

1 local government. We are now fighting for our  
2 survival.

3 Thank you.

4 CHAIRMAN JAMES: Thank you.

5 Any questions for Mr. Faldetta?

6 We will continue, I'm sure, to discuss and  
7 debate many of these economic issues, but for this  
8 Commissioner there is no debate that your veal is  
9 second to none.

10 MR. FALDETTA: Thank you.

11 CHAIRMAN JAMES: Thank you.

12 Our next speaker is Mr. Robert Mulcahy.

13 MR. MULCAHY: Thank you.

14 First, on behalf of the millions of racing  
15 patrons of the New Jersey Sports and Exposition  
16 Authority Race Tracks at the Meadowlands and Monmouth  
17 Park and on behalf of the racing industry I wish to  
18 publicly thank you for showing a special level of  
19 concern and commitment to gaming in America.

20 Wearing my racing industry hat for the time  
21 being, I hope, Madam Chairperson, that the Commission  
22 has seriously considered a day of hearings focused

1 on the horse racing industry.

2           Secondly, as President and CEO of the New  
3 Jersey Sports and Exposition Authority, which not only  
4 built this building but has the oversight  
5 responsibility for this new convention center, and  
6 convention and tourism agencies in Atlantic City,  
7 thank the Chair and Commission members for bringing  
8 this hearing to Atlantic City.

9           Thanks to gaming and the convention  
10 industry, that gaming jump start in Atlantic City has  
11 become America's leading tourist destination.

12           In my position at the Sports and Exposition  
13 Authority, I manage the facilities that are home to  
14 five major league professional franchises in football,  
15 basketball, hockey and soccer. In addition, college  
16 sports, family shows, concerts and trade shows fill  
17 out the giant stadium and Continental Airlines Arena  
18 calendars.

19           But, first and foremost, we operate the  
20 businesses that made it possible for New Jersey to  
21 become a big league sports and entertainment capital,  
22 the race tracks at the Meadowlands and Monmouth Park.

1 Ladies and gentlemen of the Commission, your charge is  
2 to study the impact of gambling on the nation. Let me  
3 take a moment to relate to you the impact of horse  
4 racing on the economics, the environment and the ego  
5 of the state of new Jersey.

6           Racing is the engine which fuels the  
7 billion dollar sports and entertainment industry  
8 created by the Sports and Exposition Authority. In  
9 essence, racing helped make possible the extraordinary  
10 events which we have brought to New Jersey, including  
11 the NCA Final Four, the Soccer World Cup, and even the  
12 Pope's visit. In short, horse racing at the  
13 Meadowlands provided the revenue to construct the  
14 world class facilities of Giant Stadium and the  
15 Continental Airlines Arena.

16           The enormous positive economic and  
17 environmental impact of racing on New Jersey is clear.  
18 An independent study by the respected Deloitte &  
19 Touche firm marks the economic impact of the Sports  
20 Authority venues at over \$1.6 billion annually,  
21 supporting tens of thousands of jobs and providing  
22 over \$60 million annually to state and local

1 government.

2           The establishment of the Meadowlands race  
3 track in 1976 made it possible for New Jersey to  
4 become home to the National Football League, the  
5 National Basketball Association, National Hockey  
6 League, and the NCA Basketball Tournament. Family  
7 events, such as Ringling Brothers, Barnum & Bailey  
8 Circus, Disney on Ice and world class concerts came to  
9 New Jersey.

10           Environmentally, in a populous northeastern  
11 state of relatively few square miles, racing provides  
12 the support for tens of thousands of acres of precious  
13 open green space devoted to the vital horse breeding  
14 industry. We are the third leading breeding state for  
15 standardbreds in this country.

16           From a cultural, economic and environmental  
17 perspective, economic benefit, the benefits directly  
18 and indirectly supported by horse racing are worth  
19 preserving and nurturing for the generations ahead.  
20 Nationally, the equine industry generates \$112 billion  
21 of economic impact and supports 1.4 million jobs.  
22 Those numbers are impressive to economists and

1 statisticians, and particularly impressive to those  
2 people holding those jobs in the states where they pay  
3 taxes.

4           But, there is something far deeper  
5 involved. Allow me a few moments on the horse racing  
6 industry. As the past President of Harness Tracks of  
7 America, current Present of Thoroughbred Racing  
8 Communications, and a past Director of Thoroughbred  
9 Racing Association, and a former minor horse owner  
10 myself, let me say that racing holds a very special  
11 place in American gambling, but, more importantly, in  
12 the American psyche. Horse racing is a historic and  
13 beloved past-time in the American culture. There is  
14 no parallel in other gaming, nor really any comparable  
15 moment in American sport to the high drama and beauty  
16 of either the Kentucky Derby or the Hambletonian.  
17 These great days are woven into the fabric of American  
18 life.

19           Having given you a moment of poetry on  
20 racing, I will turn to practical reality. Why, when  
21 given this historic and beloved place in American  
22 culture, is horse racing seemingly locked in the

1 survival of the fittest struggle in so many states?  
2 The truth is that not all gambling is created equal.  
3 Horse racing handicapping, by its nature, is a skill-  
4 based enterprise. Games with seemingly more sizzle  
5 lured many patrons in the 1990s. With all due respect  
6 to the outstanding Chairman of the Casino Control  
7 Commission, Brad Smith, who will follow me, horse  
8 racing in New Jersey and around the country is among  
9 the most regulated industries in the country.

10           And, finally, I am very mindful of what I  
11 am saying here. States have found the direct revenue  
12 of other forms of gambling, such as casino gambling  
13 and the lottery, to be irresistible. States unlevelled  
14 the playing field.

15           When I became President of the Sports  
16 Authority, and, thus, the head of the first, and then  
17 two major race tracks in New Jersey, gambling in New  
18 Jersey and most other places took three forms. You  
19 could do one of the three Bs, bet at the track, Bingo  
20 at the church, or bookie at the barber shop. Now you  
21 can legally -- I can remember my father calling Champ  
22 at the gas station -- now you can legally wager on

1 many street corners in America.

2           The growth of the lotteries in America has  
3 been truly astonishing and has provided much good in  
4 terms of state revenue. But, racing has suffered from  
5 a lost generation. Speak to anyone over 40 and their  
6 first legal gaming experience was likely to be their  
7 uncle taking them to the track. Now, it is likely to  
8 be the Pick Four on the corner.

9           Horse racing needs, of course, to get its  
10 own marketing house in order, but I suggest to this  
11 federal panel the same basic four-word guideline I  
12 suggested in testimony to the recently completed  
13 Racing Industry Study Commission in New Jersey and  
14 paneled by Governor Whitman, level the playing field.

15           The New Jersey Racing Commission, which  
16 issued its final recommendations last week, was  
17 bipartisan and included representatives of the casino  
18 and racing industries, the compulsive gambling  
19 community and regular citizens. They voted 17:1 to  
20 recommend a series of reforms to the governor and the  
21 legislature.

22           In my 30 years in fairly high levels of

1 public policy in the state, it was one of the most  
2 outstanding jobs of consensus building on policy for  
3 an important state industry that I've seen.

4           Unfortunately, this sound example of state  
5 commission policymaking to promote and nurture racing  
6 and fund compulsive gambling services is under full  
7 frontal assault in the halls of Congress. The state  
8 commission determines a course of action to protect  
9 and promote a billion dollar equine industry, and tens  
10 of thousands of precious farming acres, but its work  
11 may be rendered moot. How can that be? It is called  
12 the Kyl bill. I do not know Senator Kyl, but in the  
13 name of Internet wagering regulation he has produced  
14 a bill that criminalizes state racing policy across  
15 the country. It will make illegal that which is  
16 currently legal in eight states, and which this New  
17 Jersey Commission called for, and I speak of account  
18 wagering and interstate simulcasting.

19           First and foremost, Congress need not over-  
20 regulate an industry, horse racing, that's already  
21 amply regulated. Secondly, the anti-competitive  
22 elements of the Kyl bill take an industry that needs

1 a regulatory antidote and gives it a lethal dose of  
2 prohibition poison.

3           On behalf of all of racing, I hope Congress  
4 does not make the fatal error of legislating racing  
5 out of the technological age. To criminalize  
6 accounting wagering or interstate simulcasting at the  
7 federal level overturns the Interstate Horse Racing  
8 Act of 1978, which reaffirms the state's  
9 responsibility to regulate racing within their  
10 borders.

11           Some may ask, does not the new technology  
12 in gambling come at some social cost? Should we not  
13 beware? The answer is, of course, we should beware.  
14 Earlier this morning, you heard from a friend and  
15 advocate, and to many a God send, Arnie Wexler. For  
16 two decades we have helped fund compulsive gambling  
17 services in New Jersey. We support Ed Looney and the  
18 state council to this day.

19           Our race tracks, southern New Jersey  
20 tracks, recognize that for a small percentage of  
21 players there is a risk of compulsive gambling. It is  
22 good public policy, good politics and good business

1 for us to recognize that fact.

2 I strongly supported the New Jersey Racing  
3 Industry Study Commission recommending a dedicated  
4 funding source for the services in this state, and I  
5 annually budget contributions to the State Council on  
6 Compulsive Gambling. But, that council is not  
7 prohibitionist, nor should Congress be. Were it not  
8 for the innovation of intrastate and interstate  
9 simulcasting in the 1980s, both racing and New Jersey  
10 sports and entertainment industries, which it  
11 supports, would have been crippled. But, the New  
12 Jersey voters approved simulcasting and we ask for the  
13 same opportunity to have the playing field leveled in  
14 1998, without federal interference.

15 The Meadowlands led the new wave of  
16 simulcasting starting in the 1980s. Our racing  
17 management, led by Hal Handel, the President of  
18 Thoroughbred Racing Association, has accomplished much  
19 against extraordinary competitive odds.

20 But, in a decade of the 1990s New Jersey  
21 has fallen behind the competitive curve, due to  
22 aggressive legislation or regulatory reform in our

1 neighbor states of Delaware, New York and  
2 Pennsylvania. Reason dictates that New Jersey  
3 residents who can wager by account in neighboring  
4 states should have the barriers to doing so in New  
5 Jersey removed. These conditions can be simply and  
6 cleanly addressed by our own New Jersey legislature  
7 and would positively impact the economics of the  
8 entire equine industry. Yet, no discussion of racing  
9 can occur in a gaming vacuum.

10           For years, sports authority management has  
11 recognized the need for an overall state strategy on  
12 gambling. Additionally, common sense tells us that  
13 the gaming introductions in Delaware, Connecticut and  
14 Upstate New York in recent years will not be the last.  
15 Evidence in state budget conditions clearly point to  
16 gaming growth continuing in the northeast. This  
17 federal commission is undoubtedly more aware than I of  
18 expanding gaming plans elsewhere in this country.

19           From my point of view, I look at the  
20 competitive challenge of expanding gambling as a call  
21 to those of us in the industry to put the best  
22 interests of our state first. We, in the industry,

1 can better cooperate with each other in joint markets  
2 so that we do not unduly cannibalize each other and  
3 provide the most economic return for our citizens.

4           Six years ago, as the keynote speaker at  
5 the Convention of the American Horse Council, I  
6 advocated a new cooperative approach to the marketing  
7 of racing, including outreach to our gaming  
8 competitors. At the Harness Tracks of America  
9 Convention three years ago, I reiterated the need to  
10 soften some of the intramural warfare among state-  
11 sponsored funds of gambling.

12           To be prepared for the marketplace in the  
13 next few years requires us to put aside the  
14 unnecessary blame game of who is ruining racing or the  
15 counterproductive internecine warfare in the casino  
16 industry. In 1996, 2,500 slot machines came to  
17 Mohegan Sun in Connecticut, following 3,700 at Fox  
18 Woods, which is soon to expand. Delaware Park, which  
19 is a race track, and Dover Downs, also a race track,  
20 added them in 1995. The Massachusetts, Maryland,  
21 Rhode Island and New York lotteries have added Keno.

22           Let us fully recognize the simple facts

1 before us. Legalized gambling has seriously impacted  
2 racing nationwide, but no where greater than the  
3 northeast. Independent study shows that the real  
4 revenue from racing has declined 27 percent since  
5 1982, and that the gross impact of the casinos and  
6 lottery on racing combined are a negative 57 percent  
7 in New Jersey.

8 All we have sought in New Jersey, and all  
9 we ask in Washington, is a fair chance to compete. New  
10 Jersey is addressing this fairness issue, Washington  
11 should too.

12 What does level the playing field on the  
13 federal level mean? (1) Allow the states to regulate  
14 gaming and racing rejecting the Kyl bill with its  
15 current amendments; (2) Focus on the extraordinary  
16 growth of off-shore gaming where American residents  
17 are recruited over the Internet to wager on sports;  
18 and (3) Find a fair balance between the needs of the  
19 existing industry and the growth of Indian gaming.

20 The answer to the challenge before us is to  
21 start leveling the field to make positive action  
22 possible. In practical terms, racing needs to forge

1 an alliance, not foster ill-conceived competition  
2 among the three major gaming interests, the race  
3 track, lottery and casinos.

4           From 1893 to 1946, New Jersey did lose its  
5 racing industry. We need not revisit the loss of  
6 farms, jobs, green acres and revenue such a loss would  
7 bring in the '90s. Twenty five years ago people of  
8 vision saw the virtually wasted space of the  
9 Meadowlands region as an opportunity waiting to be  
10 transformed. That opportunity became the reality of  
11 the Meadowlands Sports Complex, which has brought so  
12 much good entertainment, economic impact and ego to  
13 New Jersey. That vision was finally brought to  
14 fruition by the establishment of the Meadowlands Race  
15 Track. New Jersey has been a better, richer, prouder  
16 place since.

17           Over 20 years ago, I, myself, sat in the  
18 State House as Chief of Staff to then Governor Brendan  
19 Byrne, who advocated the referendum that Steve Perskie  
20 spoke about and signed the bill establishing casino  
21 gaming in Atlantic City. I know why that happened.  
22 I was there. I know the Atlantic City of 1976, and I

1 know the Atlantic City of 1998. The glass is  
2 beginning to fill in Atlantic City. There is much to  
3 do, but in our role with the Atlantic County  
4 Improvement Authority to build this great new  
5 convention center a piece of that work got done.

6           In working with Mark Juliano and Marshall  
7 Murdaw, of the Atlantic City Convention and Visitors  
8 Bureau, to bring visitors and meeting businesses to  
9 this region, we see the tremendous economic benefit of  
10 over 200 conventions booking hundreds of thousands of  
11 room nights and bringing hundreds and millions of  
12 dollars to Atlantic City. This thriving convention  
13 business, driven by casino gaming, creates jobs and  
14 opportunity for area residents. That is another piece  
15 of the promise of Atlantic City getting done.

16           In working with the Casino Redevelopment  
17 Authority to plan the renovation of the Grand  
18 Boardwalk Convention Center, we see another piece of  
19 the new Atlantic City taking shape, as family  
20 entertainment, sports and special events are brought  
21 to the people of the city, and in the strong area of  
22 governmental leadership of Mayor Whelan and Senator

1 Gormley, and Council President Nance, we see a vital  
2 piece of the new Atlantic City reflected in a level of  
3 vitality, energy and hope that is unmatched in the  
4 northeastern United States. Gaming has brought this  
5 about.

6           The casino industry laid the solid  
7 foundation for an extraordinary resurgence in the  
8 tourism and convention business of Atlantic City. It  
9 has done nothing short of diversifying the entire  
10 south Jersey economy. Atlantic City's 37 million  
11 visitors account for one third of all the tourism  
12 revenue in the entire state. I believe that tourism  
13 is New Jersey's second leading industry.

14           In short, there has, indeed, been a  
15 transformation to the positive in Atlantic City, and  
16 we are all energized by the challenge that gaming has  
17 started to bring economic opportunity to every  
18 neighborhood of the city. The toughest critics, the  
19 tour operators, the meeting planners and the  
20 convention industry planners who can select anywhere  
21 in the U.S. to bring their business, are independently  
22 answering the question of whether the promise of

1 Atlantic City is beginning to be fulfilled. This is  
2 a new Atlantic City that has taken shape in the past  
3 five years, and that momentum will be carried forward  
4 by the infrastructure, housing, special events and  
5 private development that I am sure you will be hearing  
6 about in these two days.

7           The economic impact of gambling on New  
8 Jersey, from the North Jersey Meadowlands to the  
9 Atlantic City Boardwalk, the state for a generation  
10 that was the butt of jokes during Johnny Carson's  
11 nightly monologue got a multi-million dollar boost of  
12 economic development, entertainment and plain ego. We  
13 are a far different, and a far better state in 1998  
14 than in 1978, notwithstanding the extraordinary public  
15 policy gifts of Dick Leone, our former State Treasurer  
16 and Advisor, in those former times, who was also  
17 initially involved in the formation of the Sports  
18 Authority.

19           I appreciate the Commission's invitation to  
20 address you this morning, and I thank you for allowing  
21 my diversion on the potentially devastating impact on  
22 racing of the Kyl bill.

1 Thank you.

2 CHAIRMAN JAMES: Thank you, Mr. Mulcahy.

3 Our next speaker is Chairman Bradford  
4 Smith, and I do want to thank you for your  
5 graciousness in being willing to switch, but I  
6 understand that's not necessary. We also owe you a  
7 special thank you for your assistance and your  
8 guidance as we were putting together our site visit  
9 and the assistance that you gave to the Commission  
10 staff. We are truly grateful for that. Also, for  
11 setting up our forthcoming Taj Mahal back of the house  
12 tour, thank you for that as well.

13 CHAIRMAN SMITH: Madam Chairwoman, it's our  
14 pleasure --

15 CHAIRMAN JAMES: I'm going to ask you to  
16 pull that mike right up close.

17 CHAIRMAN SMITH: -- I'm sorry -- it's our  
18 pleasure to have been of assistance to this  
19 Commission, and we hope that we are developing a  
20 relationship where we can continue to be of assistance  
21 to this Commission. It's a pleasure for me and an  
22 honor for me to be here today with you.