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

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

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

MR. FELDMAN: I believe, Doctor Dobson, you've heard from the finest experts in the country on that topic, Howard Schaffer being one of the best. I also think that the correlation or the attempted correlation between gambling and tobacco is an apples and oranges situation. I think it's a much more accurate depiction to take a look at gambling and alcohol and I believe that Doctor Schaffer's work has shown that.
In the case of tobacco addiction, 97 percent or whatever the actual number may be but it's in that area, of people who use the product are addicted to it. In the case of gambling, the overwhelming majority of people who participate in the product are not addicted to it. It is much more similar to alcohol. We have an addictive situation, which would appear to be much more like alcohol. Many, many people drink and very few of them get addicted. Many, many people come to casinos and enjoy gaming and a few of them are addicted and we should approach it from that point of view.

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

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

MR. FELDMAN: But with respect -- we funded Doctor Schaffer's study. So although he is independent and did his study independently, we funded that study. And as to the notion of the research done on games, the research done on games has to do with play characteristics and customer response. It has nothing to do with their personal lives. There was never any
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correlation or study done of their personal lives vis-a-vis how
they played the machine.

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

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

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

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

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

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

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

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

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

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

DR. DOBSON: Thank you.
CHAIRPERSON JAMES: I would ask you to submit that to
the Commission and I will make sure that it circulates to all
commissioners. Commissioner Leone.

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

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

DR. LOVEMAN: Well, I appreciate you asking the
question because I think it's -- the data are meaningful and
illustrative. We do not market the provision of credit. It is available at our casinos. It is inconsequential to our profitability. We make it available as a service to customers upon demand. Last year 50,000 customers at Harrah's out of a total as I indicated to you, in excess of two million people, requested credit. Our default rate on credit was 1.1 percent of outstandings, which was roughly one-sixth of the default rate of most commercial credit providers like CitiBank, MNBA or Bank One.

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

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

MR. LEONE: But is it something that causes you to drop customers from your marketing activities?
DR. LOVEMAN: Oh, yes, indeed it does.

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

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

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

DR. LOVEMAN: That's correct.

CHAIRPERSON JAMES: Commissioner Bible.

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

MR. FELDMAN: And that was the nature of it. We have a population base, as you know here in Clark County of 1.2 million people. We have a visitor base of 30 million people. Those statistics always include the visitors. So that they are
skewed. They have to be readjusted down to the population in
order to understand what's really going on in the community.

MR. BIBLE: Thank you.

CHAIRPERSON JAMES: Commissioner Moore.

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

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

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

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

It seems a little bit immoral to bet $100,000.00 on
the turn of the card and even though it does have only a 1.2
percent disadvantage there's now many games that have better
disadvantages, such as the basic strategy black jack player or
the craps player who takes the odds. However, some people like
the ambience, some people think that they can come up with a
system. I once investigated the idea that a card counter could
beat baccarat but found that the situations didn't arise often
enough and it's just for those people who like to sit back in a
pleasant environment and bet on something that they don't have to
make any decisions on.
I really can't understand anybody who gambles without trying to win like I do but it's a pleasant game.

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

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

CHAIRPERSON JAMES: Okay. Any other questions?

Commissioner Lanni.

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

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

MR. SKLANSKY: Yes, I understand that.

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

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

MR. LANNI: And they get tired of doing that.
MR. SKLANSKY: I was just making the point that if the customer asks the casino to have a little chart that showed the cards that had come out in black jack, I don't think they'd do that.

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

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

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

DR. DOBSON: That was my question.

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

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

MR. LANNI: Right, but before we chose not to. You're correct.
DR. DOBSON: I'm sorry, I didn't hear.

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

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

MR. SKLANSKY: Good.

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

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

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

Then I also assume that most customers are not seriously troubled gamblers. It would not be my first choice for entertainment, although I have been known to lose 15 to $20.00 in a monthly poker game. Then I heard everything you said about securing the loyalty of customers and why you like many other
business sectors, would go about attempting to do that, so with
the possible exception and this we don't have enough knowledge on
yet, that certain kinds of games do lend themselves to those
customers that are seriously troubled to addictive patterns,
reserving that because we don't know enough about that yet, we're
trying to get there, I don't assume that you set out to make
people addictive to gambling and yet, from Doctor Schaffer's
conservative numbers, when I asked him questions, the other
members of this panel asked him questions, in an industry as Mr.
Feldman pointed out, funded synthesis of existing surveys, the
number we got was approximately four and a half million Americans
are pathological gamblers.

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

Now, I come to the point where I want to ask for
help. Doctor Loveman, I heard you go through your base, how you
develop your data base and so on and I guess we're framing a
questionnaire, the research subcommittee is, that we will then
seek approval from the Chair and the full Commission on and send
it out and we're trying to frame it in a way that's not patently
antagonistic and yet is forthright in trying to form a
partnership, if you will, of getting at this problem of seriously
troubled gamblers between gambling facilities and governments who
share this responsibility.

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

There are others obviously -- we have read that 40
percent of the money that is bet in casino facilities is not cash
brought onto the premises. Now, that may be money won and bet
again but in the main it's money obtained through credit whether
it's house credit or whether it's through the credit card
machines that are made available there by Wells Fargo, Bank of
America and other highly respectable corporations. There's a lot
of people that you could get information on regarding whether
there's foreclosures or any other signals that they're in some serious economic difficulty.

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

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

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

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

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

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

And what I would suggest to you, Commissioner, is that we would never put ourselves in the position of being so intrusive into the lives of our customers that they would consider it to be disadvantageous to them to continue to provide us with the information we need to serve them and that's a very delicate balance that we have to make sure we preserve.
MR. FELDMAN: For our part, Mr. McCarthy, as you know, our company has cooperated with your subcommittee's efforts and have every intention of continuing to do so, whatever minor disagreements we may have had along the way. We are fully supportive of this Commission's work and your subcommittee's work.

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