

1 CHAIRMAN JAMES: Mr. Comer?

2 MR. COMER: Good morning. Thank you for inviting me
3 to address this commission. My name is Steve Comer and I am the
4 partner in charge of Arthur Andersen's Las Vegas office. Arthur
5 Andersen is a global multi-disciplinary professional services
6 organization with over 50,000 employees located in 78 countries.

7 Arthur Andersen provides services to a diverse client
8 base including the casino gaming industry. I have been involved
9 in providing services to the casino gaming industry for over 20
10 years.

11 Arthur Andersen has prepared a number of studies
12 relating to the economic impact of gaming at both the national
13 and local level and I have been involved with a number of those
14 studies -- two studies prepared for the American Gaming
15 Association relating to the economic impacts of casino gaming in
16 the United States.

17 One is titled Economic Impacts of Casino Gaming in
18 the United States, Volume 1, Macrostudy, which addresses the
19 overall impacts of casino gaming in the United States. The other
20 is titled Economic Impacts of Casino Gaming in the United States,
21 Volume 2, Microstudy, which addresses economic impacts of casino
22 gaming on three geographically diverse communities in the United
23 States.

24 In fact, one of those communities was Biloxi-
25 Gulfport. You have been provided with copies of both of these
26 reports. Time limitations preclude a discussion of the entire
27 reports.

28 I would like to point out that the macro-study
29 includes a discussion of the size and growth of the casino gaming

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1 industry, jobs and wages, taxes paid, capital investments,
2 comparisons to other industries, and a lengthy discussion of the
3 United States economy and how gaming fits into that economy.
4 That study did not include Native American casino gaming.

5 The focus of my presentation today is comments
6 regarding jobs casino gaming creates and their impact on the
7 United States economy. Most of this information is drawn from
8 the studies you've been provided.

9 I will also address the overlooked economic impacts
10 of casino gaming, including one that Bill mentioned here, and
11 provide a brief discussion of certain aspects of the social costs
12 and benefits of gaming. You have a booklet that follows my
13 prepared remarks.

14 Our gaming -- our economy grows because it creates
15 good paying jobs for people who spend money on goods and services
16 they desire. Good paying jobs are the economic engine that
17 drives any economy. Americans constantly strive for better
18 paying jobs.

19 Consumers that have the ability to, and who do spend
20 money on goods and services they desire, form the demand for
21 goods and services produced by the jobholder. They are both an
22 integral part of a circle that drives economic growth. Jobs
23 equals spending equals more jobs equals more spending equals
24 economic growth.

25 How does the gaming industry measure up when
26 discussing jobs and job creation? The casino gaming industry
27 directly employs more than 325,000 people in the United States
28 with aggregate wages in excess of \$8 billion. This does not
29 include the people that support the industry, its employees and

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1 direct employment which would also number approximately the same
2 amount.

3 The casino gaming industry is a very efficient
4 creator of jobs with the revenues its received. This is because
5 labor is the largest component of the cost structure of a casino
6 gaming company. Direct labor alone accounts for approximately 32
7 percent of casino gaming companies' revenues, and that compares
8 to retail industry's 15 percent.

9 That means that twice as many jobs are created per
10 dollar of revenue. Job creation per dollar of revenue is greater
11 than many manufacturers. In fact, it is greater than many other
12 industries such as soft drinks, cellular phones and cable
13 systems.

14 The casino gaming industry creates well paying jobs.
15 It matched the national average of approximately \$26,000 in 1995.
16 An important aspect of the casino gaming industry's compensation
17 program is that most employees are covered by health plans.

18 This compares with approximately 40 million Americans
19 not covered by health plans according to the United States
20 Congressional Budget Office and a large number of those people
21 are employed. Jobs performed by casino gaming industry employees
22 are no different than a large number of other jobs throughout the
23 United States.

24 A great number need to utilize computers. Examples
25 are pit personnel, housekeepers and warehousemen. Customer
26 service and people interaction are required for a great number of
27 the jobs. These are learned skills and are transferable to other
28 industries.

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1 The industry also provides a large number of entry
2 level jobs and jobs that can be performed by individuals who do
3 not have college degrees. And these people progress in casino
4 gaming companies and are well paid.

5 The casino gaming industry and its 325,000 employees
6 are part of the recreation, travel and entertainment industry.
7 One could argue that recreation and entertainment are non-
8 necessities and that they are just substitutes for something
9 else.

10 If this is the case, there are tens of millions of
11 jobs held by Americans that are in industries that are non-
12 necessities or substitutes -- employees of the motion picture and
13 television industry, theme parks, resort hotel industry
14 employees, anybody connected to golf, sport fishing, bowling,
15 whether they're manufacturing a bowling ball or service job
16 connected to those industries.

17 In fact, there are a relatively small number of
18 necessity jobs. Clothing is a necessity but walk through any
19 retail shopping mall in the United States and look at how much
20 clothing is available that is designer or fashion clothing. How
21 much designer clothing is necessity?

22 Jobs related to these items, whether they are sales
23 clerks or manufacturing employees, are non-necessities. But
24 these non-necessities are substitutes, such as entertainment,
25 travel and recreation, are critical to the nation's economy.
26 These expenditures keep our economy growing.

27 A graph that's included in our report and also in our
28 handout on page 13 indicates growth over time in Gross Domestic

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1 Product measured in constant dollars, both in total and on a per
2 capita basis. It indicates growth since 1929.

3 Growth Domestic Product measures the value of goods
4 and services produced within the value -- within the boundaries
5 of this country. The graph clearly indicates substantial
6 economic growth, both in aggregate and on a per capita basis.

7 Growth in aggregate and per capita, based then on a
8 per capita basis, from 1970 to 1993, which was the period
9 studied, were 86 percent and 46 percent, respectively, or 2.6
10 percent and 1.6 percent per annum, again, respectively.

11 The next chart which relates to this, also in our
12 report and on a handout on page 14, indicates how personal
13 consumption expenditures have changed over the same period from
14 1970 to 1993. Personal consumption expenditures make up 69
15 percent of the United States expenditures.

16 On an aggregate basis and a per capita basis measured
17 in constant dollars, expenditures for food and housing have
18 grown, but as a percent of total spending they've decreased.
19 Recreation expenditures have been the fastest growing component
20 of our economy.

21 They've grown from 5 percent of consumption
22 expenditures to 9 percent of consumption expenditures. In
23 constant dollars, that is \$200 billion over that period. This
24 isn't by accident. Our economy is not fixed. It continues to
25 grow.

26 As Americans become more affluent, they earn more;
27 they need to spend their money on activities other than
28 necessities. If they don't, our economy will not grow over the
29 long term.

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1 Gaming is not responsible for this change or
2 phenomenon. Gaming is a small component of total recreation in
3 understanding growth in the United States. Between 1990 and
4 1993, gaming's explosive growth was only 5 percent of total
5 recreation growth in the United States. Prior to that it was
6 less.

7 The economic reality is that growth and aggregate
8 demand in jobs are crucial to economic growth. Recreation,
9 travel and entertainment are creating new jobs and are critical
10 to continued economic growth in the United States.

11 Gaming's jobs impact on the economy is no different
12 than tens of millions of other jobs in our economy. They
13 contribute to new jobs and increasing demand for recreation.
14 Wage earner income is re-spent on goods and services, which
15 contribute to further increases in wage earner income.

16 A comment about substitution: there is little true
17 strict substitution with respect to casino gaming. Strict
18 substitution would relate to like product. It is true that
19 consumers constantly reallocate their expenditures.

20 We have products and services available today that
21 did not exist ten years ago. Industries rise and others recede
22 as consumers decide where they want to spend their money.
23 Frankly, this is why our economy works so well. Consumers decide
24 what is the best value for them.

25 By constantly challenging providers of goods and
26 services, consumers push the creation of better products and
27 services. Reallocation of expenditures is a driver for economic
28 growth. Reallocation of expenditures drives reallocation of jobs
29 which drives economic growth.

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1 There are a number of overlooked economic impacts of
2 gaming. One of those is that gaming brings in substantial money
3 from outside the United States -- from Europe, Canada, Central
4 America and South America.

5 The most recent Las Vegas visitors study prepared by
6 GLS Research indicates 19 percent of visitors were from outside
7 the United States. This is only one of a number of gaming
8 jurisdictions that attracts foreign tourists.

9 Direct contributions of foreign tourists to casino
10 gaming industry revenues have been estimated by Arthur Andersen
11 to be in excess of \$2 billion. That is close to 10 percent of
12 total casino industry gaming revenues.

13 That does not include the other expenditures these
14 individuals make in the United States such as the purchase of
15 airline tickets, other transportation and lodging costs getting
16 to and from gaming centers, other food and entertainment
17 expenditures, and all the retail expenditures these individuals
18 make in the United States.

19 These additional expenditures are substantial. The
20 dollar impact of foreign tourists to our economy is no different
21 than export dollars.

22 Reinvestment and investment by the casino gaming
23 industry in our economy is also overlooked and misunderstood.
24 Between 1993 and 1995, the period we study, the major casino
25 gaming companies invested four times their total income in
26 building, land and equipment. That is four times their income
27 was invested in jobs in the United States.

28 Although our study did not cover the latest year, it
29 is clear that this trend has continued. Substantial growth here

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1 in Biloxi is an example. These expenditures have created a
2 substantial number of construction and construction related jobs
3 for Americans.

4 The economic impact of social benefits and cost of
5 casino gaming are another area of consideration. The impacts are
6 direct, indirect, subtle and extremely hard to measure. The
7 first task is to identify both benefits and cost.

8 Benefits that are measurable include job creation for
9 people on public assistance. In the areas we studied, it's clear
10 that the public assistance rolls have decreased due to jobs
11 created by the gaming industry.

12 In fact, in southern Mississippi's Harrison County,
13 the average number of Aid for Dependent Children benefit
14 recipients decreased by 32 percent and food stamp benefit
15 recipients decreased by 16 percent when comparing 1996 to pre-
16 casino conditions.

17 Social benefits of a job on family members,
18 especially on families on public assistance, can be substantial.
19 Children of wage earners are far more likely to have a job and be
20 contributing members of society if they come from a family with a
21 job.

22 How do we measure this and what about the social
23 benefits of health care insurance for employees and their family?
24 The casino gaming industry provides these benefits for their
25 employees.

26 Do we measure the direct cost of the public not
27 having to pay for these costs? What's the economic benefit of an
28 expectant mother having prenatal care? What's the economic

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1 benefit of a healthy child? Gaming dollars are also paying for
2 education. Aren't those a good measure of social benefit?

3 Compulsive gambling. Certainly those people that are
4 impacted by compulsive behavior afflictions of any type are
5 negatively impacted. What are the costs? They are part of the
6 equation.

7 Any discussion of social costs needs to consider
8 social benefits, which are many. The industry and government
9 need to address problem gaming. But I believe that if we were
10 able to measure just economic impact of the social costs and
11 benefits of gaming, that the impact of this alone would most
12 likely be positive.

13 In summary, national economic prosperity is driven by
14 good paying job creation. The casino gaming industry is an
15 efficient creator of good paying jobs, jobs that are no different
16 than tens of millions of other jobs held by everyday Americans in
17 the recreation, travel and entertainment segment of our economy.
18 They are a crucial and positive part of the national economy.
19 Thank you.

20 CHAIRMAN JAMES: Mr. Comer, I just have one point of
21 clarification in your testimony.

22 MR. COMER: Sure.

23 CHAIRMAN JAMES: When you were listing the non-
24 essential job industries, and you listed golf in there, and I
25 want to remind you that you are, indeed, under oath and my
26 husband has convinced me that golf is absolutely essential and
27 should not be listed in that category, and I want to get you on
28 the record before I go back home.

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1 MR. COMER: Well, maybe I take that back. I would
2 like to, because I do have a few minutes, to address a couple of
3 Bill's comments and we can address them later, too.

4 One is a comment related to exports and there was a
5 question in the letter that was sent to us related to exports.
6 Now, one is, is that the gaming industry does have a lot of
7 foreign component revenues which is very important, but it's
8 important for growth.

9 If one looks at the world, the world's economy has
10 grown over the last 200 years yet we are not exporting, as of
11 yet, any of our products to anybody else in the solar system and
12 that's because jobs can create jobs. That's what happens in
13 America. That's why our economy works so well.

14 With respect to the economy -- and I think that that
15 demonstrates that the economy is not fixed.

16 COMMISSIONER LEONE: Excuse me a minute.

17 CHAIRMAN JAMES: Absolutely.

18 COMMISSIONER LEONE: Do we have an exchange here?

19 CHAIRMAN JAMES: You certainly can.

20 COMMISSIONER LEONE: There's an aspect of your
21 testimony -- and you'll forgive me; I used to teach so I probably
22 will -- I don't mean to impose a conventional framework. I think
23 economics needs heretics and we need to be shaken up and
24 reconsider things.

25 But there's a -- you talked about how many -- how, as
26 a positive, the fact that gambling had twice as many workers per
27 dollars as, say, retailing. And you talked in another context
28 about the decline and the share of a family's dollar that went
29 for food.

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1 Of course you're familiar with productivity and of
2 course you know that that economic growth, the term you're
3 throwing around, is driven, among other things, but and very
4 importantly, by productivity increases.

5 You know that growth has slowed down in the United
6 States in two important periods including the 1973 to present
7 period and you know that one of the major reasons attributed to
8 that is low productivity growth. And you know that labor
9 productivity is conventionally measured as output per worker
10 dollar, production per worker.

11 It would be an odd thing to make the argument that
12 something that requires more workers per dollar of output adds to
13 growth relative to something that requires less workers per
14 dollar of output.

15 In other words, something that has less labor
16 productivity is movement into something that has less labor
17 productivity produces more -- produces economic growth and
18 that some -- I mean, I'm all for good jobs and God knows -- well
19 paying jobs but it still would be an unconventional economic
20 analysis to hold up as an argument that particular business,
21 whatever it is, produces growth that it had a lot of workers per
22 dollar of output.

23 That would be standing conventional economics on its
24 head. Maybe it should be stood on its head but it is still an
25 unusual approach and I wondered how you arrived at that
26 conclusion about economic growth.

27 MR. COMER: I think that with respect to economic
28 growth and the number of jobs that productivity has to be
29 determined by the consumers that buy that product. And if I

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1 happen to buy a product that has more of a labor component,
2 because that has more utility to me, then, in fact, that is
3 increasing productivity because that's what happens every day.

4 I mean, if one, in fact, looks at the way our economy
5 has grown, people constantly are pushing producers to create
6 goods that they want to buy and the consumer ultimately is the
7 one that decides what is productive and what is not productive.

8 If I have somebody who's very efficient at creating
9 buggy whips, that isn't productivity because the consumers don't
10 want to buy buggy whips. So even though the labor component --

11 COMMISSIONER LEONE: Let me -- before -- let's not --
12 let's be serious about this.

13 MR. COMER: No. I am being serious about this, sir.

14 COMMISSIONER LEONE: Suppose you had two economies.
15 One economy required ten million workers to produce a billion
16 dollars of output and another economy required five million
17 workers to produce ten billion dollars of output. Which would be
18 more efficient and productive and which one would be more likely
19 to have economic growth?

20 MR. COMER: That was my point, is that it depends on
21 what the --

22 COMMISSIONER LEONE: I don't -- frankly --

23 MR. COMER: -- consumer wants to buy.

24 COMMISSIONER LEONE: -- it doesn't make any sense to
25 say you can't use utility and productivity as synonyms; they're
26 not. I mean, these are real words that really mean things, and
27 either we're talking about productivity and growth or we're not.
28 Are we talking about utility and satisfaction? We can be talking

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1 about other kinds of preferences. We're talking about demand in
2 that case.

3 But even if the demand were very high for something,
4 producing it at the lowest possible cost most efficiently would
5 be the best thing for the economy. It wouldn't be -- you can't
6 mix those two concepts up.

7 I'm not arguing whether gambling is good for the
8 economy or bad for the economy. I'm simply saying if you want to
9 make the argument that it's good for the economy, you can't make
10 the argument that it's good for the economy because it requires a
11 lot of workers per dollar of output. That's not a growth
12 argument.

13 MR. COMER: I understand your comment, sir.

14 COMMISSIONER LEONE: Growth is the other way around.

15 MR. COMER: I understand your comment and all I'm
16 saying is that I don't agree with it. Another example would be
17 if a retail store, if they have less people that are working
18 there but if they're selling a foreign good, in fact, they
19 haven't helped our economy as much. So again, you have that
20 question of -- related to efficiency.

21 CHAIRMAN JAMES: Commissioner Wilhelm.

22 COMMISSIONER WILHELM: If we're going to get into
23 this now, that's fine. I didn't know if we were going to hear
24 from --

25 CHAIRMAN JAMES: We are but I also don't want to cut
26 off a good discussion.

27 COMMISSIONER WILHELM: I, unlike my colleague,
28 Commissioner Leone, I do not have economics training which is
29 either a disadvantage or an advantage, depending on how you look

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1 at it. I appreciate, Professor Thompson, your comments about job
2 training, in Las Vegas in particular.

3 Our union and most of the major employers in Las
4 Vegas are engaged in a cooperative job training program, which
5 you may be aware, which is paid for by the industry, which I hope
6 the commissioners have an opportunity to visit when we're in Las
7 Vegas.

8 And I appreciate your mentioning the fact that the
9 jobs in the gaming industry, particularly if they go to people
10 who didn't have jobs before or who had lousy jobs before, are, as
11 you put it, a positive externality, but I'm extremely troubled by
12 this -- and again, I lack economic training so I may be missing
13 the point here -- by this concept that -- which you call the
14 break even analysis, which I would call a sort of zero sum way of
15 looking at the economy, that if a job is created in the gambling
16 industry that it's irrelevant because it came from -- you know,
17 some other job was probably eliminated.

18 First of all, I'm troubled by the notion that we
19 should look at our economy as though it's frozen in time. I
20 believe, and it may be simplistic, that both individuals and
21 organizations and our whole society is either moving forward or
22 is moving backward.

23 I don't think there's any such thing as being frozen
24 in time because if you follow the logic of the break even
25 analysis, nobody would ever bother to try to create a job, and
26 then, of course, we'd move backwards in a global economy. We'd
27 have fewer jobs. It's not as though all the jobs that are there
28 now would stay there forever.

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1 And moreover, I think that that analysis ignores
2 what's going on in this society. We're becoming a service
3 economy and we have to learn, in my view, how to make service
4 jobs decent jobs. We have to learn how to make service jobs jobs
5 that people can live on and have good health benefits and good
6 retirement benefits.

7 And we have a crisis, I think, in this country and I
8 think the crisis is that more and more people are getting poorer,
9 objectively speaking, and there's a small minority of our
10 population that's getting a lot richer, and a middle class, as
11 we've defined it in a post-World War II era, is getting smaller.

12 And if we continue that trend, I think we're going to
13 be in real trouble. So I think that demonstrated ability of the
14 gaming industry, particularly but not exclusively where it's
15 union, to create good jobs with good benefits is something that's
16 positive even if you accept the argument, which I don't in full,
17 that those jobs are created at the expense of some other jobs
18 someplace else.

19 I mean, let's be very concrete about this. Suppose
20 that some people decide to go gamble in Las Vegas or someplace
21 else instead of buying personal computers. Well, the personal
22 computers are probably manufactured either in a foreign country
23 or by people who are the un-talked about underbelly of Silicon
24 Valley, people who work for minimum wage with no benefits.

25 So the real -- the only result, I believe, that
26 matters of people buying a few less personal computers, is that
27 Bill Gates makes a few less bucks. And if that creates some good
28 jobs for people who didn't have a job in Las Vegas or someplace
29 else, that's not a wash.

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1 And I think that your -- if somebody gambles and so
2 they don't buy a Lexus or a Toyota and some good jobs are created
3 for people, that's not a wash.

4 DR. THOMPSON: Can I respond?

5 COMMISSIONER WILHELM: So I think this break even
6 analysis is basically, to put it politely, off the mark.

7 DR. THOMPSON: Okay. I'll respond -- I meant --

8 CHAIRMAN JAMES: I'm going to ask you to hold your
9 response. John, I was hoping that maybe your comment was a
10 little on point to the question about the definition of utility
11 there.

12 DR. THOMPSON: I'll hold my response because I'd like
13 to come back to this.

14 CHAIRMAN JAMES: Absolutely, and I hope you will --
15 is to go on to --

16 DR. THOMPSON: Okay. To that direct point.

17 CHAIRMAN JAMES: -- Dr. Ryan and then come back and
18 then continue -- engage in this discussion.

19

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