

1 Mr. Perskie, I do want you to know I did
2 visit your White House last night, and they seemed a
3 lot happier than the people at the other one.

4 MR. PERSKIE: I understand.

5 Pretty good, Kay, I hope you enjoyed the
6 service.

7 CHAIRMAN JAMES: Forget the service, the
8 food was great.

9 MR. PERSKIE: Absolutely, absolutely.

10 Again, I know we don't have time here, I
11 would be pleased, as I mentioned to your staff, to
12 engage in any dialogue at any time, wherever you are
13 going to be I'll find you.

14 CHAIRMAN JAMES: Thank you.

15 Mr. Faldetta.

16 MR. FALDETTA: I want to thank everyone for
17 allowing me to speak here.

18 There is an old African proverb which says,
19 when the elephants battle the grass suffers. Here in
20 Atlantic City we have our own elephants that are
21 behemoths of the casino industry. They are at war
22 with one another, a war for gaining patrons.

1 Unfortunately, the local restaurants and taverns are
2 the grass in this jungle, unable to move when we have
3 been trampled.

4 Our industry in Atlantic City last year
5 lost seven restaurants and taverns as casualties of
6 the war. The restaurant and tavern owners supported
7 the public referendum to legalize gambling in Atlantic
8 City, and to work to assure its passage, confident it
9 would, as promised, revive our declining hospitality,
10 tourism and convention industries. We are today,
11 without question, still in favor of casino gambling in
12 Atlantic City.

13 I'd like to focus attention on the negative
14 impact the state and local government and the Casino
15 Control Commission's decisions have had on our
16 business.

17 Atlantic City restaurants and taverns
18 experienced staggering declines in the past 19 years
19 of casino gaming. The 1978 directory listed 311
20 taverns and restaurants in Atlantic City. Nineteen
21 years later, there are only 66 remaining, despite the
22 promise that gaming would be good for the city's own.

1 Atlantic City restaurants and tavern
2 business have continually declined in the face of
3 tremendous growth of the same business in the casinos
4 and in the off-shore communities.

5 In 1990, with the advent of casino buffets,
6 and the beginning of the deregulation of the casino
7 industry, our decline accelerated, and if it's allowed
8 to continue will cause the demise of the restaurants
9 and taverns of Atlantic City.

10 At this point, I'd like to make it clear
11 that the deterioration of our industry in the past
12 seven years is largely due to the influence of the
13 casino industry on our elected officials and in
14 subsequent deregulation of that industry. In a
15 nutshell, we find ourselves in this dilemma, being in
16 the impossible position of being supporters of casino
17 hotels in Atlantic City on one hand, and competitors
18 with the same hotels on the other, competitors, but
19 not on a level playing field. Casino gaming revenue
20 are used to subsidize beverages and entertainment,
21 operations in their hotel. We, of course, are
22 prohibited from conducting gaming operations in our

1 establishments and are offered no compensating
2 privilege to be competitive.

3 To make matters worse, for the privilege of
4 competing with the casinos in Atlantic City the state
5 has imposed a nine percent tax on the sale of alcohol,
6 which is three percent higher than the rest of the
7 state. Atlantic City is not the queen of resorts,
8 it's just another casino town. The visitors are drawn
9 to the city almost solely to gamble, with an average
10 stay of approximately five hours.

11 The casino hotels attempt to provide every
12 service to draw visitors to their properties and keep
13 them within the confines of the hotel throughout their
14 stay. One of the purposes of the Casino Control Act,
15 and I quote, "... the rehabilitation and redevelopment
16 of the existing tourist and convention facilities in
17 Atlantic City, and the restoration of Atlantic City as
18 the playground of the world." The restriction of
19 casino license to major hotels and convention
20 facilities was designed to ensure that the existing
21 nature and tone of the hospitality industry in
22 Atlantic City was preserved. If one of the purposes

1 of the Casino Reinvestment Development Authority is to
2 provide loans and other financial assistance for the
3 preservation of existing small business, it's the
4 consensus of our members that the Casino Control
5 Commission and the CRDA have not focused on preserving
6 or advancing Atlantic City's small business.

7 Instead, the CRDA has become the real
8 estate agent of the casino industry, and it's tried to
9 use the powers of eminent domain to assemble
10 properties for the industry, taking them from local
11 residents and business, under the pretense that this
12 is for the public good. This is very much at odds
13 with the original intent of the casino control
14 legislation.

15 As the number of food outlets and casinos
16 increase, the number of non-casino restaurants in
17 Atlantic City decrease. All the casinos now have
18 buffets, which have become so popular they are part of
19 their marketing, another reason for the decline was
20 the refusal of the industry to give up rooms for
21 conventions, which caused a decline in the convention
22 business. The State Casino Control Commission took no

1 action against the industry, contrary to what we were
2 promised in the Casino Control Act.

3 The casino rooms would always be offered
4 and maintained as part of the hospitality facility,
5 and not as an industry unto themselves. The legislators
6 passed two pro-casino legislation which actually rewarded
7 the industry by giving them \$175 million in tax credit to
8 build more hotel rooms. Casino restaurants generated
9 \$475 in food and beverage revenue in 1996. The Taj
10 Mahal alone generates more food and beverage revenue
11 than all the non-casino establishments in Atlantic
12 City combined. Casino hotels provide a full range of
13 services to keep patrons in house, including free
14 beverages on the casino floor, complimentary food and
15 beverage and entertainment for preferred gamblers, and
16 coins and food for casino bus visitors.

17 We cannot afford to operate our businesses
18 in this manner. Casino hotels, however, are able to
19 do so because by law they are granted the exclusive
20 privilege of conducting gaming in their
21 establishments. The revenue generated from the gaming
22 operation subsidizes the operating costs of these

1 promotional practices and attracts gamblers and non-
2 gamblers to their facilities. In 1996, the casino
3 industry gave away \$293 million in food and beverage
4 costs.

5 We, a major force behind the drive to bring
6 casinos to town, on the other hand, have been afforded
7 nothing that might allow us to compete in this state-
8 created competition. Well known, national and
9 regional restaurant chains, such as Planet Hollywood,
10 All Star Cafe, Hard Rock Cafe, are locating in casino
11 hotels. They have been granted free liquor licenses
12 by the Casino Control Commission. The Casino Control
13 Act never intended this to happen. I quote, "No
14 casino, hotel alcoholic beverage license which
15 authorizes possession, sale or storage of alcohol,
16 alcoholic beverages, pursuant to Subsection G of this
17 section, shall be issued to any applicant who does not
18 hold a casino license." The issuance of an unlimited
19 number of liquor licenses had a devastating impact on
20 the restaurants and taverns of Atlantic City. The
21 regulating factor in the state of New Jersey, which
22 provides for a limited number of these liquor licenses

1 is absent in Atlantic City.

2 The primary asset of many restaurants and
3 bars in Atlantic City has been significantly lessened
4 as a result. With our large marketing budgets and
5 name recognition, our locally family-owned
6 establishments cannot compete. They are attracting
7 many non-gaming customers who would otherwise
8 patronize our business.

9 The fact that no new national restaurant
10 chains elect to build facilities outside the casino
11 would lead you to believe that they are not confident
12 that they are going to be profitable in Atlantic City,
13 where casino gaming revenues are used as a subsidy to
14 discount food, beverage and hotel rooms. Casinos can
15 compete with the restaurants, taverns, nightclubs and
16 hotels of Atlantic City, but no one is permitted to
17 compete with them.

18 When the CCC waived the closing
19 requirement of the casinos it had a dramatic impact on
20 our business. A number of members developed special
21 programs to attract this business in the 38 hours a
22 week when the casinos were closed. We lost this

1 business with the advent of 24-hour gaming. Our
2 members suffered another substantial loss of business
3 when casino employees were permitted to gamble in
4 casinos. Many of them frequented our establishments
5 in their off hours, but now instead go to casinos
6 where they get their drinks for free as they gamble.

7 Conventions have historically been a major
8 source of business for our members. Casino hotels
9 have dealt themselves out of the convention business
10 by being unwilling to provide the blocks of rooms for
11 conventions. Again, the Casino Control Act makes a
12 number of references to casinos as tools for
13 reestablishing and expanding convention business, but
14 little was done to enforce this.

15 We believe that the current policy
16 presently being employed by the CCC and the CRDA are
17 counterproductive. Even though the decisions made by
18 these two agencies profoundly affect our very
19 existence, we are not represented on either agency,
20 and contrary to the Casino Control Act no economic
21 impact studies are done to establish what effects the
22 changes in the Act will have on local businesses. Our

1 officials think, well, if it's good for the casino
2 industry, it must be good for Atlantic City.

3 The Casino Control Commission in the state
4 of New Jersey, by their non-action, is allowing the
5 destruction of not only the restaurants and taverns of
6 Atlantic City, but the rest of the hospitality
7 industry along with it.

8 The experts have agreed that the Act has
9 had a negative impact on retail business. According
10 to James Hughes, Rutgers University, Department of
11 Urban Planning and Policy Development, Atlantic City
12 is a case study in what not to do.

13 Our members' counterparts in the state of
14 Nevada are much more competitive with their casinos,
15 inasmuch as they are permitted to have slot machines
16 to subsidize their expenses.

17 Atlantic City's unemployment rate today is
18 still 14 percent, the highest rate in Atlantic County.
19 Increased traffic and the use of eminent domain are
20 forcing more businesses and residents out of the city.
21 Two recent bills gave the casino industry a tax credit
22 to expand their hotel operations to provide rooms for

1 conventioneers. We are now subsidizing the casino
2 hotel industry to build rooms so they can unfairly
3 compete with the few non-casino hotels left in
4 Atlantic City.

5 Recently, the city has allowed the casino
6 industry to demolish the Mount Royal Hotel, the
7 International and the Hatteras, to build parking
8 garages. The casino industry is getting everything it
9 wants from the Commission and the state, with no
10 regard to its impact on other businesses.

11 The City Council this year, and the Mayor,
12 earlier this year changed the zoning at the Ocean I
13 Mall as an accommodation to ITT Caesar's. This change
14 will cause the closing of 19 additional restaurants
15 and taverns and all the retail shops at the mall.
16 Council justified their action by advising the people
17 that the change would generate new taxes that would
18 help the city stabilize its rising tax rate. Six
19 months later, the same City Council gave ITT Sheraton
20 a \$15 million tax abatement on its 500-room convention
21 center hotel.

22 In the past two years, I have written to

1 Governor Whitman, met with members of her staff, I
2 have also met with our State Senator Gormley,
3 Assemblymen LeFevre and Blee, Chairman Smith of the
4 Casino Control Commission, Mayor Whelan of Atlantic
5 City, and I've also written numerous letters to state
6 and local officials, pleading for help to rectify the
7 injustices we have been forced to endure.

8 The Casino Control Act, and I quote,
9 "Legalized casino gaming has been approved by the
10 citizens of New Jersey as a unique tool for the urban
11 development of Atlantic City." Unfortunately, in our
12 case, government has permitted the tool to become the
13 weapon of our destruction.

14 Many people ask me what the restaurants and
15 taverns of Atlantic City want. What are we asking
16 for? It's the improved hospitality and convention
17 business we were promised by the Casino Control Act in
18 1977. For the past 20 years, we have been deprived
19 our ability to compete. All we ask for now is a level
20 playing field to co-exist with the casino industry.

21 We, as an industry, know this co-existence
22 can be accomplished with the assistance of state and

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