

1 CHAIRPERSON JAMES: Having said that, I'd like to
2 open it up for Commissioners, any questions? Commissioner
3 Dobson.

4 DR. DOBSON: Mr. Feldman, as we all know in the
5 '60's, '70's and '80's representatives of the tobacco industries,
6 the executives, came before commissions like this and certainly
7 the congressional subcommittees and were asked questions about
8 the addictive nature of their product and they lied. We now
9 know that there are studies that were made that are in the
10 records that contradict what they said because they consistently
11 said that there was not an addictive component and if there were
12 they were not aware of it, and the lawsuits that have ensued are
13 based on that deception.

14 May I ask you as a representative of Mirage and what
15 you know about other casino operations here, if there have been
16 research projects by those organizations conducted to confirm
17 that your product, gambling, is addictive and if so, are there
18 studies to indicate which machines are more addictive than others
19 and what else is known about that aspect of human behavior by
20 casinos.

21 MR. FELDMAN: I believe, Doctor Dobson, you've heard
22 from the finest experts in the country on that topic, Howard
23 Schaffer being one of the best. I also think that the
24 correlation or the attempted correlation between gambling and
25 tobacco is an apples and oranges situation. I think it's a much
26 more accurate depiction to take a look at gambling and alcohol
27 and I believe that Doctor Schaffer's work has shown that.

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1 In the case of tobacco addiction, 97 percent or
2 whatever the actual number may be but it's in that area, of
3 people who use the product are addicted to it. In the case of
4 gambling, the overwhelming majority of people who participate in
5 the product are not addicted to it. It is much more similar to
6 alcohol. We have an addictive situation, which would appear to
7 be much more like alcohol. Many, many people drink and very few
8 of them get addicted. Many, many people come to casinos and
9 enjoy gaming and a few of them are addicted and we should
10 approach it from that point of view.

11 As to the specifics of which games may be more or
12 less, quote, unquote, "addictive," I'm not aware of studies that
13 have been done yet to that effect but I think it's certainly one
14 of those things that would be well worth looking into, whether or
15 not there is any correlation.

16 DR. DOBSON: With respect to your answer about Doctor
17 Schaffer, that's the academic community. I'm really interested
18 in what the casinos know, what they have studied about such
19 things as the so-called near miss and other games that we just
20 heard about that tend to pull people in and get them hooked more
21 easily on --

22 MR. FELDMAN: But with respect -- we funded Doctor
23 Schaffer's study. So although he is independent and did his
24 study independently, we funded that study. And as to the notion
25 of the research done on games, the research done on games has to
26 do with play characteristics and customer response. It has
27 nothing to do with their personal lives. There was never any

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1 correlation or study done of their personal lives vis-a-vis how
2 they played the machine.

3 DR. DOBSON: One last question and I'll yield to my
4 fellow commissioners; and this is a tough question but somebody
5 ought to ask it. I'm assuming that others have thought of it and
6 we have not addressed it to anybody yet. But if there were a
7 state in the United States where it was known that a series of
8 diseases were more characteristic of that area than anywhere
9 else; cancer, tuberculosis, other such things, epidemiologists
10 would be all over that state trying to figure out why.

11 The research that I've seen shows that in Nevada, you
12 have the number one rate of suicide in the country, number one
13 rate of divorce in the country, the number one rate of homicides
14 against women in the country, the number three rate of abortion
15 in the country, the number four rate of rapes in the country and
16 10 percent of all Southern Nevadans are alcoholics. Now, where
17 you have those kinds of findings, you can quibble or quarrel with
18 a particular statistic but you see a pattern there.

19 What is the official response of the gambling
20 industry to those social problems associated particularly with
21 this state, number one, out of 50 states? That seems damning to
22 me.

23 MR. FELDMAN: I read your colleague's piece today in
24 the Atlantic City Press which detailed all of that and I don't
25 think we have the time here for us to get into the debate because
26 obviously we have a different perspective on a lot of the
27 statistics that are cited there. We have, as a community, many
28 social problems. I come from Los Angeles, where there were many

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1 social problems. I know you live in Colorado Springs where I
2 have family and friends and there are social problems.

3 These problems seem to exist throughout society and I
4 -- again, without getting into the specific debate about the
5 issues you raised in terms of how these statistics are used
6 because I think that they are being grossly misused here. I
7 think that we need to take a look at the problems that are
8 specific to our community and one of them happens to be the high
9 school truancy rate. The high school dropout rate here does seem
10 to have a correlation to our industry.

11 We have a lot of jobs that do not require high school
12 degrees, do not require specific experience and they become very
13 enticing particularly when young people have financial need. So
14 our company has responded to that by implementing a GED program
15 on -- for all of our employees to try and encourage them to get
16 their high school diplomas. We have a very aggressive
17 scholarship program to try and encoura<À our employees and their
18 children to go onto college. We've taken a look at that
19 situation and dealt with it head on.

20 I take exception to much of the other things you said
21 as even being accurate but I don't know that we have time to
22 engage in that debate fully.

23 DR. DOBSON: I won't press it further other than to
24 say that we have time, I have time. I would like to have your
25 answer to that question on a personal basis if you'd be willing
26 to give it to me.

27 MR. FELDMAN: Happy to do so, I'd be happy to do so.

28 DR. DOBSON: Thank you.

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1 CHAIRPERSON JAMES: I would ask you to submit that to
2 the Commission and I will make sure that it circulates to all
3 commissioners. Commissioner Leone.

4 MR. LEONE: I have a question for Doctor Loveman.
5 And recognizing that the customers you have information on who
6 become part of your focus marketing strategy are not -- I'm not
7 assuming that they're representative of gamblers in general in
8 the country. I see from some of this information people who come
9 to Las Vegas are above average in income. So I'm putting aside
10 the question of convenience stores and lotteries, but this is
11 still a significant population that you and I presume that other
12 large casinos have data on and develop it and it evolves over
13 time.

14 And I have a couple of questions about it. Again,
15 reference has been made in the panel that we don't have other
16 socioeconomic information about people and we only see a third or
17 something of their gambling. But still you must have a keen
18 interest in their creditworthiness and there must be some process
19 by which you stop marketing to people who are going to default or
20 who are going to run up money. And I just wonder how that --
21 what you know about that and how that works and whether there's a
22 cutoff point or whether there's a change in the strategy. I
23 think that's important for some of the things we're trying to get
24 at, to understand what actually happens with this group of
25 identified people, you know, with all the caveats about who they
26 are and who they aren't.

27 DR. LOVEMAN: Well, I appreciate you asking the
28 question because I think it's -- the data are meaningful and

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1 illustrative. We do not market the provision of credit. It is
2 available at our casinos. It is inconsequential to our
3 profitability. We make it available as a service to customers
4 upon demand. Last year 50,000 customers at Harrah's out of a
5 total as I indicated to you, in excess of two million people,
6 requested credit. Our default rate on credit was 1.1 percent of
7 outstandings, which was roughly one-sixth of the default rate of
8 most commercial credit providers like CitiBank, MNBA or Bank One.

9 It's a very small percent. We are very conservative
10 lenders for among other reasons we don't believe that we're all
11 that good at it. So we make very conservative extensions of
12 credit. That credit is a little bit different than you may
13 imagine it to be since in most instances what we are doing is
14 asking the customer for the right to debit their checking account
15 in the event that they wind up leaving the casino with less money
16 than brought. So it's a different vehicle than we imagine
17 something like consumer installment credit to be. And as a
18 result, it turns out to not be terribly consequential.

19 Now, it is true, Commissioner, that we take the data
20 that comes from a credit application and we log that into our
21 casino management system and it would be available for someone to
22 look at. It is not, however, a part of any effort that our
23 company's been involved with to target customers or to try to
24 incent them on the basis of the fact that we know them to have
25 been users of credit in the past. It's considered by us to be a
26 transactional device.

27 MR. LEONE: But is it something that causes you to
28 drop customers from your marketing activities?

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1 DR. LOVEMAN: Oh, yes, indeed it does.

2 MR. LEONE: And that's because of a broader --
3 something else about their credit picture and not just an
4 experience you had.

5 DR. LOVEMAN: That's right. Now, of course, when you
6 say drop a customer, we might drop that customer from a mailing
7 list. If that customer arrives at our casino anonymously --

8 MR. LEONE: No, I understand the difference. I was
9 trying to understand how marketing was related to credit
10 experience.

11 DR. LOVEMAN: That's correct.

12 CHAIRPERSON JAMES: Commissioner Bible.

13 MR. BIBLE: Mr. Feldman, when you responded to Doctor
14 Dobson and Doctor Dobson's colleague's inquiry from -- and I did
15 see the piece in the Press this morning, will you take all the
16 various figures and adjust them for Nevada's population to
17 reflect visitor influx. Because I've been dealing with Nevada
18 figures for years and we have, for instance, the highest
19 incarceration rate of any state in the union but it never
20 reflects that fact that there's a 20 or 30 percent adjustment
21 that should be made for the population and you're going to find
22 the same sort of figures for any of the crime related or crime
23 statistics.

24 MR. FELDMAN: And that was the nature of it. We have
25 a population base, as you know here in Clark County of 1.2
26 million people. We have a visitor base of 30 million people.
27 Those statistics always include the visitors. So that they are

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1 skewed. They have to be readjusted down to the population in
2 order to understand what's really going on in the community.

3 MR. BIBLE: Thank you.

4 CHAIRPERSON JAMES: Commissioner Moore.

5 MR. MOORE: I'd like to ask Mr. Sklansky - -

6 A VOICE: You want to know what he's doing this
7 evening, if he's going to go out on the town with you.

8 MR. MOORE: I had the privilege, I guess, of gaining
9 the information of going into back room of one of the -- where
10 they play baccarat and I'd like you to tell me why anyone would
11 want to play baccarat.

12 MR. SKLANSKY: It's funny you should say that. To
13 save time, I eliminated what I was going to say about baccarat
14 but I basically said exactly the same thing that you did, that
15 it's a -- whereas the game is, in fact, not that much of a
16 disadvantage, I say, "To me baccarat is a silly game." Those are
17 my first words and also it's silly because there's no skill.

18 It seems a little bit immoral to bet \$100,000.00 on
19 the turn of the card and even though it does have only a 1.2
20 percent disadvantage there's now many games that have better
21 disadvantages, such as the basic strategy black jack player or
22 the craps player who takes the odds. However, some people like
23 the ambience, some people think that they can come up with a
24 system. I once investigated the idea that a card counter could
25 beat baccarat but found that the situations didn't arise often
26 enough and it's just for those people who like to sit back in a
27 pleasant environment and bet on something that they don't have to
28 make any decisions on.

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1 I really can't understand anybody who gambles without
2 trying to win like I do but it's a pleasant game.

3 CHAIRPERSON JAMES: How successful are you, Mr.
4 Sklansky?

5 MR. SKLANSKY: Well, now that my books have done very
6 well, I'm semi-retired from playing but there are thousands of
7 professional gamblers out there who take advantage of games that
8 are beatable.

9 CHAIRPERSON JAMES: Okay. Any other questions?
10 Commissioner Lanni.

11 MR. LANNI: Just a couple of points for Mr. Sklansky;
12 one, relative to the roulette games and the baccarat games, and
13 just to give you some antidotal aspects as to my 21 years
14 experience in the industry is the reason we have the postings as
15 to the past numbers that have come up and if it's player or tie
16 or if it's a banker hand in baccarat or if it's the individual
17 number in roulette, is customer driven, not driven by the
18 entities themselves.

19 Many of those games, as you know, those games are
20 played very much by international customers from Asia, the Middle
21 East and Europe. And they're used to seeing that in other
22 casinos around the world. So it was driven by customer demand,
23 not by the casinos.

24 MR. SKLANSKY: Yes, I understand that.

25 MR. LANNI: We'd prefer not to have it, very frankly.

26 MR. SKLANSKY: I understand that many players have
27 their own little cards and do that same thing.

28 MR. LANNI: And they get tired of doing that.

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1 MR. SKLANSKY: I was just making the point that if
2 the customer asks the casino to have a little chart that showed
3 the cards that had come out in black jack, I don't think they'd
4 do that.

5 MR. LANNI: No, no, that was the second point that
6 you made and I would certainly agree with you on that. The other
7 thing, this is to help you in you next book that you're writing,
8 that -- and I would like to be a co-author and share in some of
9 the royalties connected with it and possibly retire also, but you
10 should -- I think in lumping all of the properties or casinos
11 together and this is an answer also to one of Doctor Dobson's
12 questions and that's relative to the near miss machines. We
13 didn't do any research in my company on near miss machines. It
14 didn't take any research. We decided they were unfair. We don't
15 have them in our property any more.

16 MR. SKLANSKY: I was not speaking of near miss
17 machines. I was speaking of virtual reels.

18 MR. LANNI: No, I understand. This was Doctor
19 Dobson's question.

20 DR. DOBSON: That was my question.

21 MR. LANNI: That was his question on near miss
22 machines which wasn't answered and I wanted to say that our
23 company didn't do any research. It was pretty simple to us that
24 we shouldn't have them. We don't have them.

25 MR. BIBLE: Near miss is banned in the State of
26 Nevada in most jurisdictions.

27 MR. LANNI: Right, but before we chose not to.
28 You're correct.

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1 DR. DOBSON: I'm sorry, I didn't hear.

2 MR. BIBLE: Near miss is banned in most jurisdictions
3 but you may be referring -- you may be using the term incorrectly
4 in referring to virtual reel technology.

5 MR. LANNI: The other issue on the craps table again,
6 I think if you check a number of casinos including our various
7 casinos, we have them in Australia, South Africa and here in Las
8 Vegas, we took the six and the eight off of the layout.

9 MR. SKLANSKY: Good.

10 MR. LANNI: They don't exist. So your point is very,
11 very well taken there.

12 CHAIRPERSON JAMES: Thank you. This has been very
13 enlightening. One other question, Mr. McCarthy.

14 MR. MCCARTHY: I don't have a question but I want to
15 direct something to Doctor Loveman and Mr. Feldman. And I want
16 to state several assumptions I'm making before. I will really
17 make a plea for help that I'm not asking you to answer today
18 because we are going to be coming to you. First of all, I have
19 the impression that your two companies and MGM Grand and a couple
20 of others among all of the large casino corporations are more
21 progressive and would be quicker to see the importance of
22 recognizing some problems which proportionately you might be the
23 cause of.

24 Then I also assume that most customers are not
25 seriously troubled gamblers. It would not be my first choice for
26 entertainment, although I have been known to lose 15 to \$20.00 in
27 a monthly poker game. Then I heard everything you said about
28 securing the loyalty of customers and why you like many other

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1 business sectors, would go about attempting to do that, so with
2 the possible exception and this we don't have enough knowledge on
3 yet, that certain kinds of games do lend themselves to those
4 customers that are seriously troubled to addictive patterns,
5 reserving that because we don't know enough about that yet, we're
6 trying to get there, I don't assume that you set out to make
7 people addictive to gambling and yet, from Doctor Schaffer's
8 conservative numbers, when I asked him questions, the other
9 members of this panel asked him questions, in an industry as Mr.
10 Feldman pointed out, funded synthesis of existing surveys, the
11 number we got was approximately four and a half million Americans
12 are pathological gamblers.

13 Now, we don't know how many are problem gamblers or
14 below that because we haven't really very well defined what
15 problem gamblers are yet. We're struggling with that and we hope
16 to contribute something to that that might be acceptable on a
17 broad scale before this Commission completes its work. And I
18 want to add the other final factor that's relevant here and that
19 is that we're not just trying to identify seriously troubled
20 gamblers in casinos. We think the states of America have very
21 significant responsibilities that they have ignored almost
22 universally and we are including in the patron interview study
23 and other survey efforts an attempt to try to discern what the
24 dimension of the problem is of seriously troubled gamblers.

25 Now, I come to the point where I want to ask for
26 help. Doctor Loveman, I heard you go through your base, how you
27 develop your data base and so on and I guess we're framing a
28 questionnaire, the research subcommittee is, that we will then

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1 seek approval from the Chair and the full Commission on and send
2 it out and we're trying to frame it in a way that's not patently
3 antagonistic and yet is forthright in trying to form a
4 partnership, if you will, of getting at this problem of seriously
5 troubled gamblers between gambling facilities and governments who
6 share this responsibility.

7 Now we don't have the menu of answers yet but we know
8 this; we can't really get at this problem unless those who run
9 major gambling operations are willing to help us in ways that are
10 not really intrusive in their duties to their customers and would
11 not place them in legal jeopardy. So it seems to me that
12 particularly from a fellow that's got a PhD from MIT and all
13 these other very impressive credentials, and I don't think a huge
14 company like the one who employs you would have placed you in the
15 position you're in with that level of responsibility without you
16 having the imagination to figure out how to develop some data
17 base information, not on all your customers, but on the ones that
18 if you don't collect the information -- you have access to
19 creditworthiness and you've indicated you limit your credit
20 activity more.

21 There are others obviously -- we have read that 40
22 percent of the money that is bet in casino facilities is not cash
23 brought onto the premises. Now, that may be money won and bet
24 again but in the main it's money obtained through credit whether
25 it's house credit or whether it's through the credit card
26 machines that are made available there by Wells Fargo, Bank of
27 America and other highly respectable corporations. There's a lot
28 of people that you could get information on regarding whether

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1 there's foreclosures or any other signals that they're in some
2 serious economic difficulty.

3 That information could be combined and a well-trained
4 staff could indeed quite properly and legally without exposing
5 yourselves to lawsuits, could help identify and channel those
6 customers to some appropriate kind of help, whether it's -- some
7 of you already do it, to a hot line for reference to a licensed
8 psychologist. We don't know yet what all the appropriate options
9 should be. I'm just suggesting that's something we need to work
10 on together. So when we formulate this casino questionnaire and
11 send it to you, I hope we can ask -- we've been going to people
12 who manage casinos and asking them what kinds -- if these are our
13 objectives, what kinds of questions we should ask.

14 So I know you don't have to do any of this and you
15 can keep a database that won't disclose anything about serious
16 troubled gamblers. I'm just suggesting without trying to be
17 patronizing to you that in your own economic self-interest and as
18 community citizens in addition to being corporate citizens,
19 perhaps you have a significant role to play here and we're asking
20 you for your cooperation.

21 Think about it, will you? We'll be talking. Thank
22 you.

23 DR. LOVEMAN: I don't know how to classify that
24 intervention. If it's a question, I'd love the chance to
25 respond.

26 CHAIRPERSON JAMES: You may certainly have that
27 opportunity.

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1 DR. LOVEMAN: Fine. We are undoubtedly interested in
2 cooperating with the Commission and any group of serious
3 researchers interested in addressing this problem. I think we
4 absolutely share your vigor and commitment to making progress
5 here. What I would simply remind you of, when it comes to the
6 use of cross-categorization and manipulation of data is the
7 following; that customers in the casino industry play against the
8 house.

9 They certainly understand the transaction they're
10 making in those terms. Many of our customers are rewarded for
11 using the player program card that my colleague identified to you
12 awhile ago but choose not to because they have a notion that it
13 makes them unlucky or there's some other connotation associated
14 with its use. What I would urge you to consider is that if
15 customers of casinos or customers of banks or customers of
16 catalogue mail houses or anywhere else were to come to the
17 conclusion that the data that they revealed through their own
18 transaction activity were to be used in highly modeled and
19 predictive ways, largely unbeknownst to them, they would very
20 quickly come to the decision that they would not engage in that
21 exchange of information any further.

22 And what I would suggest to you, Commissioner, is
23 that we would never put ourselves in the position of being so
24 intrusive into the lives of our customers that they would
25 consider it to be disadvantageous to them to continue to provide
26 us with the information we need to serve them and that's a very
27 delicate balance that we have to make sure we preserve.

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1 MR. FELDMAN: For our part, Mr. McCarthy, as you
2 know, our company has cooperated with your subcommittee's efforts
3 and have every intention of continuing to do so, whatever minor
4 disagreements we may have had along the way. We are fully
5 supportive of this Commission's work and your subcommittee's
6 work.

7 CHAIRPERSON JAMES: Thank you and it is duly noted
8 and very much appreciated. Hearing no other questions, I'd like
9 to thank this panel and again, as I've said to previous panels,
10 we do appreciate your participation here today and would ask your
11 ongoing support as you've already pledged for this Commission.
12 Thank you very much.

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