local government. We are now fighting for our survival.

Thank you.

CHAIRMAN JAMES: Thank you.

Any questions for Mr. Faldetta?

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

MR. FALDETTA: Thank you.

CHAIRMAN JAMES: Thank you.

Our next speaker is Mr. Robert Mulcahy.

MR. MULCAHY: Thank you.

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

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

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

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

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

But, first and foremost, we operate the businesses that made it possible for New Jersey to become a big league sports and entertainment capital, the race tracks at the Meadowlands and Monmouth Park.
Ladies and gentlemen of the Commission, your charge is to study the impact of gambling on the nation. Let me take a moment to relate to you the impact of horse racing on the economics, the environment and the ego of the state of New Jersey.

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

The enormous positive economic and environmental impact of racing on New Jersey is clear. An independent study by the respected Deloitte & Touche firm marks the economic impact of the Sports Authority venues at over $1.6 billion annually, supporting tens of thousands of jobs and providing over $60 million annually to state and local
The establishment of the Meadowlands race track in 1976 made it possible for New Jersey to become home to the National Football League, the National Basketball Association, National Hockey League, and the NCA Basketball Tournament. Family events, such as Ringling Brothers, Barnum & Bailey Circus, Disney on Ice and world class concerts came to New Jersey.

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

From a cultural, economic and environmental perspective, economic benefit, the benefits directly and indirectly supported by horse racing are worth preserving and nurturing for the generations ahead. Nationally, the equine industry generates $112 billion of economic impact and supports 1.4 million jobs. Those numbers are impressive to economists and
statisticians, and particularly impressive to those people holding those jobs in the states where they pay taxes.

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

Having given you a moment of poetry on racing, I will turn to practical reality. Why, when given this historic and beloved place in American culture, is horse racing seemingly locked in the
survival of the fittest struggle in so many states?

The truth is that not all gambling is created equal.

Horse racing handicapping, by its nature, is a skill-based enterprise. Games with seemingly more sizzle lured many patrons in the 1990s. With all due respect to the outstanding Chairman of the Casino Control Commission, Brad Smith, who will follow me, horse racing in New Jersey and around the country is among the most regulated industries in the country.

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

When I became President of the Sports Authority, and, thus, the head of the first, and then two major race tracks in New Jersey, gambling in New Jersey and most other places took three forms. You could do one of the three Bs, bet at the track, Bingo at the church, or bookie at the barber shop. Now you can legally -- I can remember my father calling Champ at the gas station -- now you can legally wager on
many street corners in America.
The growth of the lotteries in America has been truly astonishing and has provided much good in terms of state revenue. But, racing has suffered from a lost generation. Speak to anyone over 40 and their first legal gaming experience was likely to be their uncle taking them to the track. Now, it is likely to be the Pick Four on the corner.

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

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

In my 30 years in fairly high levels of
public policy in the state, it was one of the most
outstanding jobs of consensus building on policy for
an important state industry that I've seen.

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

First and foremost, Congress need not over-
regulate an industry, horse racing, that's already
amply regulated. Secondly, the anti-competitive
elements of the Kyl bill take an industry that needs
a regulatory antidote and gives it a lethal dose of prohibition poison.

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

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

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

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

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

But, in a decade of the 1990s New Jersey has fallen behind the competitive curve, due to aggressive legislation or regulatory reform in our
neighbor states of Delaware, New York and Pennsylvania. Reason dictates that New Jersey residents who can wager by account in neighboring states should have the barriers to doing so in New Jersey removed. These conditions can be simply and cleanly addressed by our own New Jersey legislature and would positively impact the economics of the entire equine industry. Yet, no discussion of racing can occur in a gaming vacuum.

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

From my point of view, I look at the competitive challenge of expanding gambling as a call to those of us in the industry to put the best interests of our state first. We, in the industry,
can better cooperate with each other in joint markets
so that we do not unduly cannibalize each other and
provide the most economic return for our citizens.

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

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

Let us fully recognize the simple facts
before us. Legalized gambling has seriously impacted racing nationwide, but no where greater than the northeast. Independent study shows that the real revenue from racing has declined 27 percent since 1982, and that the gross impact of the casinos and lottery on racing combined are a negative 57 percent in New Jersey.

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

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

The answer to the challenge before us is to start leveling the field to make positive action possible. In practical terms, racing needs to forge
an alliance, not foster ill-conceived competition among the three major gaming interests, the race track, lottery and casinos.

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

Over 20 years ago, I, myself, sat in the State House as Chief of Staff to then Governor Brendan Byrne, who advocated the referendum that Steve Perskie spoke about and signed the bill establishing casino gaming in Atlantic City. I know why that happened. I was there. I know the Atlantic City of 1976, and I
know the Atlantic City of 1998. The glass is
beginning to fill in Atlantic City. There is much to
do, but in our role with the Atlantic County
Improvement Authority to build this great new
convention center a piece of that work got done.

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

In working with the Casino Redevelopment
Authority to plan the renovation of the Grand
Boardwalk Convention Center, we see another piece of
the new Atlantic City taking shape, as family
entertainment, sports and special events are brought
to the people of the city, and in the strong area of
governmental leadership of Mayor Whelan and Senator
Gormley, and Council President Nance, we see a vital piece of the new Atlantic City reflected in a level of vitality, energy and hope that is unmatched in the northeastern United States. Gaming has brought this about.

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

In short, there has, indeed, been a transformation to the positive in Atlantic City, and we are all energized by the challenge that gaming has started to bring economic opportunity to every neighborhood of the city. The toughest critics, the tour operators, the meeting planners and the convention industry planners who can select anywhere in the U.S. to bring their business, are independently answering the question of whether the promise of
Atlantic City is beginning to be fulfilled. This is a new Atlantic City that has taken shape in the past five years, and that momentum will be carried forward by the infrastructure, housing, special events and private development that I am sure you will be hearing about in these two days.

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

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

CHAIRMAN JAMES: Thank you, Mr. Mulcahy.

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

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

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

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