National Gambling Impact Study Commission

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Prepared Remarks
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Arthur Andersen

- Global, multidisciplinary professional services organization.
- Employs more than 50,000 people in 363 offices located in 78 countries.
- Provides services to a diverse clientele in all industries including gaming.
- Has prepared numerous studies on the economic impact of gaming at both the national and local levels.
Economic Impacts of Casino Gaming In The United States

- Two studies prepared for the American Gaming Association
  - Volume I - Economic Impacts of Casino Gaming in the United States - Macro Study.
  - Volume II - Economic Impacts of Casino Gaming in the United States - Micro Study.

- Macro study components:
  - Economic Impacts of the Casino Gaming Industry
    - Size and Growth
    - Jobs and Wages
    - Taxes
    - Capital Investment
    - Other industry comparatives
  - Economic Growth in the United States
  - Macro-Economic Considerations

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Focus of Today's Presentation

- Casino gaming jobs and economic growth in the United States
- Overlooked economic impacts
- Social costs and benefits
Jobs and Economic Growth In The United States
How Our Economy Grows

Our economy grows because it creates good paying jobs for people who spend money on the goods and services they desire.
Jobs and the Economy

- Good paying jobs = Economic Engine
- Spend money on goods and services = Demand
- They desire = Demand
Jobs and Wages

- Casino gaming directly employs more than 325,000 people.
- Aggregate wages are greater than $8.3 billion.
- The casino gaming industry employs more people per dollar of revenue than a number of other industries.
- The casino gaming industry provides well paying jobs that match the nation's average and compare favorably to other industry national wage averages.
- Provides employees and dependents with health and welfare benefits.
- Provides varied and meaningful jobs that are no different than other jobs throughout the United States.
- Provides entry level positions.
Jobs are no different than tens of millions of other jobs:

- Gaming Industry
- Soft Drinks
- Motion Pictures
- Television
- Resort Hotel Industry
- Cable Television
- Golf, Sport Fishing, Bowling
- Advertising
Why is it that "non-necessities" such as entertainment, recreation and travel are critical to the nation's economy?
Total and Per Capita GDP

The economy in total and on a per capita basis (as measured by GDP) is growing as consumers reallocate their expenditures to recreation, including gaming.
Recreation expenditures are growing faster than any other major component of the economy.
Casino gaming is just a small part of recreational growth, even during a period of explosive casino gaming growth.
Recreation, travel and entertainment industries are a critical part of economic growth

Recreation, Travel and Entertainment Demand

New opportunities for expenditures on leisure

Decrease in expenditures on "necessities" as a percentage of income

Higher standard of living

Economic Growth

- New jobs
- Increased economic output
- Increased per capita income

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The Casino Gaming Industry's Impact on the Economy

- The impact of the casino gaming industry is no different to other industries:
  - Contributes to economic development
  - Creates new jobs
  - Stimulates income growth
  - Wage earner income is re-spent on more goods and services
  - Results in increased recreation, travel and entertainment spending
Overlooked Economic Impacts
Economic Impact Of International Visitors

- International visitors contribute significantly to the U.S. casino gaming industry

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<th>Las Vegas</th>
<th>Atlantic City</th>
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<td>% of Foreign Visitors</td>
<td>19%</td>
<td>7%</td>
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- Estimated dollar contribution in excess of $2 billion
Capital Investment

Casino gaming companies are investing more money than they make. The investment-to-profit ratio for the major casino companies in 1995 was 3-to-1.

Net Income And Capital Additions, Public Gaming Companies, 1993-1995
(in millions)

- Capital expenditures by 30 public gaming companies totalled $8.3 billion between 1993 and 1995, while income over the same period was $1.8 billion.

- Total capital expenditures from 1993 to 1995 total almost $13 billion.
The Gaming Industry pays gaming taxes ranging from 8% to 30% of gaming revenues.

This results in gaming taxes of nearly $2 billion paid to state/local government.

These taxes were designated for expenditures such as:
- Infrastructure improvements - roads, sewers, etc.
- Education
- Benefits for elderly and disabled
- Historical restoration
The Social Impacts of Casino Gaming
Social Benefits and Costs

- Job creation for people on public assistance
- Social benefits of a job on all family members
- Social benefits of health care insurance for all family members
- Education, infrastructure and elderly benefits
- Compulsive gambling
- Measurement issues
SUMMARY

- Economic prosperity is driven by job creation.

- The casino gaming industry is a highly efficient creator of jobs (high labor costs).

- Casino gaming jobs are no different than tens of millions of jobs in other industries.