investment. We have also got a  
3           \$30 million investment in Philadelphia itself  
4           with our Turf Clubs.

5                         Yes, I'm pleased and I think it's  
6           right that the provision is made in Bill 2308  
7           for the racing industry. What I'm saying is  
8           that, there is an immediate problem out there  
9           that we may have to address separately from this  
10          particular piece of legislation.

11                        REPRESENTATIVE MANDERINO: Are you  
12          able to offer an opinion right now, and maybe  
13          you're not, either vis-a-vis just your own  
14          corporate view, not necessarily on behalf of all  
15          of the racetracks, as to if it would be  
16          either/or proposition which one would help you  
17          the most? If the either/or proposition was a  
18          comparable to what Delaware has now, limited to  
19          slot machines and at your -- I don't even know  
20          if they are only at their live tracks and not at  
21          their parlors.

22                        MR. GREEN: They don't have --

23                        REPRESENTATIVE MANDERINO: Only at  
24          your live tracks or being included in something  
25          like this, is there either an industry position

1 or your Philadelphia Park position as to which  
2 would help us the most?

3 MR. GREEN: From the Philadelphia Park  
4 perspective in the short-term, certainly it  
5 would help us to have the ability to compete  
6 with Delaware Park already having slot machines  
7 at the racetrack. It probably depends to some  
8 extent, as far as an industry situation is  
9 concerned, the location of the particular track.

10 In the case of Meadows on the western  
11 end of the state, I think that they would be  
12 more keen to be a riverboat licensee because  
13 they see their market as Pittsburgh. We are  
14 much closer to the sensor. It'd be like  
15 Philadelphia. We are 17 miles away, just across  
16 the border. The racetrack could serve a larger  
17 residential population demographic than what it  
18 could at the Meadows. I think it would depend  
19 on the racetracks. That would be difficult to  
20 give an indicant this way.

21 REPRESENTATIVE MANDERINO: Thank you  
22 very much. Thank you, Mr. Chairman.

23 CHAIRMAN GANNON: Thank you,  
24 Representative Manderino. Representative James.

25 REPRESENTATIVE JAMES: Thank you. I

1           didn't have the opportunity to hear the  
2           testimony, but I'm just concerned that -- I did  
3           have an opportunity to be at Philadelphia Park  
4           and observe the atmosphere and it was very  
5           interesting. I just want to make sure as we  
6           develop this legislation that we don't hurt your  
7           industry as well. Since the day is ongoing, I  
8           would just suggest, and I'm sure that you at the  
9           table at the beginning as we develop this kind  
10          of legislation make sure that your interests are  
11          met.

12                   MR. GREEN: Thank you, sir.

13                   REPRESENTATIVE JAMES: Thank you.

14                   CHAIRMAN GANNON: Thank you,  
15          Representative James. Representative Masland.

16                   REPRESENTATIVE MASLAND: Thank you,  
17          Mr. Chairman. I'm from Central Pennsylvania. I  
18          don't get to come in contact with residents of  
19          South Philly too often. As I was listening to  
20          to you during the hearing, I closed my eyes and  
21          I could have sworn I was listening to someone  
22          from South Liverpool.

23                   MR. GREEN: South London.

24                   REPRESENTATIVE MASLAND: It's close.  
25          Seriously, though, one of my concerns with this

1 issue is the concept of a limited amount of  
2 discretionary dollars. Now, I don't know  
3 whether there is an overall limit, zero some  
4 gain here we're talking about in general with  
5 discretionary dollars outside the mortgage, the  
6 car payment, et cetera, or whether there's also  
7 maybe an isolated amount of discretionary  
8 dollars for the gaming industries. It sounds  
9 like there may be is somewhat specialized.

10 You were talking about the simulcast  
11 in New Jersey having initially taken away from  
12 you and then you having gotten that back from  
13 New Jersey. It seemed like there was ebb in the  
14 flow there. What are your thoughts on that?  
15 Are there a limited number of discretionary  
16 dollars in your opinion for gaming in general,  
17 or is it restricted and more specialized based  
18 on the type of gaming?

19 MR. GREEN: Out in the New Jersey  
20 situation that was a question of  
21 competitiveness. We couldn't compete. If you  
22 wanted to have a bet on the third and fourth  
23 race at Churchill Downs, you could have it in  
24 New Jersey, but you couldn't have it in  
25 Pennsylvania which was quite ridiculous. That

1 issue was squared away.

2 What I was saying is, by giving us the  
3 tools to compete, we didn't only compete and get  
4 back to where we were, when we were on the level  
5 playing field we could actually increase our  
6 market share because we think we do things  
7 better.

8 In terms of the question of the  
9 discretionary dollar, I have been involved in  
10 racing, betting, gaming since 1960. I used to  
11 run 2,000 offtrack betting offices in the U.K.  
12 I was also the Chairman of the 6 major casinos  
13 in London and in Europe, in U.K., in Bombay and  
14 Cairo. I also used to run the casino operations  
15 on board the Cunard, on the QE 2. I've got  
16 significant experience in the racing, betting,  
17 casino gaming industry. Yes, and this may  
18 address a point that was raised earlier.

19 In all the years that I have been  
20 involved in it, the number of problem gamblers  
21 or people who have had difficulty gambling I  
22 could count on the fingers of one hand. People  
23 know what they are doing. They know what the  
24 odds are. They're very sensible with their  
25 money. They are generally people who hold down

1 good jobs and they allocate part of their budget  
2 to gaming. It's part of their entertainment  
3 dollars. It's the same as going to the movies  
4 or having a drink in a pub.

5 I think there is a limit to that  
6 discretionary amount. What that is, I'm not  
7 sure, but certainly there's absolute evidence  
8 coming back to some earlier points raised with  
9 the Mayor, that 1.2 billion of the 3.5 billion  
10 that is won in Atlantic City comes from  
11 Pennsylvania. There's absolutely no doubt about  
12 that.

13 We know already that you got 1.2  
14 billion going to Atlantic City. You've probably  
15 got several hundred million now going down to  
16 Delaware. On the western end of the state, I  
17 don't know how much is going into West Virginia,  
18 but that's not a question of the discretion of  
19 the dollar. Those dollars are actually here and  
20 going somewhere else. I think that there is  
21 enough of that to support a significant  
22 expansion of the gaming industry in  
23 Pennsylvania.

24 REPRESENTATIVE MASLAND: I realize we  
25 have a big population center here in the

1 northeast. My concern is that some of the  
2 economic benefits for gaming enterprises, be it  
3 riverboat or slots or whatever may, tend to be  
4 overstated because there is a limit. I don't  
5 know where that limit is. As the Mayor said,  
6 maybe the upfront fee should be 50 million.  
7 Maybe it could be a hundred million. Maybe it  
8 could be 150 million and they'd pay it. But  
9 sooner or later there's going to be a limit  
10 that the casino is not going to pay. Sooner or  
11 later they is going to be a limit as to what can  
12 really be earned and then come back to the state  
13 in the way of tax revenues.

14 MR. GREEN: I support the Mayor's  
15 advocacy and the economic development of  
16 Philadelphia. I'm a strong supporter of that.  
17 I think people get carried away by saying what  
18 you can get on one hand and what you can get on  
19 the other.

20 I'm not speaking here as a proponent  
21 for the casino industry. It seems crazy for me  
22 to say that yes, we want to get so many million  
23 dollars of upfront licensing fees, but we are  
24 only going to let you become half pregnant. You  
25 can't have a restaurant or you can't have

1 entertainment.

2 I think you have to bear in mind, if  
3 you are going to go into this business you've  
4 got to go into it. You can't go into it just  
5 putting your elbow into the water and saying, we  
6 like this or we don't like this. You've got to  
7 compete. You've got to compete with Atlantic  
8 City. There's no use you saying, if you're not  
9 in a position where you can't compete, you  
10 shouldn't go into it.

11 I think yes, there may be a concern  
12 about hotels and restaurants. I think the  
13 infrastructure in Philadelphia will support that  
14 and, in fact, they will do well with casino  
15 gaming. I certainly don't think that you can be  
16 ninny mouth about it and say, we want to charge  
17 you so many millions of dollars to come in here.  
18 We want to charge you so many millions of  
19 dollars to leave here, but in the meantime you  
20 can't run the business the way you should be  
21 running it. That seems to be crazy.

22 REPRESENTATIVE MASLAND: Thank you,  
23 Mr. Green. Thank you, Mr. Chairman.

24 CHAIRMAN GANNON: Thank you,  
25 Representative Masland. Representative Kenney.



1 REPRESENTATIVE KENNEY: No.

2 CHAIRMAN GANNON: Mr. Green, does the  
3 Delaware tracks have offtrack betting in full  
4 card simulcasting?

5 MR. GREEN: They have full card  
6 simulcasting which enables the Delaware Park  
7 Race Track to operate if you like as an offtrack  
8 facility when they're not racing live, but they  
9 don't have any satellite facilities in the way  
10 that we do.

11 CHAIRMAN GANNON: I heard a rumor--I  
12 don't know whether it's true or not--that  
13 Delaware Park was on the verge of closing about  
14 a year, maybe a year and a half ago.

15 MR. GREEN: It wasn't a rumor. It was  
16 a fact.

17 CHAIRMAN GANNON: I know the  
18 Brandywine Track was closed. That was knocked  
19 down and they bulldozed that over. I don't live  
20 too far from Brandywine. Now I hear, this may  
21 or may not be true, that they are building  
22 additional stables at the Delaware or are  
23 planning to build additional stables?

24 MR. GREEN: That's correct.

25 CHAIRMAN GANNON: The slot machine

1 operation at Delaware Track, is that run by the  
2 owners of the track?

3 MR. GREEN: Yes.

4 CHAIRMAN GANNON: They don't have any  
5 manager, an outside manager?

6 MR. GREEN: They don't have any  
7 contract with any casino or any other company.  
8 The facilities at Dover Downs is actually  
9 managed by Caesar's Palace.

10 CHAIRMAN GANNON: That's what I meant.  
11 It's not managed by -- It's not managed by  
12 the --

13 MR. GREEN: No, that's the one at  
14 Dover Downs. The one at Delaware Park is  
15 managed by the owners, yeah, at the racetrack.

16 CHAIRMAN GANNON: The one at Dover  
17 Downs is the one that is managed by Caesar's?

18 MR. GREEN: Yes.

19 CHAIRMAN GANNON: Just to clarify, you  
20 said 1.2 billion win, is that actually the  
21 amount that stays in Atlantic City and doesn't  
22 come back with the folks when they come back to  
23 Philadelphia?

24 MR. GREEN: That's right.

25 CHAIRMAN GANNON: But that's not the

1 amount that's actually handled?

2 MR. GREEN: No.

3 CHAIRMAN GANNON: There's probably a  
4 substantial, more money that --

5 MR. GREEN: In terms of -- Handle is a  
6 different concept in pari-mutuel wagering.

7 CHAIRMAN GANNON: I think I'm mixing  
8 two kinds. You know what I mean.

9 MR. GREEN: You can measure handle in  
10 terms of pari-mutuel gaming. That's the amount  
11 that the people stake on bets. People stake a  
12 hundred dollars on bets, the hundred dollars is  
13 handled, and your win is a percentage of that.

14 You can't measure handle that way in a  
15 casino industry. You measure it by what's  
16 called drop, which is cash tokens that are  
17 exchanged for cash, because the actual speed of  
18 the game doesn't allow you to compute each  
19 individual bet or handle. The real measurement  
20 is drop and the second measurement is the gross  
21 win, which is the amount of money that players  
22 lose, obviously, before the casino has its own  
23 expenses and taxes to pay.

24 CHAIRMAN GANNON: What I'm trying to  
25 understand is, it sounds to me that when you use

1 the amount of the drop -- If \$1.2 billion is the  
2 amount of win, then the amount of drop, if you  
3 will, is substantially more than that.

4 MR. GREEN: Absolutely. The total win  
5 is 3.6 billion. The 1.2 billion is what really  
6 comes from the Pennsylvania part of that market.  
7 Atlantic City as a market isn't a market. It's  
8 really made up of the two major feeder markets;  
9 the feeder market of New York and the feeder  
10 market of Philadelphia. The third element to it  
11 is if you add New Jersey in toto, but Atlantic  
12 City itself, it's just there. There's no real  
13 local element to their handle.

14 CHAIRMAN GANNON: Thank you very much.  
15 Representative Horsey.

16 REPRESENTATIVE HORSEY: I have one  
17 brief question. I'm considering gambling next  
18 month. Is that okay with you?

19 MR. GREEN: Yes.

20 REPRESENTATIVE HORSEY: So you have a  
21 knowledge of slot machines, I gather?

22 MR. GREEN: Yes.

23 REPRESENTATIVE HORSEY: This is the  
24 question that no one has asked since we've been  
25 here; that is, slot machines represent an

1 industry in and of themselves, in that, in 99  
2 percent of the cases they are board fixed and  
3 put together within the confines of those  
4 individual states; is that correct?

5 MR. GREEN: Yes.

6 REPRESENTATIVE HORSEY: So that would  
7 be an additional industry for jobs for the State  
8 of Pennsylvania. Because immediately when you  
9 talk about buying them from Virginia, West  
10 Virginia, or Maryland, you've got to go by  
11 federal rules. What a lot of states do is  
12 operate them totally within the confines of  
13 their states. Somebody in the State of  
14 Pennsylvania has to build them, has to repair  
15 them, and stop me if I'm wrong, Mr. Green; has  
16 to build them, has to repair them. You're going  
17 to have to train people to be at those  
18 facilities to operate -- I mean fix them, is  
19 that correct?

20 MR. GREEN: Most states, there's 24  
21 states now with some form of legalized casino  
22 gaming whether it's on Indian reservations or  
23 elsewhere. There are a number of major  
24 suppliers who dominate the marketplace who  
25 actually do manufacture their machines outside

1 of the state where they are going in. They have  
2 to acquire heavy support function and support  
3 personnel within that state to maintain them, to  
4 service them, and to look after them, yes.

5 REPRESENTATIVE HORSEY: That's another  
6 angle for jobs within the state.

7 MR. GREEN: Oh, yes.

8 REPRESENTATIVE HORSEY: I just don't  
9 want us to sit here and to overlook, especially  
10 if we are talking about, perhaps, putting slot  
11 machines in Turf Clubs. Thank you.

12 CHAIRMAN GANNON: Thank you,  
13 Representative Horsey. Representative  
14 Hennessey.

15 REPRESENTATIVE HENNESSEY: Mr. Green,  
16 if I can ask you to look in the future in your  
17 crystal ball for a second, as I look at what is  
18 happening in the gaming industry especially in  
19 Nevada, it seems like the casinos have plateaued  
20 as casinos and now they're turning into family  
21 type resorts.

22 If we were to allow for an expansion  
23 of gambling in Pennsylvania, either the  
24 riverboat gambling kind or slot machines at your  
25 tracks, in 15, 20 years are we going to be

1 looking at situations where you're going to have  
2 roller coasters on your 420 acres in Phila-  
3 delphia National Park and a water wonderland or  
4 water playground or something like that where  
5 you are going to be asking people to come in and  
6 stay for the weekend as opposed to coming in  
7 with your wife, your husband, and have the women  
8 at the slot machines and the men placing bets on  
9 the track?

10 MR. GREEN: I think that's the natural  
11 progression.

12 REPRESENTATIVE HENNESSEY: Is it?

13 MR. GREEN: Yeah. If you look at  
14 Vegas -- I was there for the opening of the  
15 Stratosphere which is the new second-story  
16 structure where you going up in a ride. They  
17 actually, I think in the first weekend, made  
18 more money from the actual ride than from their  
19 table games.

20 It's an interesting concept that's  
21 going on. Every new place that opens in Vegas  
22 on the strip has to have some attraction. If  
23 you look at Treasure Island, as you look at the  
24 Balageo (phonetic) that's opening next week, if  
25 you looked at Monte Carlo that just opened, what

1           they're creating is something that you can't  
2           really create anywhere else in America. You  
3           can't create a city with 125,000 hotel rooms. I  
4           mean, on the corner of the strip in Tropicana,  
5           just on the one corner alone you've got now  
6           20,000 hotel rooms on one corner. You can't do  
7           that anywhere else in America. There's always  
8           going to be that destination element as far as  
9           Vegas is concerned.

10                         What's happening is, you're seeing  
11           Atlantic City try to go that same way; try to  
12           create a much more attraction, theme related.  
13           If this thing comes off at the H (phonetic)  
14           track they're talking about, you're going to see  
15           major theme related, if you like, experiences.  
16           You're going to see the -- they regard it almost  
17           as -- they want to do something that they do in  
18           Florida but with gaming.

19                         REPRESENTATIVE HENNESSEY: Focusing on  
20           what you'd like to see us do, is it your wish  
21           that we would simply authorize the tracks to  
22           have slot machines or are you looking farther  
23           down the line and saying we really do want to  
24           become part of this overall entertainment  
25           industry, the family entertainment industry and



1 expand in those kind of directions?

2 MR. GREEN: I think there's a natural  
3 progression that it must become that. At the  
4 moment, what slot machines are doing is, they're  
5 fulfilling an untack demand. There's a demand  
6 for people to play on the slot machines. That  
7 won't last forever. That won't carry on. Table  
8 games have declined; slot machines have  
9 increased.

10 If you look at Las Vegas and  
11 Henderson, Clark County, there's 750,000 people  
12 living there now. Those people play machines  
13 but it's interesting that the more used they've  
14 become to, if you like, a slot machine  
15 environment, the actual machines change. The  
16 breakup of machines in Vegas is much different  
17 than say the breakup of machines that you would  
18 see in Delaware Park because, as people get used  
19 to machines, they want more options.

20 Video poker is a much bigger game  
21 amongst the Las Vegas residents than it is  
22 amongst the people who go to play. People who  
23 go to play got a desire for slot machines and  
24 play slot machines. People who have got used to  
25 them won't play a choice and think they got some

1 control over how much money they lose and in  
2 what time. What you buy in a slot machine is  
3 time. You don't buy anything else. You buy how  
4 long your money will last in that machine.  
5 Whether it's 18 minutes or 20 minutes a regular  
6 player knows that.

7 Moving on from that concept, it's  
8 inevitable that you will get a bigger  
9 entertainment element within what goes on with  
10 gaming. Gaming as it's own and by itself  
11 naturally will progress toward a broader  
12 entertainment spectrum. It's inevitable.

13 REPRESENTATIVE HENNESSEY: In Nevada  
14 and Atlantic City where you have a broad range  
15 of gambling choices, slot machines, gaming,  
16 whatever else there might be, blackjack, that  
17 kind of thing, are the odds generally worse in  
18 the slot machines or is that regulated by the  
19 state or by the commission in such a way or do  
20 odds vary? Are slot machines also the worse  
21 odds in the house?

22 MR. GREEN: No. Never play roulette  
23 type with double zero. It's an outrageous  
24 situation. There's no way to win. You should  
25 only play --

1                   REPRESENTATIVE HENNESSEY: I'll jot  
2                   that down.

3                   MR. GREEN: It depends upon the speed  
4                   of the game. If you look at slot machines,  
5                   people will say, well, they give 90 percent back  
6                   to the player which doesn't say I'm the bad kind  
7                   of deal. You might lose 10 percent of your  
8                   money. What it means is, you lose 10 percent  
9                   every time you press a button or pull a handle.  
10                  You might pull that handle or press that button  
11                  3 or 4 times a minute depending on the speed  
12                  that you play. The percentages that they talk  
13                  about don't really matter.

14                  If you go in there to play a slot  
15                  machine with a hundred dollars, you're going to  
16                  lose a hundred dollars. Basically, you're going  
17                  to lose a hundred percent of your money. It  
18                  just depends on how long it's going to take you  
19                  to lose it. If you lose it in 2 minutes, you're  
20                  going to be cheesed off. If you play for about  
21                  an hour and at one stage you can walk away, you  
22                  could have walked away with \$110 at some stage  
23                  during that cycle of play, that's fine. You  
24                  feel kind of relaxed about it.

25                  You can work out the exact odds on the

1 roulette table. I can tell what the odds are.  
2 That would then depend if you got a single zero  
3 or double zero. You can work out the odds at  
4 blackjack more easily, but that would depend on  
5 some of the things that the house might give  
6 you; whether they give you bonuses or whether  
7 they allow insurance bets. Part of it just  
8 depends upon the time.

9 REPRESENTATIVE HENNESSEY: In terms of  
10 your odds of winning, though, I think what  
11 you're telling me if I go in and play a slot  
12 machine, eventually it's going to take all my  
13 money?

14 MR. GREEN: Sure.

15 REPRESENTATIVE HENNESSEY: Other  
16 things being equal. But who sets the odds? Who  
17 sets how long its going to take? Is it the  
18 state that does that, the gambling commission or  
19 is that left to the owners of the casinos?

20 MR. GREEN: The odds, to tell you  
21 honest, the odds are immutable. The odds are  
22 the odds. If you've got 3 wheels and each one  
23 has got 10 on it, so there's 30 combinations,  
24 each one of those, if they are all the same,  
25 would be 29 to 1. What changes --

1                   REPRESENTATIVE HENNESSEY: Math wasn't  
2 my strongest suit in school. I think I  
3 understand the answer. They don't get set.  
4 They're just there and eventually they're going  
5 to take the money.

6                   MR. GREEN: No. The odds are the  
7 odds. What gives the house its percentage is  
8 the pay table, is how much he actually pays for  
9 when your 3 cherries come up. What it gives  
10 with the moment is to pay 90 percent on average;  
11 about 90 percent gets paid back in terms of  
12 every time you pull a slot machine. In some  
13 instances you might get 50 percent of your  
14 money; sometimes you might get a thousand  
15 percent of your money back. That just depends  
16 on what comes up on the pay table. But the odds  
17 are the odds.

18                   REPRESENTATIVE HENNESSEY: Thank you  
19 very much. I understand you have a plane to  
20 catch and I won't hold you up with any other  
21 questions. Thank you.

22                   CHAIRMAN GANNON: Thank you,  
23 Representative Hennessey. Thank you very much,  
24 Mr. Green. I appreciate your willingness to be  
25 here this afternoon and give us that very

1 important information, how this type of business  
2 would impact on horse racing industry in  
3 Pennsylvania.

4 MR. GREEN: Thank you, Mr. Chair.  
5 Thank you members.

6 CHAIRMAN GANNON: Just a little  
7 housekeeping before we call our next witness.  
8 For the information of the members, in  
9 Pittsburgh we did have hearings focusing just on  
10 the horse racing industry. If you want a  
11 transcript of those hearings, we'll be glad to  
12 provide you with a copy. It will probably  
13 answer a lot of questions that you have on your  
14 mind.

15 We have written testimony submitted by  
16 the Coalition of Philadelphia Neighborhood  
17 Associations. I'm going to ask if we can make  
18 that part of the record.

19 Our next witness is Gerry Gutenstein,  
20 General Manager, Sheraton Society Hill Hotel and  
21 President of the Greater Philadelphia Hotel  
22 Association and Vice President, Pennsylvania  
23 Travel Council.

24 MR. GUTENSTEIN: Good afternoon,  
25 members of the House Judiciary Committee. My

1 name is Gerry Gutenstein. I am the general  
2 manager of the Sheraton Society Hill Hotel in  
3 Philadelphia. I am here today not only as a  
4 hotelier, but also as the President of the  
5 Greater Philadelphia Hotel Association and Vice  
6 President of Pennsylvania Travel Council.

7 With me is Barry Wicks, President of  
8 the Pennsylvania Travel Council. On behalf of  
9 these two associations and the Pennsylvania  
10 hospitality and tourism industry, I thank you  
11 for giving us this opportunity to testify here  
12 today.

13 The Greater Philadelphia Hotel  
14 Association represents and serves the hotel and  
15 hospitality community in the Greater  
16 Philadelphia region on issues which includes  
17 sales and marketing, education, government  
18 relations, community outreach, labor and  
19 employment, public relations and industrial  
20 development.

21 The Pennsylvania Travel Council is the  
22 statewide trade association whose mission is to  
23 promote and protect the interests of  
24 Pennsylvania's hospitality and tourism industry.  
25 As such, the council provides governmental

1           affairs representation, as well as marketing and  
2           educational programs to its membership of over  
3           700 hospitality-related businesses. This  
4           association's membership includes hotels,  
5           motels, bed and breakfast properties,  
6           attractions and theme parks, historical sites,  
7           ski areas, convention and visitor bureaus, and  
8           many schools and universities.

9                         Although the Hotel Association and the  
10           Travel Council have not yet taken a formal  
11           position on this critical issue, the state's  
12           hospitality and tourism industry does believe  
13           any discussions on riverboat gaming ought to  
14           begin with a strong dose of realism. Here are  
15           some critical factors to consider:

16                         Reality versus hype. Gaming exists  
17           already in Pennsylvania in many forms, and it  
18           exists in many other states in some legally  
19           sanctioned form. The key is not whether to  
20           allow more gaming, but to ensure that gaming of  
21           all kinds operate with a climate of public  
22           protection and fairness.

23                         Riverboat gaming should not be allowed  
24           at the expense of existing public and private  
25           investments, including hotels, restaurants,



1 retail establishments or other legalized gaming  
2 facilities. Revenue and jobs should be  
3 balanced against infrastructure and governmental  
4 costs of public safety and regulation.

5 To avoid unnecessary financial loss to  
6 the community, the legislation must provide that  
7 riverboat gaming entities incur the costs of the  
8 infrastructure improvements and the consumption  
9 of community services such as the addition of  
10 police.

11 Also necessary is the creation of an  
12 interdependent relationship between riverboat  
13 gaming operators and the various hotels,  
14 restaurants, retail operations and attractions;  
15 to ensure that riverboat gaming does not  
16 undermine the existing businesses which are  
17 currently thriving. In order for this  
18 interdependent relationship to prosper, it may  
19 be necessary to include provisions that benefit  
20 existing local business.

21 The Commonwealth should recognize that  
22 riverboat gaming is not a panacea for fiscal  
23 difficulties faced by any level of government  
24 whether it's local municipalities, schools, or  
25 other special programs. It is not likely that

1 riverboat gaming can generate the revenues that  
2 most ardent supporters project. In future  
3 years, the national market may become saturated.  
4 Pennsylvania needs to look with great caution at  
5 the long-term and potential inflated claims of  
6 revenue generation.

7 Pennsylvania's hospitality and tourism  
8 industry believes the Commonwealth must take a  
9 common sense and fair approach to new gaming  
10 opportunities. We have two primary concerns and  
11 expectations of legalized riverboat gaming: 1,  
12 that gaming entities form marketing partnerships  
13 with the hospitality and tourism industry; and,  
14 2, the economic opportunity is expanded, not  
15 merely shifted from one enterprise to another.

16 Some riverboat gaming proponents make  
17 the assumption that riverboat gaming will be the  
18 catalyst for conventions and tourism in  
19 Pennsylvania. Therefore, it is a priority for  
20 the industry to ensure that the assumption  
21 becomes a reality. Provisions must be made in  
22 the proposed riverboat gaming legislation to  
23 encourage joint marketing activities between  
24 gaming interests and businesses that depend on  
25 tourism. Currently, we believe this is not the

1 case.

2 In order to ensure marketing dollars  
3 are properly committed, the final legislation  
4 must include specific language relative to  
5 collection of fees upon entrance to the casino  
6 for interstate marketing.

7 Our industry supports the right of  
8 Pennsylvanians to vote on the legalization of  
9 riverboat gaming. Governor Ridge, along with  
10 supporters and opponents of riverboat gaming,  
11 have called for the statewide referendum. We  
12 believe that any referendum should be placed on  
13 the ballot sooner than later. Local option  
14 should also be respected and included in the  
15 final version of any legislation to legalize  
16 riverboat gaming in Pennsylvania.

17 In conclusion, the hospitality and  
18 tourism industry is most appreciative of the  
19 support we have received from the legislature.  
20 Your continued support has helped us become a  
21 strong and important component of the  
22 Commonwealth's economy.

23 As the state's second largest  
24 industry, we want to support what our  
25 legislators and the citizens of the Commonwealth

1           feel is good for the state, but we ask that  
2           representatives from our industry have the  
3           opportunity to provide input into the further  
4           development of proposed legislation to legalize  
5           riverboat gaming in Pennsylvania. We will work  
6           closely with this committee, members of the  
7           General Assembly, and the Ridge Administration  
8           to ensure that the industry's concerns and  
9           expectations outlined in these remarks are  
10          included in any approved riverboat gaming  
11          legislation.

12                        Thank you for taking this opportunity  
13           to let us share our views. I will be pleased to  
14           respond to any questions you might have.

15                        CHAIRMAN GANNON: Thank you, Mr.  
16           Gutenstein. Representative Manderino.

17                        REPRESENTATIVE MANDERINO: Thank you,  
18           Mr. Chairman. I appreciate the inclusiveness of  
19           your remarks going to the whole travel industry.  
20           But I want to ask you to be a little bit  
21           parochial to respond to my question that where  
22           your society, Hill Sheraton Hotel, has. Three  
23           riverboat license franchises on the Delaware  
24           River that don't have hotels and don't have  
25           restaurants, does that help or hurt you?

1 MR. GUTENSTEIN: That would be an  
2 amenity for the community and for our business.

3 REPRESENTATIVE MANDERINO: If there  
4 were 5 of them instead of 3, would that still  
5 help you or would that hurt you?

6 MR. GUTENSTEIN: That would not make a  
7 difference.

8 REPRESENTATIVE MANDERINO: If they had  
9 restaurants on their facilities or eating  
10 establishments on their facilities, would your  
11 answer be any different?

12 MR. GUTENSTEIN: I think that while I  
13 wouldn't like it as much, I don't think it will  
14 have that great of impact. If you've been on  
15 riverboats, and I've been on a few, the quality  
16 of their food versus any of our restaurants in  
17 the city, they're not the same. It's more of a  
18 snack and low-end amenity. The space given to  
19 their food and beverage is minimal. They are  
20 interested in the machines.

21 REPRESENTATIVE MANDERINO: Then,  
22 finally, I don't know how the numbers work out  
23 in Philadelphia right now with hotel space and  
24 our capacity to meet our current needs or how  
25 far under capacity we are, would your answer

1 change if any of those establishments said we  
2 need a hotel facility too?

3 MR. GUTENSTEIN: I would only support  
4 a hotel facility that was in center city that  
5 would augment the hotel rooms needed for the  
6 Convention Center.

7 REPRESENTATIVE MANDERINO: Thank you.  
8 Thank you, Mr. Chairman.

9 CHAIRMAN GANNON: Thank you,  
10 Representative Manderino. Representative James.

11 REPRESENTATIVE JAMES: Thank you, Mr.  
12 Chairman. No questions.

13 CHAIRMAN GANNON: Representative  
14 Horsey.

15 REPRESENTATIVE HORSEY: No questions.

16 CHAIRMAN GANNON: Representative  
17 Hennessey.

18 REPRESENTATIVE HENNESSEY: No  
19 questions.

20 CHAIRMAN GANNON: Thank you for  
21 joining us today, Mr. Gutenstein, and sharing  
22 your testimony with us and taking time from your  
23 afternoon and being so patient.

24 REPRESENTATIVE MANDERINO: Mr.  
25 Chairman.

1                   CHAIRMAN GANNON: Representative  
2 Manderino.

3                   REPRESENTATIVE MANDERINO: I know we  
4 were being brief because of our time, but I did  
5 what to, since no one else did, just ask you,  
6 you made a very important point that I thought  
7 was important with regard to joint ventures in  
8 marketing. With that you made a specific  
9 suggestion with regard to something like  
10 entrance fees or something that was a mechanism  
11 to fund this. Could you just for 30 seconds  
12 expand on what you were talking about?

13                  MR. GUTENSTEIN: Yes. In some  
14 municipalities that have riverboat gaming now  
15 there's an entry fee charge, an admission,  
16 whether it's 2, 5, 10 dollars.

17                  REPRESENTATIVE MANDERINO: To the  
18 person coming in?

19                  MR. GUTENSTEIN: To the customer  
20 coming on board. Part of that fee should go  
21 back as marketing for the area.

22                  CHAIRMAN GANNON: Thank you,  
23 Representative Manderino. Thank you again, Mr.  
24 Gutenstein.

25                  MR. GUTENSTEIN: Thank you.

1                   CHAIRMAN GANNON: Our next witness is  
2                   Michael McGovern, Executive Vice President,  
3                   Pennsylvania Restaurant Association. Welcome,  
4                   Mr. McGovern, and thank you for joining us this  
5                   afternoon.

6                   MR. McGOVERN: Thank you, Mr.  
7                   Chairman. Mr. Chairman and members of the  
8                   House Judiciary Committee, thank you for the  
9                   opportunity to appear before you today and  
10                  present testimony on gambling in Pennsylvania  
11                  and its affect on tourism, hospitality and  
12                  business industries.

13                  My name is Mike McGovern and I am  
14                  representing the Pennsylvania Restaurant  
15                  Association. I am speaking on behalf of and  
16                  represent over 2,500 members of our association  
17                  operating businesses at over 4,600 locations  
18                  throughout this Commonwealth, and represent  
19                  individuals operating both large and small,  
20                  independent, individual, and multiple chain and  
21                  franchise food establishments.

22                  Our eating place sales are expected to  
23                  reach \$8.7 billion this year. We employ 280,552  
24                  individuals and represent the largest retail  
25                  employer and the second largest private sector



1 employer in the Commonwealth.

2 As you can see, Mr. Chairman, our food  
3 service industry contributes significantly to  
4 the economic viability of our Commonwealth. It  
5 is also a highly competitive industry who relies  
6 heavily on the disposable income of our citizens  
7 and our visitors.

8 The mission of our association is to  
9 promote, protect, and improve the food service  
10 industry in the Commonwealth of Pennsylvania.

11 The introduction of proposed gambling  
12 legislation necessitates that our association  
13 maintain its mission and focus on the economic,  
14 socioeconomic, job and discretionary income  
15 facets that would be affected if additional  
16 forms of gambling became legalized in the  
17 Commonwealth of Pennsylvania.

18 Our association is opposed to any  
19 legislation that would permit casinos or  
20 riverboat gambling to compete with our  
21 restaurants for disposable income and/or affect  
22 the fiscal integrity and competitiveness of our  
23 food service industry.

24 Proponents argue that casinos will  
25 bring in more tourists. Studies, however, show

1           that many gamblers aren't out-of-town tourists,  
2           but residents of the surrounding community. And  
3           when casinos come to town, these local residents  
4           often end up spending their discretionary  
5           dollars inside the casino rather than in local  
6           businesses.

7                        A study by the Gaming and Economic  
8           Development Institute, for example, determined  
9           that a limited-scale local casino draws 67  
10          percent of revenues from the local population  
11          and another 18 percent from regional visitors.  
12          A large-scale casino gets 52 percent of its  
13          revenues from the local population, with an  
14          additional 20 percent from regional travelers,  
15          the study found.

16                       Proponents also claim casinos will  
17          create jobs. A large casino could hire hundreds  
18          of new dealers, bartenders, wait staff and  
19          maintenance workers, as well as bring in a  
20          one-time increase in demand for construction  
21          workers, plumbers, and electricians to build the  
22          casino.

23                       In many cases, however, the casinos  
24          take employees from other service sector jobs  
25          and increase the competition between employers.

1 Casinos, with high profit margins, can offer  
2 employees higher salaries and attract the most  
3 talented people in the area. Earl Grinols, a  
4 University of Illinois professor who studied 10  
5 counties that legalized casino gambling in the  
6 1990's, concluded that job gains in those  
7 counties were negligible. And after accounting  
8 for job gains without gambling, one job was lost  
9 for each gambling job created. Restaurateurs  
10 across the country who also face tight labor  
11 markets are finding that in many cases casinos  
12 only increase competition and drive up wages in  
13 an already limited market.

14 Many state and local governments  
15 support casinos as a way of generating tax  
16 revenues, noting that land-based and riverboat  
17 casino will bring in wagering taxes, sales  
18 taxes, meal and drink taxes, and admission or  
19 docking fees.

20 Yet, one researcher, Robert Goodman,  
21 Director of the United States Gambling Study,  
22 warns that there are hidden costs associated  
23 with casinos. In his study, "Legalized Gambling  
24 As A Strategy For Economic Development", Goodman  
25 finds that an influx of tourists increases the

1           need for basic support services such as  
2           transportation, health and police, and,  
3           coincidentally, the need for corresponding  
4           increased public resources.

5                         Goodman further finds that gambling  
6           usually diverts money from people's  
7           discretionary income. Richard Syron, President  
8           of the Federal Reserve Bank of Boston, believes  
9           that money for gambling is extracted from other  
10          consumer spending.

11                        Scott Allmendinger, editor of  
12          Restaurant Business, wrote in his piece, "Can't  
13          Compete With Free." For 15 years casino hotels  
14          have been dumping millions of dollars worth of  
15          food and beverage on Atlantic City, \$234 million  
16          worth in 1991 alone, in order to keep the  
17          gamblers as close to the tables as possible.  
18          The effect on Atlantic City's restaurants: 40  
19          percent fewer units competing for 10 percent  
20          fewer dollars in a 10-year period. In Minnesota  
21          restaurant business within the 30-mile radius of  
22          casinos with food service fell by 20 to 50  
23          percent.

24                        Jan Oleck's article, "Are they  
25          Gambling With Your Future" in Restaurant

1        Business reports that in Atlantic City the  
2        number of restaurants declined from 243 in 1977  
3        to 146 in 1987, the 10-year period following the  
4        first year casinos were legalized.

5                    Casinos and riverboats can use  
6        complimentary or reduced or subsidized meals and  
7        alcoholic beverages to promote their gambling  
8        and as a legitimate business expense against  
9        their profits.

10                    Independent and multi-unit restaurants  
11        have great difficulty competing on a playing  
12        field that is not level. It is difficult to  
13        compete with free or reduced food and alcoholic  
14        beverages.

15                    It is more difficult today than ever  
16        before to be a public official. You are asked  
17        to do more with less. You basically have 3  
18        choices: reduce expenditures, increase taxes,  
19        or find new revenue sources. The attractiveness  
20        of the latter is obvious.

21                    There is increasing documentation that  
22        revenue projections from gambling have been  
23        overstated and that the cost to governments in  
24        infrastructure, public safety, transportation  
25        and social services have exceeded original

1 estimates.

2 Casinos and riverboat gambling  
3 proponents have created and will continue to  
4 create the hope of increased tourism. However,  
5 we have shown that it primarily delivers local  
6 gamblers spending all their time and money in  
7 the casinos and on the boats providing little or  
8 no real benefit to the traditional tourist  
9 industry. Their promise of substantial economic  
10 gain is the result of the transfer of disposable  
11 income at the expense of existing businesses  
12 through loss-leader competition and subsidized  
13 food service and beverage service.

14 We have reviewed many studies on the  
15 impact of gambling in other areas of the country  
16 and consulted with our fellow state restaurant  
17 associations. Overwhelmingly, these studies  
18 point out the negative impact on our food  
19 service industry, and on other existing  
20 businesses, in areas that have approved  
21 gambling.

22 There have been indications of a  
23 growing national diversion of consumer  
24 expenditures on restaurants, movie houses,  
25 sports arenas, museums and other leisure

1 activities to gambling enterprises. Atlantic  
2 City is a grim reminder of what can happen to an  
3 area socially and economically when disposable  
4 income ends up in the hands of a privileged few.

5 We believe the economic impact on our  
6 existing business community to be so complex and  
7 pervasive that we recommend that this committee  
8 commission an independent study to evaluate the  
9 impact of gambling on tourism, hospitality and  
10 business industries and to determine if the  
11 citizens of Pennsylvania want to expand  
12 gambling.

13 This study should be conducted by the  
14 joint State Government Commission, the  
15 Legislative Budget and Finance Committee, or by  
16 a leading Pennsylvania college or university to  
17 provide this committee with the knowledge and  
18 factual information it needs to make an informed  
19 decision on whether or not to recommend to the  
20 House of Representative the approval of the  
21 expansion of gambling in Pennsylvania.

22 In closing, we applaud the Chairman  
23 and the members of this committee for convening  
24 this public hearing to discuss the impact  
25 gambling would have on tourism, hospitality and

1 the business industries in the Commonwealth of  
2 Pennsylvania. We look forward to participating  
3 in the continued debate on this highly sensitive  
4 issue and would hope that the members of this  
5 committee would call upon our association to  
6 continue to provide input to insure the  
7 continued viability of our food service  
8 industry.

9 Thank you for the opportunity to share  
10 our concerns with you. Mr. Chairman, I would be  
11 pleased to respond to any questions that you or  
12 any members of this committee would have.

13 CHAIRMAN GANNON: Thank you very much,  
14 Mr. McGovern. Representative Manderino.

15 REPRESENTATIVE MANDERINO: Thank you.  
16 I share your view somewhat in terms of  
17 discretionary dollars. I actually think there  
18 are two kinds of gamblers: recreational  
19 gamblers and compulsive gamblers. I think you  
20 are right with regard to recreational gamblers  
21 that there's only so much disposable income.  
22 But, I'm not sure I want to encourage the other  
23 gamblers.

24 But be that as it may, I don't, again,  
25 want to put words in your mouth, but am I



1 hearing you say that you don't see any way that  
2 this works for a win-win situation with the food  
3 industry or, were you just giving us a bunch of  
4 cautions? If it was just a bunch of cautions,  
5 what do you see that would make it a win-win  
6 situation?

7 MR. McGOVERN: Representative, I don't  
8 think I was giving cautions. I think I was  
9 giving facts based on existing studies in other  
10 areas where gambling has been approved, both  
11 riverboat and casinos.

12 REPRESENTATIVE MANDERINO: I  
13 understood that, you were saying those were  
14 facts, which then made me think then why didn't  
15 you specifically say in your conclusion that  
16 there's no way this will work for the restaurant  
17 industry. If I believe those were the facts,  
18 that's the conclusion I would have come to.

19 MR. McGOVERN: Well, then, I  
20 apologize. But the clear fact is that, in the  
21 restaurant community there has been a  
22 devastating effect on the existing restaurants.  
23 Atlantic City is a good example. We can go to  
24 Illinois. We can go to Iowa. We can go to  
25 Mississippi. To a limited degree in

1 Mississippi, if I may, because that's more of a  
2 destination area at the present time because  
3 their surrounding states do not have gambling,  
4 so everybody is traveling to Mississippi. It's  
5 a little bit of a different impact. However,  
6 the restaurant community still has experienced  
7 declines of up to 35 to 40 percent.

8 The facts remain that the idea of the  
9 whole industry, which Mr. Green alluded to and  
10 there have been people who have been on record  
11 for the casino in Bridgeport, and so forth,  
12 there deal is to get you in the casino, get you  
13 on the riverboat and have you gamble. It is  
14 not --

15 The perception here today by Mayor  
16 Rendell is that everybody will go over for a  
17 leisurely cruise on the riverboat, win big  
18 stakes and then dine at Ruth Chris's at  
19 6 o'clock in the evening. That just doesn't  
20 happen. The existing restaurants do not see an  
21 increase in the tourism. They are not  
22 encouraged to do that. They are encouraged to  
23 stay on the riverboat, to stay in the casinos.  
24 The tourism that comes in do not -- are not  
25 participating in the local restaurant community.

1 REPRESENTATIVE MANDERINO: Thank you.

2 MR. McGOVERN: You're welcome.

3 REPRESENTATIVE MANDERINO: Thank you,  
4 Mr. Chairman.

5 CHAIRMAN GANNON: Thank you,  
6 Representative Manderino. Representative James.

7 REPRESENTATIVE JAMES: Thank you, Mr.  
8 Chairman. Thank you for your testimony. I  
9 notice you named those cities that have  
10 gambling. What about New Orleans who has a  
11 great restaurant industry? How has that  
12 impacted there with the riverboat gambling?

13 MR. McGOVERN: Initially, when  
14 riverboat was first approved in the State of  
15 Louisiana, New Orleans, the Restaurant  
16 Association was in support of it with limited  
17 food service on board, which they do have. In  
18 addition to that, the Restaurant Association was  
19 encouraging the world's largest casino down  
20 there again with limitations on the food  
21 service.

22 Right in the middle of Canal Street  
23 there stands a relic of the world's largest  
24 casino which is not being realized, and  
25 nonetheless, Ralph Brennan who just completed

1 his term as president of the National Restaurant  
2 Association was a former president of the  
3 Louisiana Restaurant Association has been  
4 leading public debate on opposing riverboat  
5 gambling and opposing land-based casinos because  
6 of its devastating impact on New Orleans, world-  
7 renown reputation as a fine dining restaurant  
8 community.

9 The tourists simply do not support the  
10 restaurant community. They are going there for  
11 one reason. It is to gamble. It is not to  
12 participate in the traditional tourism  
13 industries. I think it's very clear that  
14 everybody recognizes that you cannot approve  
15 riverboat gambling or any expansion of gambling  
16 without displacing other industries that already  
17 exist in your communities and have been there  
18 long serving the needs of this Commonwealth.

19 REPRESENTATIVE JAMES: I was just down  
20 in New Orleans and checked on the riverboat  
21 gambling. The riverboats I went on I didn't see  
22 the kind of restaurants or the kind of food  
23 service on the riverboat I went on. I still saw  
24 a lot of activity in the restaurants.

25 I also noticed that the other casino,

1 Harrah's, is bankrupted and closed. I think  
2 that was supposed to be the largest restaurant.

3 If, in fact, they had it here and  
4 there was no substantial restaurants or food  
5 service on the casinos, would you then be  
6 supportive?

7 MR. McGOVERN: I don't believe that we  
8 could because of the impact on the disposable  
9 income, sir. The other thing you have to take  
10 into effect, if you study Atlantic City with  
11 land-based casinos, they are now expanding their  
12 restaurant service and expanding their food  
13 service and beverage service within the casinos  
14 because they do not want their customers going  
15 outside the casinos into Atlantic City to enjoy  
16 the, quote, hospitality industry. The point is,  
17 once they leave the seat, the chances of  
18 returning are not in their best interest.

19 REPRESENTATIVE JAMES: I think  
20 Atlantic City is an example we need to learn  
21 from in terms of what not to do, in terms of not  
22 having that here. Okay, thank you.

23 MR. McGOVERN: Representative, I agree  
24 with you that the study that I'm referring to  
25 which we can make available to the committee are

1 not strictly limited to Atlantic City. This is  
2 in every locale that there has been riverboat  
3 gambling or land-based casinos.

4 REPRESENTATIVE JAMES: Thank you. I  
5 hope that we would can get those studies, sir.  
6 Thank you.

7 CHAIRMAN GANNON: Thank you,  
8 Representative James. Representative Horsey.

9 REPRESENTATIVE HORSEY: No questions.

10 CHAIRMAN GANNON: Representative  
11 Hennessey.

12 REPRESENTATIVE HENNESSEY: Thank you,  
13 Mr. Chairman. Mr. McGovern, thank you for your  
14 testimony. As a personal note, Mike and I went  
15 to school together, grade school and high  
16 school. He's I guess 2 years behind me, right?

17 MR. MCGOVERN: Yes,

18 REPRESENTATIVE HENNESSEY: It's nice  
19 to see him here testifying.

20 MR. MCGOVERN: Thank you.

21 REPRESENTATIVE HENNESSEY: I look back  
22 and think that I used to have hair that color  
23 too.

24 Mike, the testimony that you have  
25 given and the citations, the comparison with

1 Atlantic City, I don't know in that 10-year  
2 period whether or not -- It would be interesting  
3 to find out the number of restaurants that  
4 existed versus the number of casinos because, as  
5 I look at the prospect of 2 or 3, or maybe 5  
6 riverboats offering restaurant or some food  
7 service, I don't know that would necessarily be  
8 devastating to a restaurant industry as solidly  
9 based as Philadelphia's already is.

10 The other studies that you talk about,  
11 the ones that deal with riverboats along the  
12 Mississippi, especially the newer ones, probably  
13 will give us a much better handle on exactly the  
14 kind of impact that riverboat -- this kind of  
15 proposal would have on the city here and in  
16 Pittsburgh, and wherever else you might have  
17 them.

18 MR. McGOVERN: I'd be happy to make  
19 those available to the committee.

20 REPRESENTATIVE HENNESSEY: Mr.  
21 Gutenstein didn't share your concern. He  
22 testified just a few minutes ago. He was saying  
23 that the quality of food service on riverboats  
24 isn't going to be able to compare at all with  
25 Philadelphia cuisine. Do you think he's just

1           being a little naive?

2                         Where do you really feel this -- Isn't  
3           there a middle ground that we could find that a  
4           certain number, a limited number of riverboats  
5           might be an acceptable alternative or place for  
6           people to go as opposed to simply drawing a line  
7           and saying that we should oppose the idea  
8           altogether?

9                         MR. McGOVERN: I would not presume for  
10          one moment that Mr. Gutenstein is naive. But I  
11          think the question that was proposed to him is  
12          that, if he as the hotelier of the Sheraton  
13          Society Hill, if there were 3 or 4 or 5  
14          riverboats down there how that would affect his  
15          business. And I believe he was speaking as a  
16          hotelier that from a room standpoint that could  
17          possibly, in fact, probably will increase his  
18          rental of rooms.

19                         From a restaurant standpoint, I think  
20          we have to consider it from 2 points. First of  
21          all, the food service on any riverboat could not  
22          be compared to any of the outstanding  
23          restaurants we have in Philadelphia.

24                         However, it's the disposable income  
25          aspect. Right now you have tourists and patrons



1           that come down to the pier area to share in the  
2           restaurant community, to share in the  
3           entertainment that's down there. If there were  
4           riverboats down there, they would come down for  
5           different reasons. I would submit that the  
6           displacement of the income that would go to the  
7           existing restaurants would then go to the docks  
8           and to the riverboat gambling, and it would  
9           cause a dramatic impact on the restaurant  
10          community in that area that already is vibrant  
11          and is coming back and increasing every year. I  
12          think that's really what would happen.

13                    REPRESENTATIVE HENNESSEY: Not because  
14                    of the quality of the food; just because they  
15                    might not have the money to spend for food when  
16                    they get off the riverboat.

17                    MR. McGOVERN: Exactly, or even going  
18                    to the riverboat. It creates a different kind  
19                    of person coming into the area.

20                    REPRESENTATIVE HENNESSEY: Thank you.  
21                    Thank you, Mr. Chairman.

22                    CHAIRMAN GANNON: Thank you,  
23                    Representative Hennessey. Mr. McGovern, does  
24                    Atlantic City have a restaurant association?

25                    MR. McGOVERN: I don't know if the

1 Atlantic City per se has a restaurant  
2 association. I know the State of New Jersey has  
3 a restaurant association.

4 CHAIRMAN GANNON: That's all I have.  
5 Thank you very much. Representative James, I'm  
6 sorry.

7 REPRESENTATIVE JAMES: Thank you, Mr.  
8 Mr. Chairman. I was just thinking maybe of some  
9 way -- I was talking to Representative  
10 Manderino. I notice like when you go to a lot  
11 of casinos they give you these various coupons  
12 to use. Maybe in some of your discussions you  
13 could talk about the effect it's coming here  
14 that the casinos could work out something or  
15 riverboats could work out something with the  
16 restaurants, to give them coupons to go to the  
17 various restaurants out into the communities.  
18 Maybe it's some discussion you might want to  
19 check into.

20 MR. McGOVERN: Representative, we  
21 appreciate that. In fact, we have a list of  
22 recommendations, but as we were advised by the  
23 Chief Counsel, this hearing today was on the  
24 impact of disposable income in those areas so we  
25 did not come forth with those recommendations.

1 We do have very extensive recommendations on  
2 riverboat marketing, joint marketing efforts,  
3 food service, limiting food service that we'd be  
4 happy to share with this committee if given the  
5 opportunity.

6 REPRESENTATIVE JAMES: I think that  
7 would be good if it's okay with the Chair.

8 MR. McGOVERN: We were trying to  
9 adhere to your ground rules, sir.

10 CHAIRMAN GANNON: Yes, we would like  
11 you to share those recommendations with us.

12 MR. McGOVERN: We would appreciate it.

13 CHAIRMAN GANNON: If you could get  
14 them to myself or Mr. Preski will be glad to  
15 share them with the rest of the committee.

16 I want to thank you for taking time  
17 this afternoon to be with us and your patience.  
18 Thank you for sharing your testimony with us.

19 MR. McGOVERN: Thank you very much.

20 CHAIRMAN GANNON: Thank you, Mr.  
21 McGovern. Our next witness and our final  
22 witness for today is Barbara Dietrich, who is  
23 President of the Philadelphia League of Women  
24 Voters. Welcome, Ms. Dietrich, and thank you  
25 for your patience.

1 MS. DIETRICH: Good afternoon. I am  
2 Barbara Dietrich, President of the League of  
3 Women Voters of Philadelphia. However, the  
4 testimony which I'm presenting today is on  
5 behalf of the League of Women Voters of  
6 Pennsylvania of which the Philadelphia League is  
7 a part.

8 Mr. Chairman, members of the Judiciary  
9 Committee, thank you for holding public hearings  
10 on this very important proposal, HB 2308, to  
11 establish a commission and license riverboat  
12 gambling casinos in this state.

13 The league is very much in favor of  
14 bringing more business and jobs to Pennsylvania,  
15 but we do not think that expanding legalized  
16 gambling will ultimately have a positive effect  
17 on the local or state economy. While our great  
18 historic landmarks, renowned orchestra and  
19 distinguished art museums make our city a very  
20 attractive tourist destination, recent research  
21 on the economic effects of riverboat gambling  
22 indicate that the benefits to casino communities  
23 are very disappointing despite millions of  
24 dollars in profits taken from those communities  
25 by casino operators.

1           A recently completed study by the  
2           Better Government Association of Chicago says  
3           that Illinois experiences a net loss of  
4           \$6 million a year from gambling, not including  
5           the cost of infrastructure, regulation and  
6           social costs of gambling addiction, according to  
7           Association Director Terry Brunner. By  
8           contrast, the 4-month long Monet exhibit at the  
9           Chicago Art Institute during 1995 yielded a net  
10          economic gain of \$393 million according to the  
11          institutes's Public Relations Director, Eileen  
12          Harakai, and the Better Government Association.

13           The report entitled, "Casinos in  
14          Florida: An analysis of the Economic and Social  
15          Impacts", which was released by the Florida  
16          Governor's office in 1994 concluded that for  
17          each new dollar in tax revenue generated by  
18          casino gambling, the cost to taxpayers could be  
19          from 8 to \$12.00. Several economists have noted  
20          that casinos generate significant new revenues  
21          only if they can export their problems; that is,  
22          when the gamblers go home to other communities.  
23          The Florida study notes that this system works  
24          for Las Vegas and Atlantic City, which draws  
25          patrons from New York, Philadelphia and

1 Washington.

2 Expansion of gambling leads to market  
3 saturation and an increased reliance on local  
4 population as customers. Can Philadelphia  
5 reasonably expect to attract gamblers from  
6 outside the Philadelphia area to its proposed  
7 riverboat casinos? Will the current corporate  
8 conventioners and visitors to our historic and  
9 cultural attractions find the new casino  
10 atmosphere inviting?

11 The League of Women Voters of  
12 Pennsylvania hopes that members of the General  
13 Assembly will find alternative means to simulate  
14 economic growth in Pennsylvania.

15 Thank you, Mr. Chairman, and members  
16 of the committee.

17 CHAIRMAN GANNON: Thank you very much,  
18 Ms. Dietrich. Representative Horsey.

19 REPRESENTATIVE HORSEY: No questions.

20 CHAIRMAN GANNON: Representative  
21 Hennessey.

22 REPRESENTATIVE HENNESSEY: Thank you,  
23 Mr. Chairman. Ms. Dietrich, is it true that all  
24 airline tickets to Las Vegas have to be  
25 round-trip tickets so they can send everybody

1 home?

2 MS. DIETRICH: I'm not certain, but it  
3 would seem likely.

4 REPRESENTATIVE HENNESSEY: Thank you  
5 very much. I think it's an interesting  
6 observation. Las Vegas doesn't really give us I  
7 think a very clear study as to what would happen  
8 in existing cities because Las Vegas does, in  
9 deed, import its gamblers and send them home  
10 whether they win or lose. But generally, I  
11 think it's after they've lost at least  
12 something; not to say they haven't enjoyed  
13 themselves while they did it. Thanks.

14 CHAIRMAN GANNON: Thank you,  
15 Representative Hennessey. Representative  
16 Manderino.

17 REPRESENTATIVE MANDERINO: Thank you,  
18 Mr. Chairman. Your references to Chicago, I'm  
19 going to assume since the Better Government  
20 Association of Chicago did both the analysis of  
21 the gambling and the Monet exhibit at the art  
22 institute, that they used the same factors to  
23 determine their net gain or net loss. Do you  
24 have anything more than what you told us;  
25 either, do you know who the Better Government

1 Association of Chicago is or did they actually  
2 put a printed report together that shows how  
3 they came to these conclusions?

4 CHAIRMAN GANNON: If I can interrupt  
5 for a second, we have a copy of that report. We  
6 have sent it to the committee members.

7 REPRESENTATIVE MANDERINO: I apologize  
8 for it.

9 CHAIRMAN GANNON: It's probably in  
10 your mail in Harrisburg.

11 REPRESENTATIVE MANDERINO: Thank you.  
12 That was it.

13 CHAIRMAN GANNON: Thank you very much,  
14 Ms. Dietrich, for joining us and thank you very  
15 much for your patience and thank you providing  
16 testimony.

17 MS. DIETRICH: We hope to have another  
18 opportunity if it so presents itself.

19 REPRESENTATIVE HORSEY: Mr. Chairman,  
20 I wanted to be on record, would you make sure --  
21 Do you know when the record will be transcribed?

22 CHAIRMAN GANNON: No, I don't. It  
23 takes about 3 or 4 weeks.

24 REPRESENTATIVE HORSEY: Would you make  
25 sure I get a copy in my office?



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CHAIRMAN GANNON: Certainly.

REPRESENTATIVE HORSEY: Thank you.

CHAIRMAN GANNON: Thank you. That  
closes the public hearing on House Bill 2308  
before the House Judiciary Committee

(At or about 5 p.m., the deposition  
concluded)

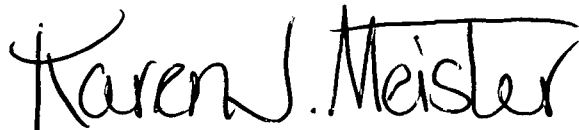
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## C E R T I F I C A T E

1  
2  
3 I, Karen J. Meister, Reporter, Notary  
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5 for the County of York, Commonwealth of  
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22 Notary Public

23 My commission  
24 expires 10/19/96  
25