

PUBLIC HEARING

before

ASSEMBLY STATE GOVERNMENT, FEDERAL AND INTERSTATE RELATIONS
AND VETERANS AFFAIRS COMMITTEE

on

Over-Regulation of the Casino Industry

Held:

April 15, 1981
Assembly Chamber
State House
Trenton, New Jersey

Also:

April 27, 1981
Room 309
State House
Trenton, New Jersey

MEMBERS OF COMMITTEE PRESENT ON 4-15-81:

Assemblyman Richard J. Codey, Chairman
Assemblyman Dennis L. Riley
Assemblyman Anthony M. Villane
Assemblyman Gerald Cardinale

MEMBERS OF COMMITTEE PRESENT ON 4-27-81:

Assemblyman Richard J. Codey, Chairman
Assemblyman Dennis L. Riley
Assemblyman Anthony M. Villane
Assemblyman Gerald Cardinale
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and Veterans Affairs Committee

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ASSEMBLYMAN RICHARD J. CODEY (Chairman): We will now proceed with the hearing, which concerns the possible overregulation of the casino industry and recommended changes in the Casino Control Act.

Our first witness will be a staff member of Assemblyman Matthews, Don Kehrli.

D O N K E H R L I: Assemblyman Codey, Assemblyman Cardinale, and Assemblyman Riley, Assemblyman Matthews is unable to be here today. He has prepared a statement that he would like me to read into the record.

I would like to address a number of obvious concerns at this time. This is not meant to be an extensive list, by any means, but only a highlight of the most obvious and pressing issues that must be solved to make casino gambling a success for all concerned.

My first three points are rather general and at this time I just want to make the committee aware of a need for action in those areas that have been negatively impacted by casino gambling.

Housing for low and middle income people - this includes people with low levels of skills or people who work in industries that have historically paid low wages which make it almost impossible for a single family with one wage earner to afford adequate housing in Atlantic County.

A greater emphasis by the D.O.T. on the needs and problems of all of the shore communities and main arteries coming into the City. They must be more responsive to the unique problems that exist in this area.

All of the communities in Atlantic County are experiencing a dramatic increase in robberies and burglaries, and I am concerned that they are not going to be able to handle the financial requirements to keep abreast of this problem.

My comments in reference to specific regulations will be given alphabetically.

Advertising -- the basic attitude of the advertising policy should be articulated. The casinos should be permitted to place their ads and send copies to the Commission. If there is a problem with an ad, the casino could be censored and if censored a number of times, as determined by the Commission, the casino would lose its right to advertise in advance.

Affirmative Action -- the affirmative action guidelines should be expanded to include the following:

A separate department to coordinate the affirmative action programs. I understand that has already been accomplished.

A standardized structure and reporting system based on the most effective program currently set up at the present operating casinos.

Monthly reporting system to assure compliance on a continuing basis.

The procedure for submitting and following through on a complaint should be examined closely to ensure reporting complaints does not result in disciplinary action against the employee.

Hours of Operation -- I have introduced a a bill each year that would extend the casino operating hours to 24 hours. I have introduced this bill for the following reasons:

Provide additional employment. Twenty-four hour gambling would provide three shifts of workers, each with an eight-hour day.

The traffic congestion created with a set closing time would be eliminated completely.

The pollution caused by the heavy traffic congestion would be eliminated. Muggers, car thieves, prostitutes, rapists would not have such a convenient time schedule to work around. The secretary who typed this added "rapist." It wasn't there originally.

Junkets -- In order to maximize the profit potential to the casinos and provide the largest return possible for the Senior Citizens, it would seem the maximum complimentary services allowed should be increased to at least \$1000 per person. Names of participants should not have to be filed in advance. A list of banned people could be developed that would not be eligible for complimentary services.

Licensing -- Licensing includes the following four categories:

1. Key employee license.
2. Casino license.
3. Vendor license.
4. Hotel employee license.

I have little problem with the basic concept of the four categories of licensing, but I feel very strongly that the following changes must be made:

1. Non-supervisory hotel employees need not be licensed. A simple work permit should provide enough protection against organized crime. A chambermaid, dishwasher, custodial help, kitchen help, etc., should not have to wait longer than thirty days to be licensed or granted a work permit.

2. Casino employees with no more access to the casino floor than the general public should qualify for what is presently a number four license rather than a number two license.

There is a section missing, minimum and maximum. Assemblyman Matthews has, from the start, taken the position that the marketplace should be permitted to set the minimum and maximum wagering tables.

He is also very concerned about the interest on the monies being generated to be used by the senior citizens and handicapped not going back into that account, but in fact being taken and put into the State's general fund.

These changes should make it possible for the Commission to expedite the issuance of all categories of licenses.

Considering that casino gambling just came to the State of New Jersey two years ago, the Casino Control Commission on balance has done a commendable job.

We are now reaching, I think, the most critical period in the developing scenario of gambling. Are the social and economic problems that are being created going to be addressed and mitigated? Specifically, is help going to be provided for those who become addicted to casino gambling? Are we going to provide information to our young adults to help them understand that gambling is to be pursued only as a recreational activity with money that we can afford to use? Are we going to provide counseling for families that are broken up because one or the other member can no longer maintain a rational approach to living in such close proximity to the casinos?

I am including a copy of a recent editorial in the Atlantic City Press. I would hope, upon reading it, you would give very serious consideration to the repercussions that we may be creating for our children ten to fifteen

years in the future.

Today's press had another article concerning the editorial that appeared yesterday. A study is being conducted by students at the Atlantic City High School, the results of which will be published in their next high school publication, which apparently contradicts the numbers here. They don't think they are as significant as contained in this editorial.

ASSEMBLYMAN CODEY; Thank you. Are there any questions?

ASSEMBLYMAN RILEY: Just briefly, in regards to the children, the age limit is 19.

MR. KEHRLI: That's correct. The age limit is 19. At your leisure, if you will read the editorial--

ASSEMBLYMAN RILEY: I just did.

MR. KEHRLI: (continuing) --a high percentage of non-eligible individuals are apparently going into the casinos. It would seem, with the security staff they are required to have, it may just have to get down to a situation where everyone is carded before they walk into the casino.

ASSEMBLYMAN RILEY: So, the security staff is not paying attention to some of the people who are coming in until after they get in?

MR. KEHRLI: No. I know personally of many, many high school students who have been in the casinos.

ASSEMBLYMAN RILEY: When you said a list of banned players, you were talking about people who would--

MR. KEHRLI: Who would be ineligible to participate in a junket, much the same as you do with card counters, or whatever, who are banned. I mean, there is a list generated and that same list could be utilized.

ASSEMBLYMAN RILEY: Thank you.

ASSEMBLYMAN CODEY; Thank you very much. Our next witness will be Mr. William Downey, the Executive Director of the Atlantic City Casino Hotel Association.

W I L L I A M D O W N E Y: Mr. Chairman, I have with me Mr. Matthew Boylan, who is our Counsel for the Association. I wish to thank you for allowing me this opportunity to testify before you today on what we believe are important changes to the Casino Control Act. We believe these changes are important to our industry, to the City of Atlantic City, and to the State.

With me today are a number of representatives from operating or about to be operating casino hotels, and these gentlemen will also be pleased to answer any questions you may have about our recommendations. We have Larry Woolf from Caesar's Boardwalk Regency who will also be testifying later in some detail about the junket question.

With your permission, Mr. Chairman, I would like to identify those individuals who are here to answer questions. We are presenting them in no particular order. There is Mr. Gillman of Bally; Mr. Hyde of Brighton; Mr. Cade of Caesar's; Mr. Woolf, about whom I have already spoken; Mr. Burge of Harrah's; Mr. Havard of Harrah's; and Mr. Bolson of Tropicana.

We are here today, as we were before the Casino Control Commission a few weeks ago, regarding regulations to ask for changes and modifications in the Casino Control Act.

We will briefly touch upon each of the changes in a moment, but for the record I would like to enter this document: "Recommendations for Changes in the Casino Control Act", dated April 15, 1981, and "A Report on

the Impact of the New Jersey Casino Control Act and Related Regulations on Harrah's Marina Hotel Casino, dated February 20, 1981. These recommendations are necessary if we are to see the redevelopment effort in Atlantic City be successful. We now have three years of operating experience in New Jersey, and we very much appreciate that you are aware of the need to step back and look at the results of that three years to see what has worked and what has not. The experience allows all of us to see that what made sense four years ago with no casinos in operation and even two years ago with only one or two casinos in operation may not be appropriate or necessary today.

While we do not testify for the City, we are certainly advocates of the redevelopment effort there. The success of the redevelopment effort is as important to us as it is to the city and, I believe, the State. The goals set forth in the preamble of the Casino Control Act were as laudable as they are achievable. Let me set forth those goals:

1. The rehabilitation and redevelopment of existing tourist and convention facilities in Atlantic City.
2. The fostering and encouragement of new construction and the replacement of lost convention, tourist, entertainment and cultural centers in Atlantic City.
3. The restoration of Atlantic City as the major hospitality center of the eastern United States.
4. The use of legalized gaming as a unique tool of urban redevelopment for Atlantic City to accomplish these goals.
5. To assure the public confidence and trust in the regulation and control of casino facilities.

These goals embody the assumption of successful private development. If the first casino hotel developers are successful, they will attract additional developers, both casino and non-casino related. Like a pyramid, the first group of developers are the base on which all the goals are founded. The additional private investment and tax dollars to fulfill the Act's goals will come only when the base is solid and there is investor confidence that future conditions will be conducive to their development. The goals will not be achievable if there are serious obstacles and delays placed in the way of the developers.

It presently appears that by the end of 1981 there will be nine casino hotels in operation. That will be a significant accomplishment within the relatively short period of time since the passage of the referendum. However, at this point in time there are no additional casino hotels under construction. One of our major concerns is that nine casino hotels cannot generate the dollars necessary to accomplish the major objective of the Casino Control Act, which is the complete redevelopment of Atlantic City. Nine casino hotels do not begin to meet the need for the thousands of additional hotel rooms that will bring in the many conventions that will make the economy year-round. It will not lead to better transportation systems. In short, the effort could fail.

Every obstacle placed in the way of the City's redevelopment, every delay that developers encounter due to those obstacles, and every developer that is discouraged from building in Atlantic City because of the obstacles and the delays, contribute to the potential failure.

When we mention obstacles, we must first look to the statute, the Casino Control Act, and to the regulations promulgated under that statute.

Let us make it crystal clear that we do not consider as obstacles those sections of the statute and the regulations that deal with the issue of integrity. Let me reiterate a statement I made before the Casino Control Commission at their hearing on regulatory changes in February of this year, since it applies to our recommendations before this Committee as well: "We have asked for no changes that speak to the issue of integrity and we would unequivocally ask that you use every sanction at your command to deal with offenders in that area." We have as much interest in the integrity of our industry as, indeed, anyone in the State. We totally agree that the integrity of the operators and the operation is essential for public trust and confidence. Indeed, it is precisely that kind of climate that will encourage other public corporations and lenders to invest in Atlantic City.

We are addressing our recommendations to those items in the Casino Control Act that have a negative effect on the development process and the operation of our facilities. Certain items may have been appropriate in the past, but are now obstacles to bringing the return on investment that will allow the present operators to remain viable and encourage new investors to build.

I have already entered our recommendations on the record. Let me briefly state them to you. We are aware that the Casino Control Commission has presented you with their recommendations. We also realize that they are still reviewing the evidence and testimony presented at their hearings and their list of recommendations is not complete.

Our first recommendation deals with employee licensing. We are asking that you extend the expiration date for issuance of temporary casino key employee licenses for an additional 12-month period. The need for temporary keys still exists and will for some time. We are also endorsing the recommendations of the Casino Control Commission that casino hotel employees be considered as a much broader category of employee and that they be registered rather than licensed. One immense obstacle to casino hotel operators is the inability to get sufficient staff in a timely manner. Another obstacle is the artificial distinction of allowing only some employees to walk where the public may walk in the casinos and not allowing other employees that same ability. This distinction is costly and unnecessary. We are not asking that all employees be allowed to go anywhere. We have suggested areas where distinctions are necessary. We are asking only that they be allowed to cross the public areas of the casinos so that one person can do what two people or more are now required to do.

Broadening the class of casino hotel employee to include non-gaming related workers who can perform their service in and out of the casinos, and registering those employees rather than licensing them removes a major obstacle for our industry and will allow the regulators to use their resources to far greater advantage. This will result in economic savings as well as better law enforcement standards.

We are also asking that the "work permit" no longer be a requirement. A license or a registration card should be sufficient. The concept of a "work permit" is duplicative and therefore administratively unnecessary as well as expensive.

Secondly, we are asking that the Casino Control Commission be asked to remove themselves as another bureaucratic layer in the already cumbersome, complex and costly process a developer must go through in getting approvals for his building.

Environmental and design considerations are viewed in depth by other city, state and federal agencies. There is no need to have the Casino Control Commission as the "watchdog" agency in these matters, except where the design of the building in some way affects the law enforcement standards that are the Commission's domain. We would not suggest that where that is a factor the Commission should be excluded.

There is, unfortunately, a tendency on the part of some governmental agencies to be less responsible when they believe they can rely on the authority of the Casino Control Commission to be their enforcement agency. For example, Robert Maxey, in his testimony before the Commission, stated that while he would have liked to have built some 1400 parking spaces adjacent to Golden Nugget, that ". . . CAFRA had decided one day that you should only build one parking space for each room; in our case 520. CAFRA would have met me in the Supreme Court or somewhere else with that decision except for the phrase in the act which says, we can't go forward unless we satisfy all other agencies." Mr. Maxey was referring to those sections in the act that are in our recommendations. We have been asked why we charge \$8.00 for parking. The answer is simple. We were not allowed, for the reasons just described, to build enough spaces. We therefore have to control the use of the limited space. We won't go into the merits of CAFRA's arguments. All we ask is that we be allowed to face them alone, rather than have the threat of the Casino Control Commission hanging over our head.

Potential developers need assistance, not obstacles. The design of the buildings, the placements of public space, innovative designs and, yes, even the ability of the public to see the casino from the outside, should be a developer's prerogative. The amount of public space should also be a developer's prerogative. Precedent has been set with the requirement for a minimum of 65,000 square feet of public space. That was necessary in the beginning since no one would foresee who would build what and certain assurances as to amenities were necessary. These assurances are no longer necessary. With nine open or about to open casino hotels, the competitive marketplace, not unyielding statutory requirements, should be the controlling force.

This is also true in the layout of the casinos and the required mix and density. We have no slot parlors nor should we. We should, however, allow the operators to decide how to provide a gracious playing environment and that mix of games should be part of that environment. We should allow the use of mini-baccarat tables, and not require things that make no sense. There is no one magic formula for pleasing the public. The public will let an Atlantic City casino hotel operator know if they are not pleased with a facility, or if the aisles are not wide enough, or if the mix of games is inappropriate. They will stop patronizing that facility. That is more than enough now to guarantee amenities and a gracious and inviting atmosphere throughout the facility. Not allowing operator discretion is one more serious obstacle that should be removed.

Advertising and entertainment requirements are two other areas that may have been needed in the past but no longer serve any useful purpose. We would endorse much of the Casino Control Commission's recommendations on advertising. We would go further than they and ask that we be allowed to advertise our product. We should not be precluded from telling the public how we are different from one another, both in the casino and in the hotel. We would also reiterate our feeling that environmental and architectural concerns are more properly placed in other governmental agencies and their reviews of advertising signs should be sufficient.

In the entertainment area, our argument is simple. Las Vegas has no regulation requiring any type of entertainment; yet it is the entertainment capital

of the world. Actions speak louder than words and the fact of Las Vegas' dominance in the entertainment area is irrefutable. Regulations requiring entertainment, like other regulations we are discussing, are counterproductive.

In the area of durational residency and minimum training and experiential requirements, we would ask that both requirements be eliminated. They are very costly, unnecessarily restrict the labor pool, take significantly away from management's prerogatives and present more obstacles to getting new development and keeping existing development viable.

We are asking for a streamlined approval to filing of contracts and leases. We appreciate the Casino Control Commission's efforts so far in this area, and we concur in the approach suggested by Michael Brown, Director of the Division of Gaming Enforcement, in his testimony before the Commission in February. That approach would be to file, on a monthly basis, a computer printout which would delineate every check issued. In that way, the Division could evaluate the business that is being transacted and review only those contracts that it deems appropriate.

We recognize the sensitivity and complexity of the junket programs and we are asking that you eliminate the threshold and allow us to report after the junket has occurred. We must begin to attract overnight visitors and junkets will be a part of that effort. As I stated earlier, Larry Woolf of Caesar's will be giving further testimony regarding this issue.

The concept of minimum alcoholic beverage licenses for numerous areas of casino hotels should be modified to allow for one license for the entire facility. We endorse the proposal of the Casino Control Commission in this area.

We have now summarized the changes to the Casino Control Act that we are seeking. Let us, for a moment, go back a little. We are here and this should be stressed, not because December, 1980, figures were down. Our office raised the issue of overregulation as far back as December, 1979. Last spring and summer, we again questioned the need for many sections of the Act and the regulations that flowed from those sections. We said then that development interest was starting to dissipate and that if managements' prerogatives in areas not related to integrity were not returned to management and if operating profits were impeded by costly regulations, the interest of many developers would wane. That prophesy has come to pass.

One month's results are meaningless. In fact, gross win reporting has been our biggest single problem. Certainly, gross win will improve monthly as we enter the spring season. Summer gross win will also be good. Gross win is not what we are talking about. Net profit is what corporations look to.

According to the annual reports filed with the Casino Control Commission, industry profits in Atlantic City for calendar 1980 were less than 3 percent. We would submit to you that those kinds of profits do not stimulate investment interest; rather they force investors to look for other places to put their money and develop their projects.

If we all wish the redevelopment effort in Atlantic City to succeed, costly and unnecessary obstacles must be removed. We must take another look at our operating experience and then act to make those changes that will remove those obstacles. The time, gentlemen, is now. Let's not allow the time to pass us by.

Thank you very much, Mr. Chairman.

ASSEMBLYMAN CODEY: Thank you, Mr. Downey.

Any questions?

ASSEMBLYMAN CARDINALE: Mr. Downey, could you quantify for us on your

last point the profit that you might anticipate, as opposed to this 3 percent, were these regulations that you have been talking about not in place - if all of them you have been talking about were not in place?

MR. DOWNEY: The greatest single summary of that, Mr. Cardinale, is in Harrah's report where that is specifically quantified. I would refer that question to Mr. Gilman or to ---

ASSEMBLYMAN CARDINALE: Will that be coming later?

MR. DOWNEY: We submitted that as evidence.

ASSEMBLYMAN CARDINALE: Then that would satisfy the question. You talked about duration of labor and residency requirements. Wasn't it one of our initial objectives that we provide employment for residents of New Jersey? Is what you are aiming for to bring people from outside of New Jersey in, to work in your casinos?

MR. DOWNEY: I think in some of the specific areas, especially in the upper level of management, that would be a desideratum that we have included in there. This is not to downplay residency, again, Mr. Assemblyman, in terms of the overwhelming numbers in the work force. For example, we have now some 78 percent of the people in the industry residing in Atlantic County. So there would be 22 percent that came outside of the county or outside the State. The unemployment rate for the county is down to about 7.9. The fellows in labor tell me 4 is about your cut-off point to which you can get it down. We think that we are going to have to reach out. I think with these next two casinos coming on line - I am referring to Del Webb, the Claridge project, and the Ramada project - it will be reaching out far beyond our own immediate area. So I don't think we are compromising the initial intent in terms of residency, other than in terms of some specified areas.

Do any of our people want to say something on that? Steve?

MR. STEVEN HYDE: I think that the casino industry has done a very good job of employing local residents and you are seeing some very good upper mobility. But for some key positions that we are looking for in the industry that are specifically regulated as to the type of background they have to have, it is impossible to find enough people to select from in the State of New Jersey. To find such people as executive chefs, directors of entertainment, casino managers, vice president of casino operations, directors of food and beverage, you want to have a selection which will allow you to bring the best possible people into your operation. We have just about voided the State of a number of those key people who are already working in other establishments. So all we are doing now is robbing from one another and forcing the cost of labor to skyrocket, which does not help anyone, the industry or the State.

ASSEMBLYMAN CARDINALE: Could you give us a handle to some degree on what percentage of the employees you are talking about in the areas that you would like to see these residency requirements modified?

MR. HYDE: Oh, very small. You are talking about less than probably 5 or 6 percent of the entire population of employees in an operation.

ASSEMBLYMAN CARDINALE: In terms of integrity - I appreciate your opening statement - but it seems to me in some of the areas that you suggested licensing be less restrictive, some of these do bear on integrity. Would you expand a little bit in terms of the specifics of that particular request?

MR. HYDE: Specifically, there are a couple of areas that we are particularly interested in. One, of course, is the non-casino related employees. These are people such as the dishwashers, the maids, the people who really have no relationship to a casino. They could be working in a hotel or a motel next door in the same

kind of jobs. Right now, it is very costly for the casino industry to maintain the investigative processes, and delays in some cases in being able to hire people are caused.

In one of the other areas where it is a problem for us, if a person is sweeping up paper in the lobby of a hotel, he only has to have a number four license; if he is sweeping up paper in the casino, he must have a number two license. It is the same job differentiated by a different color carpet in most cases. People cannot, in fact, walk in the casino area if they only have a number four license. So that means, in some cases, that we have cashiers who work in the food and beverage outlet whom we would like to be able to have keep their funds in one central location in our casino cage or in a related area where all of the funds for the hotel are under tight security. These people cannot walk into the casino to pick up a bag to take to their post every day because they are not allowed to walk across the floor. It is those kinds of things which cause us the most problem in regard to the licensing. And it would be hard for me to view those as integrity questions.

ASSEMBLYMAN CARDINALE: Thank you.

MR. DOWNEY: I think also, Mr. Assemblyman, as a footnote, you will find that our recommendations on that issue are pretty much in sync with that which was recommended by Mr. Brown of the DGE before the Control Commission and I think with what the Commission will recommend to you this afternoon.

ASSEMBLYMAN CODEY: Assemblyman Riley.

ASSEMBLYMAN RILEY: I have several questions. First, just to expand a little bit on the questions of Assemblyman Cardinale, if you go to your registered system regarding non-casino related employees, you would still want these people to be allowed on the floor; is that correct?

MR. DOWNEY: That is correct. Some of them would have access to the floor.

ASSEMBLYMAN RILEY: But these people would not go through the thorough investigation required of people allowed on the floor; is that correct?

MR. DOWNEY: That is correct.

ASSEMBLYMAN RILEY: So then, you could get people in, so to speak, through the back door onto the floor by using this type of system?

MR. HYDE: The only area that we are talking about here is the same area that a patron can now walk in. We are not talking about walking in any of the restricted areas, into the cage or the pit, but merely the exact same places that a customer walks. We are not talking about any sensitive areas at all.

ASSEMBLYMAN RILEY: I understand that. But sometimes where customers walk some of the casino employees may be able to come around and surround the customers, etc. I am a little concerned about that and I want to make sure that these people are at least cleared so that we don't have people that may not be desirable in the State of New Jersey. Wouldn't that be a back-door way to do it?

MR. HYDE: I don't think I really get the point of what your question is. But it would follow that if someone wanted someone employed in their property who would not clear, that would be a method of doing it.

ASSEMBLYMAN RILEY: I have no problem with people being registered that aren't casino related. But I am talking about people who actually come into the casino. I have a problem with them.

I understand someone else is going to testify. I have read the reports that you have submitted. Is someone else going to testify in regards to Harrah's report?

MR. DOWNEY: No, sir.

ASSEMBLYMAN RILEY: Just briefly, with regard to that, they combined

Lake Tahoe and the Vegas figures on July 1. Isn't that a little deceptive? Don't we have a different CPI? In using July 1 and Lake Tahoe, combined with Vegas, as far as wages, profits, etc., isn't that a little deceiving, versus the rest of the year?

MR. DOWNEY: Do you mean in that the season would be better?

ASSEMBLYMAN RILEY: July 1 is the peak portion of the year for Lake Tahoe; is that correct?

MR. DOWNEY: Well, I don't think there was anything sinister there.

ASSEMBLYMAN RILEY: I am not saying there is anything sinister at all.

MR. DOWNEY: I think it was just done in the time frame in which the report was prepared.

ASSEMBLYMAN RILEY: Oh, this is strictly the time frame of the report - okay.

The Casino Control Commission, I understand, would like to see the Ethics Bill changed - I want to see if you agree - in regard to exemption. Presently, there are several studies that have not been able to be completed, as I am sure you are aware, due to the fact that the companies have a two-year post employment restriction problem if they are hired by a casino. Would you like to see also an exemption for experts hired by the Commission from the two-year post employment restriction?

MR. DOWNEY: Quite frankly, we do not have as an association any position on that matter.

ASSEMBLYMAN RILEY: In your recital of the preamble of the Casino Control Act, you referred to entertainment as obviously one of the benefits that was to be derived from casino gambling in Atlantic City. Don't you think the recent change concerning the minimum tables restricts the people now allowed to use the entertainment in Atlantic City - specifically, the elimination of the \$2 and \$5 tables? Doesn't that greatly restrict the number of people that can use the entertainment facilities?

MR. DOWNEY: I don't think so, no.

ASSEMBLYMAN RILEY: You don't think so?

MR. DOWNEY: No, I don't.

ASSEMBLYMAN RILEY: Do you think that anybody can go down and play the \$10 and \$25 tables?

MR. HYDE: If they want to go down and enjoy the entertainment, there is no demand for them to use the tables whatsoever.

ASSEMBLYMAN RILEY: Well, isn't gaming - I believe you used that word rather than gambling - entertainment?

MR. HYDE: It is a portion of the entertainment which is offered in Atlantic City.

ASSEMBLYMAN RILEY: And don't you think that many people want to use the \$2 and \$5 tables, or minimum-amount tables, rather than strictly the higher dollar tables?

MR. HYDE: I can only speak for the Brighton, but we have \$5 tables on a continuous basis.

ASSEMBLYMAN RILEY: Are you from the Brighton?

MR. HYDE: Yes.

ASSEMBLYMAN RILEY: I thought you were from Caesar's.

As far as assuring public confidence and trust, etc., do you think the surrounding of a patron in a casino by personnel of a casino and challenging him to sit down again and "if you do, we'll throw you through the glass door," is

ensuring public trust?

MR. HYDE: I think that it would probably have to depend on the attitude of the individual that was being talked to and the circumstances. I can't comment. I know that on a number of occasions we have had to eject people who were violent or who were unruly.

ASSEMBLYMAN RILEY: What about someone totally docile, not saying anything? I think everyone knows who I am referring to.

MR. HYDE: Are you speaking of your ejection?

ASSEMBLYMAN RILEY: That is correct.

MR. HYDE: I would be happy to provide this Committee or anyone else with a videocape of the situation which you are describing, which I think will indicate that it was handled in good taste.

ASSEMBLYMAN RILEY: I am referring to the aisles, where you were talking about people in the aisles and cleaning up the aisles, surrounding someone with five people and then having someone challenge him.

MR. HYDE: Again, I think if you viewed the videocape ---

ASSEMBLYMAN RILEY: The videocape shows the conversation in the aisle?

MR. HYDE: Yes, absolutely.

ASSEMBLYMAN RILEY: I would love to see that one. I would be more than happy to have that provided.

ASSEMBLYMAN CODEY: I'll tell you, in the tapes I have seen politicians, they really aren't that good. (Laughter.)

ASSEMBLYMAN RILEY: But I am sort of aware of what happened in this one.

In the statement, you referred to \$8 for parking. Just out of curiosity, doesn't everybody charge \$8? All of them, I think, charge \$8, except for Harrah's, don't they?

MR. DOWNEY: Our point simply was that in one of our conversations with one of the Assemblymen at an earlier date, he had asked about that. Our response was that it was a question of supply and demand and we were trying to deter people from parking in the casino sites.

ASSEMBLYMAN RILEY: I have nothing further. Thank you, Mr. Chairman.

ASSEMBLYMAN CODEY: Mr. Downey, I would like to pick up where the Assemblyman left off about the \$8 parking fee, which I mentioned to the casino executives. And I think you put it in the wrong context. I spoke about it in terms of the patrons who are guests at the hotels having to pay an \$8 fee just to park their car there while they are guests, which I thought was a turn-off and which I didn't think was part of the process of bringing tourists to Atlantic City. No way did I say that in regard to people who come in for the day to park their car. There is quite a distinction and quite a difference. I think, if you are a guest, the rate should be a lot lower, if there should be a fee at all. In terms of the feedback I get from people who stay there overnight, one of the things they almost always mention is the \$8 parking fee.

With regard to entertainment, you mentioned Las Vegas and the fact there are no requirements, but yet the entertainment is outstanding and that is true. There is a big difference though. Las Vegas is a tourist center. I would guess - and I have no statistics, although I am sure they are readily available and you probably know them - that the overwhelming majority of the players, the people in the casinos, are tourists, not people who have come for a day and who have driven in. That makes a big difference. You need that entertainment to get them there as tourists. The great attraction of Las Vegas is the great shows that they do have. There is no question that people go out there and that is part of the reason

they go there.

In Atlantic City, I think if we did away with entertainment altogether, it would be a negative factor in building up your tourist trade. You haven't really built it up now. This is one of the things that I have fought with the casinos about. I don't see how you can do away with entertainment and still build up a tourist trade. The reason now you don't have people enjoying the entertainment in Atlantic City is because they are all day-trippers. Why would someone from the West Coast want to come in during September to May, or whenever? I don't see how doing away with those requirements is going to help build up the tourist trade and help the future of Atlantic City. I think if we do away with it, it will not hurt your business in any way, shape or form, because you are dealing with day-trippers and I don't think that because of the cost of it the casinos will go back to it themselves. Hopefully, Resorts will keep their big name entertainment. I have criticized them quite a bit, but I think on that they should be commended. They have brought top-flight entertainment to Atlantic City.

MR. DOWNEY: I think there is one major distinction, if I may, Mr. Chairman, we are not asking you to do away with entertainment; we are asking you to do away with the statutory requirement. The point - and this was stressed by Mr. Gilman in his testimony before the Control Commission - is that it is a philosophical question as to which comes first. We are saying that we need more casino hotel rooms in order to attract the type of convention business in the down time - we are talking primarily in that area between September and May - and the relaxation of these areas where right now they are tremendous loss leaders, the entertainment area. We are not saying that we would do away with it. We are saying that if we put each of these blocks in place, the pyramid will reach the pinnacle that was set forth in the preamble of the Act.

ASSEMBLYMAN CODEY: What I am trying to say is you can do enough business on day trippers and make enough money so that you wouldn't have to go into entertainment. That is the problem I see with your doing away with the entertainment requirements.

MR. DOWNEY: But that is not the philosophy of the industry. We don't want that. In fact, we have been downplaying that over the course of the last several months. We are looking for the type of visitors that you are talking about, the long-term visitors.

ASSEMBLYMAN CODEY: What are we doing to help that convention center?

MR. DOWNEY: As you know, with the authorization of our association, we have met with the Governor. We have talked about the possibility of the luxury tax that would assist in financing that. We have just recently met with the city fathers on the Day and Zimmerman Report as to the modifications and modernization of the existing facility, which is pegged now at some \$46 million. We are looking at the area directly adjacent to the hall for the staging of the trucking that is necessary to get those trucks off the street because of the congestion in the area. There has been a lot of forward movement, Mr. Chairman.

ASSEMBLYMAN CODEY: Thank you very much, Mr. Downey and Mr. Hyde.

Our next witness will be Mr. Al Cade, Senior Vice President of Caesars Boardwalk Regency.

A L F R E D J. C A D E: Good morning, Mr. Chairman and members of the committee. I want to thank this committee for the opportunity to testify and compliment you on your timing. Not since the intensive sessions in 1977 when the original Casino Control Act was shaped by this committee has the need been so important for fundamental reconsideration of the statute.

The hotel/casino industry in Atlantic City is now at the proverbial crossroads. After a start that seemed to indicate limitless prosperity, the industry last winter showed its first losses. This helped to cause the abandonment of a number of planned ventures. At present, Atlantic City's prospects seem to be limited to the seven hotel/casinos now open and the two under construction.

The actions of the Legislature and the Governor very well could determine whether the revival of Atlantic City is to halt with those nine casinos, whether "temporarily" abandoned projects blighting the shoreline are to be permanent eyesores, whether the desolate commercial and residential blocks comprising most of Atlantic City are to remain just that, or whether the original hope of recrowning Atlantic City as Queen of the Resorts is to be fulfilled. That hope was based on the success of casino gaming which, in turn, would lead to the city's development as a year-round entertainment, convention and vacation center.

This means enough first-class hotel/casinos whose gaming earnings will finance the achievement of a "critical mass" of attractions in which the entertainment, recreational and other aspects could equal gaming in drawing power. Visitors who are so attracted will come to Atlantic City for a few days, a week or longer.

This goal will require a variety of new marketing and promotional techniques that can make Atlantic City a distinctive attraction and permit individual casino/hotels to seek out their special clientele, competing not only with other facilities in Atlantic City, but with resorts throughout the world.

This is one reason why major changes in the laws and regulations governing our industry are crucial at this time. Another factor is that many of the original requirements are shown to cost many millions of dollars with no impact on the integrity of the games. This is not to say that the losses of the winter months can be wholly attributed to State regulations. But unnecessary restrictions have added to losses and their adverse impact on future growth is even larger.

We at Caesars are most hopeful that intelligent revision of the law and regulations can lead to a renewed growth that will establish Atlantic City's renaissance no matter what competition arises elsewhere. We hope to be part of that growth with a major expansion of Caesars Boardwalk Regency. To achieve this, however, we must produce an acceptable level of profit. This is not occurring in Atlantic City today. For example, in the second quarter of the current fiscal year, our company incurred a \$1.76 million loss. That is the largest operating loss by a Caesars' subsidiary in the history of our corporation.

One of the secrets to the success of Caesars Palace in Las Vegas is that the company has used the profits from that resort for continued improvement and expansion. This has helped make Caesars Palace a world-wide attraction. New Jersey's current regulatory scheme, however, often unnecessarily inflates our costs and reduces the methods of generating additional revenues. This makes multi-million dollar improvements to Caesars Boardwalk Regency financially impractical.

Let me now outline some of the changes we believe are important to the conduct of our business, changes which will not impact on the integrity of our operation.

One area needing major revision is employee licensing. The Casino Control Commission has made a welcome recommendation to end the licensing of hotel employees.

We hope you will accept that advice and the recommendation to exclude from the definition of "casino employee" many workers "whose employment duties require or authorize access to the casino floor." Delay, unnecessary costs and other adverse results are produced by this too-broad language. It forces such employees as cocktail servers, bartenders and even janitorial personnel to undergo the same review process as those directly involved in the conduct of the games. This expensive licensing procedure adds nothing to the integrity of casino operations. In addition, we believe that downgrading licensure of such employees as pit bosses and lower level supervisors from casino key employee to the casino employee category also is warranted. Not only would this speed up the costly investigatory process with no real sacrifice to security, but it would broaden the pool of available help. Because of current limitation, casinos are forced to employ or elevate personnel, not because of their demonstrated talent or dedication, but too often because they happen to have a license that is in short supply.

The same considerations hold true with regard to experience. Here we differ with the Commission. We fail to understand why the Commission should arbitrarily establish rigid time-in-job requirements for promotion of floor persons to higher level positions, such as pit boss. This should be a management prerogative. The requirement of 24 months of first level supervisory experience, or 18 months as proposed by the Casino Control Commission, for promotion is arbitrary and an invasion of the area of management. Additional time in a lower level job does not make an employee more or less likely to engage in collusion or other illegal practices. On the other hand, it inhibits our selection of promising employees for relatively quick elevation to positions of responsibility. It forces operators to pay unnecessarily high salaries because of an artificial shortage of licensed supervisors and, in the aggregate, adds unnecessary millions to operating costs.

At the same time, we recognize the necessity of certain basic requirements for training prior to licensure as a dealer and for experience as a dealer before promotion to floor person. For promotions to higher levels, we think intelligent management can better serve the industry and the public than relatively unwieldy laws and regulations.

In a related area, we think that current staffing law and regulations are too restrictive. The requirement that one floor person supervise only four tables even though only eight or nine gamblers may be playing at those four tables is costly and meaningless. These staffing requirements are designed to protect the casinos' interests. Why can't we assume that the operators have the judgment and self-interest to best protect themselves?

It can also be seen that such pervasive regulation of casinos tends to produce a stultifying sameness. Nowhere is this more evident than in the controls over one of the most useful promotional tools in the gaming industry. I am going to call this tool "junkets." But I would like, every time I refer to "junkets" have it referred to in quotes, because as Mr. Larry Woolf in his testimony will explain, "junkets" mean different things to different people. I am going to talk about it in the general term, in terms of air charters to bring people into the Atlantic City area for stays longer than the one day, Mr. Chairman. "Junkets" are critical to the attraction of distinctive visitors through complimentary travel and hotel accommodations. This is how a casino establishes its individuality. It can design its entertainment and other activities to serve the desired type of visitor and it can begin to develop a singular reputation that will enhance the hotel as well as the

city. This has happened elsewhere in the United States and abroad.

New Jersey's dollar thresholds, reporting requirements and licensing procedures have tended to encourage one-day complimentary trips of short distance that cost less than \$200 and, thus, are not subject to the "junket" regulation. Under the cumbersome licensing requirements for "junket" operators, New Jersey's hotel/casinos are inhibited from undertaking the kind of program that will bring in gamblers of substantial means who will remain with us for a number of days, who will patronize not only our gaming tables, but our restaurants and showrooms and who are able to support the other amenities that will enhance the city's attractiveness to millions of vacationers and conventioners. Without liberalizing "junket" provisions, I am afraid we will be hard pressed to find the catalyst for this crucial development.

We are pleased that the Commission is recommending that advertising be restored as a management prerogative. They proposed, however, a puzzling qualification: that censorship be imposed on advertising within Atlantic County. The proposed limitation shows how hard it is for our regulators to shake the "Big Brother Knows Best" mentality which has infused much of their efforts.

Nowhere is the oppressive sameness which has characterized Atlantic City gaming so reinforced as in the rules of the games. Unlike the Commission, we urge changes that will encourage diversity and foster competition, within Atlantic City and with Nevada, the Caribbean and Europe. Odds should be allowed to vary among the casinos, "specials", in effect, should be used to attract various types of gamblers.

Further, a section should be added to the law to permit the Commission, after its own thorough-going review, to authorize new games that could meet changing public demand and enhance the attractiveness of Atlantic City. For example, an oriental game called "Pai-Gow," recently has been introduced in Nevada because of its popularity among gamblers from Hong Kong and elsewhere in Southeast Asia. Perhaps a similar demand could be developed in Atlantic City for that or for other games that might become popular in Europe or South America. The Commission should be empowered to make such judgments in a timely manner and, thus, open up new interest in our hotels.

These are some of the changes that we think are vitally important. We welcome this opportunity to discuss them as well as the other proposals that you have heard. We look forward with you to a resumption of Atlantic City's revival which in no small way will benefit from your hard work. Thank you.

ASSEMBLYMAN CODEY: Thank you, Mr. Cade.

Just one point in regard to junkets, you said Mr. Woolf will speak in regard to junkets?

MR. CADE: Yes, sir, he will speak to junkets in great detail.

ASSEMBLYMAN CODEY: Dr. Cardinale.

ASSEMBLYMAN CARDINALE: You are the second witness to talk about the loosening up, as one way of phrasing it, of licensing provisions on the employees. It occurs to me that the employees of a hotel might very well have certain social contacts, even though they have very different jobs, and certain other interactions among one another. How would you propose to overcome that factor in terms of someone who would perhaps be of a background that we didn't want working in a casino, thereby influencing somebody who would be working in a casino?

MR. CADE: I don't believe, sir, that a licensing provision or a licensing requirement can overcome that possibility that you described. I think associations of employees are going to occur whether they are employees in our hotel

or in some other hotel or in a motel down the street. The distinction we are trying to make here is that there are certain functions that are being performed in our property which have nothing to do with the operation and integrity of the casino games themselves or the decision-making that has anything to do with the security and control of funds.

We are saying that it is costly, time-consuming and really intimidating to many of the prospective employees to go through the ominous, horrendous licensing process to get a job to serve drinks in a casino or to sweep floors or to make beds or to park cars or to run a hotel front desk.

ASSEMBLYMAN CARDINALE: Would you be satisfied with a loosening that involved perhaps a shortened process for certain categories of jobs?

MR. CADE: That would help, sir. But I don't think that would answer the problem that I think is perhaps much more involved than we have suggested to you this morning. I happen to believe that the licensing process is so ominous and intimidating that many of the local Atlantic City employees don't even apply. They don't even apply because they are afraid that the system is just too much for them. The length of time that it takes is a very real problem, as you just pointed out. An employee who is working at a bank and applies for a license to work in a casino puts his job on the line at the bank. The first opportunity, he knows he is going to be laid off. If he has to wait for a year for a license, that is a serious decision he has to make. The chances are if he wants to get a job working as a front desk cashier, he probably won't take the chance to wait that long. It has nothing to do with his integrity. It has to do with a system which requires time and money and effort and pressure that we think is totally unnecessary and, again, has nothing to do with the integrity of the games and the security of the funds of the property.

ASSEMBLYMAN CARDINALE: Even with the current system and its time-consuming and thorough aspects - and perhaps in some people's view too thorough - haven't there been cases of people getting through that screening who have subsequently turned out not to be people we would want involved in the industry?

MR. CADE: Yes, sir, that is true. I would submit to you that the percentage is very, very small. But you are right; it is true that it has occurred.

ASSEMBLYMAN CARDINALE: Thank you.

ASSEMBLYMAN RILEY: Mr. Cade, your testimony was quite useful. I would just like to ask one question. If we change - and I agree that much of it is over-regulation, at the outset, which may strike you funny --- But if we change some of the restrictions so people don't have to answer a book or a booklet, as I think the employment questionnaire is today, if we change some of the design of it because I think some of it is a little silly, and even the entertainment requirements, and allow junkets, which I think we should allow to a great extent - if we do those things, could you agree to allowing a certain percentage, say 20 percent, of all tables to be for \$5 or less? That's a tough question.

MR. CADE: The thing that bothers me about the question ---

ASSEMBLYMAN RILEY: Do you think that that would be unfair?

MR. CADE: The thing that bothers me about the question, sir, is that it sounds like a negotiation and that definitely is not what we want to pursue.

ASSEMBLYMAN RILEY: Do you believe it would be unfair to require that 20 percent of the tables be for \$5 or less?

MR. CADE: Yes, I do.

ASSEMBLYMAN RILEY: For what reasons?

MR. CADE: Because I think in a business the proprietor, the entrepreneur,

the operator, should be permitted to tailor his business to meet his market demand, as opposed to an arbitrary decision as to how many shirts will be sold for \$6 versus how many shirts will be sold for \$20. I believe the market will tell us whether that table should be a \$3 table, a \$5 table or a \$10 table.

In response to a question that I think you asked a little earlier, it would seem to me that if the marketplace or if the patron demand for \$5 tables was there, we should be expected as astute business men and women to provide that service. If the demand for \$3 tables was there, we should as astute business men and women provide that service. But I have to kind of submit that since we are responsible to the public and to the stockholders for providing that service and pricing it, we should have that burden. That burden should be on the manager.

ASSEMBLYMAN RILEY: As far as demand is concerned, would you say that whenever you have \$3 tables open they are filled pretty quickly? I have never seen a seat open at one of them.

MR. CADE: Well, I live there. I spend a lot of time there, sir. I have seen seats open. I have seen them manned when we had demands for \$25 tables. Because of the formula, we would have manned and occupied and staffed empty \$2 tables. So, very definitely, I have seen ---

ASSEMBLYMAN RILEY: Would you say that would be the norm?

MR. CADE: No.

ASSEMBLYMAN RILEY: I didn't think so. Wasn't casino gambling sold to the people of New Jersey as entertainment for the people of the Delaware Valley and particularly for New Jersey?

MR. CADE: I can't speak firsthand. I wasn't here pre-casino. I don't know who sold it and what was used as a campaign. I can only submit to you that the responsibility of a good businessman is to price and provide his product to meet the demands of the public. If that public is the Delaware Valley, fine. We will meet the demands of that public.

ASSEMBLYMAN RILEY: As of today, most of the people are one-day people?

MR. CADE: That is correct.

ASSEMBLYMAN RILEY: So they are all people coming down for the day and that type of thing?

MR. CADE: Yes, sir.

ASSEMBLYMAN RILEY: So they are all mainly local residents?

MR. CADE: That is true today. And I think part of the testimony that I have just submitted to you is our desire to open that market to a nationwide and worldwide market.

ASSEMBLYMAN RILEY: If we have a limited number of casinos - and you are saying that it looks like there will be nine for quite awhile ---

MR. CADE: Unless things improve.

ASSEMBLYMAN RILEY: But it will be nine for quite awhile apparently. If we have only nine casinos and we allowed junkets to come in, which I think should be allowed in, and if you still were allowed yourselves to restrict the minimum-bet tables, wouldn't that be counterproductive for the people of the State of New Jersey? Aren't we going to wind up banning most of the general populous because they won't be able to find a place to play anything less than \$10 or \$25?

MR. CADE: I don't think we are, sir.

ASSEMBLYMAN RILEY: I think you understand what I am saying.

MR. CADE: I understand what you are saying. But I don't agree with your

conclusion that we would be denying the local population from a place to play. I think what we are saying is: provide us with the opportunity to make that decision to provide that high-limit player a place to play when we go to the great expense of bringing him in from Venezuela. And I don't think you are going to have that much of a constant flow of high-level, high-limit table that it will preclude the low-limit tables.

ASSEMBLYMAN RILEY: Do you think the people within one day's drive of Atlantic City which are the majority of the people, as you testified to, can afford to play at a ten-dollar black jack table or a ten-dollar crap table?

MR. CADE: I don't know. But I do think that with nine casinos, each of us if we are permitted to manage our business will have a diversified enough mix of limits and pricing that there will be enough for everybody to play.

ASSEMBLYMAN RILEY: Thank you.

ASSEMBLYMAN CODEY: Mr. Cade, I think very briefly what Mr. Riley was talking about --- I live in Northern New Jersey, which is heavily populated, and our people do frequent Atlantic City. We do receive complaints from our constituents who say, "We were in Atlantic City and there were no two-dollar tables at which we could gamble. We voted for casino gambling. We are not wealthy people, but we have a right to enjoy that for which we voted." We must respond to those kinds of complaints.

In your testimony, you mentioned what happened last winter. All I can say again is that until we develop a tourist trade to Atlantic City, every winter is going to be like that. Every January we are going to read about how bad December was. I think until we develop some kind of a tourist trade, those months are going to be really bad. Naturally, because of the climate, they will always be down from the summer months.

You mentioned about having other games. As you know, we must go by the present statute. I, for one, would favor keeping it by statute. With regard to the referendum, we explained the games that would be allowed, the usual games that we relate to casino gambling. I think any change or departure from that would have to come from the Legislature. So, if the casino industry wants a change, it would have to come to the Legislature and request other games. Okay?

MR. CADE: Yes, sir.

ASSEMBLYMAN CODEY: Thank you for your testimony sir.

Our next witness will be Joan Diefenbach, from the New Jersey Council of Churches.

J O A N D I E F E N B A C H: Good afternoon, gentlemen.

Rev. Dudley Sarfaty, our Associate General Secretary, was to be here at this time. A pressing matter has come up and he regrets he will not be able to be here.

I have provided Mr. Bockelman with copies of Rev. Sarfaty's testimony for the record and I will attempt to review it for you now. (Complete statement of Rev. Dudley E. Sarfaty can be found in the appendix.)

This testimony is respecting the decontrol of the casino industry and the Zeitz Report. Commissioners Thomas and Zeitz expressed on February 23rd what is our essential concern. Any industry taking from one-third to one-half of the Attorney General's time should not be set free from the controls the State has placed upon it.

No industry in New Jersey, farm, factory or casino, is entitled to "earn maximum profits," and the promises made by an army of public officials in this

regard should not be broken or weakened.

We agree with the Division of Gaming Enforcement that we should not allow regulatory controls to "be chipped away."

We agree with Mr. Siavage to the extent that he "recommended strongly against changing the regulatory system," but note that he is now taking a more permissive posture towards casinos.

We challenge the projections of the losses the casino companies fear. We note further that such past projections of profitability are inaccurate, including the underestimates of profit done for the Committee to Rebuild Atlantic City and Mr. Crosby's testimony in the first Casino Referendum about what casinos would mean to Atlantic City. The subjectivity of those who project figures would seem to be highlighted by the marked difference between the analysis of Professor Lawrence Ritter and that of a representative of the New Jersey banking industry which has an obvious business potential with the industry of casinos.

The Casino Control Commission's special committee says on page 7 that important items of casino control should "not be tampered with in haste." With the industry as new as it is and considering the promises made to the people of New Jersey, we believe that it is way too soon to change the character or the strictness of New Jersey Casino Regulations.

Respecting facilities, the requested elimination of such paragraphs as 5:12-84e is far more radical than the word "facilities" might imply. It includes one of the major legal foundations of the industry's legal obligation to the whole of the impact which its operation has, from the text, [and an analysis of the effect of the proposal on the overall environment, including, without limitation, economic, social, demographic and competitive conditions as well as the natural resources of Atlantic City and the State of New Jersey.] Such, and similar "modifications", are vast in their implication and effect. The public would be outraged to find that such great giveaways are part of a set of modifications which have been described by the industry in the press as only keeping governmental interference out of the "purely business" aspects of the industry.

With an industry such as casinos, perhaps there is hardly anything at all which is so "purely business" that it does not affect the total environment of the State.

Of course, it is encouraging that the Zeitz Committee left that decision to the Legislature and the Governor. And yet, the very fact that the industry is pressing for such destruction of the heart of the Casino Control Act, and that the Legislature is considering the matter, is shocking.

The fact that there is no independent citizen voice should mitigate against any governmental body permitting major changes upon such a crucial piece of legislation. Worse than that, the very fact that such a process as this has been entered into by the authorities and loudly called for by the industry casts great suspicion upon such seemingly innocent decontrol proposals as appear in the rest of the document or in this morning's testimony from the industry spokespeople.

The elimination of 5:12-84e would, among other things, probably result in relieving the industry of its responsibilities for casino-generated housing problems, one of the key concerns of the New Jersey Council of Churches in its recently published policy paper on Atlantic City. The industry has asked to be relieved of its responsibility for ecology and even upon the development of the casino industry itself.

With respect to residency, we note that no other witnesses took a position on this issue. This shows how easy it is to break a promise made to the people of

New Jersey, no matter how easily voided that promise of "jobs for Jerseyans" may in practice be. Although the Zeitz Committee proposes a fair sounding compromise, we cannot, at this time, measure what its impact would be, and do not believe that the laws or regulations should be changed until "it can be determined. . . ."

Regarding employee licensure, since it is admitted that matters and forms are in transition, this is no time to make final decisions. The machinery needs to be there, as law enforcement requires it. If the Commission or the Legislature wants to improve the licensing procedure, they can grant somewhat more generous temporary licenses for the hotel jobs.

That the Zeitz Committee sees "the dividends paid back" - that is, in casino control - "are sparse" when measured against the regulatory investment required only confirms the nature of the casino industry itself in most of its functions, and this costly investment for "sparse" returns was made the law of our land by the passage of the Casino Referendum.

Regarding experience, although the Committee recommendation seems reasoned, it is still too early to make adequate measurements.

The closing words of their recommendation, that "relaxation or elimination of these requirements and standards could create an atmosphere in which collusion, favoritism, and improper pressures could be employed in determining promotions within the industry" are certainly to be heeded at a time when promotions of minorities has fallen from the minimum goal of 20 percent to a current low of 6 percent.

The experience out of which we speak is of a demonstrated failure of the industry, the Commission and the Division to deal forthrightly with the Affirmative Action requirements of the Casino Control Act.

With respect to proposals to eliminate vendor contract reporting, the Council believes that no changes should be made in view of the well known fact that organized crime considers Atlantic City a prime target and, in all likelihood, will approach through ancillary industries.

With respect to proposals to weaken or eliminate controls on junket operations, the Council opposes all changes from the present system, which appears to have worked well. However, it acknowledges that the increase of the \$200 figure in the 1977 statute might be raised to \$400 or \$500, but only as a recognition of inflation, not as a change of principle.

It seems pointless to have a State Commission of Investigation if its advice in this sort of matter is not taken seriously.

Regarding advertising, Atlantic City was not to be a honky-tonk, Nevada-type gambling spa. The proponents of the Referendum said they wanted to develop a family resort and a home for conventions. This is why advertising was controlled.

To weaken or remove the advertising limitations would make a bad situation worse, for there is already much subtle and questionable advertising. Even the provisions the Zeitz Committee appears willing to part with in Appendix G in 5:12-70.0,R are inappropriate in our view.

Regarding entertainment, here the industry seems to be trying again to get out from under one of the standards of operation which New Jersey adopted to make its casino industry's standards acceptable to our State.

Further, the phrase "to take government out of this area" is susceptible to a dangerous interpretation. It implies that running a casino is a right and not a licensed privilege and that there are corners of the business where the powers of law enforcement and government ought not to intervene even when they perceive it in

the public interest to do so.

Regarding rules of the games, though it is not our favorite argument, we point to the incompleting studies again, pointing to the premature character of most of these issues now being considered.

Further, it has not been our tradition that these matters were best left to management, but need to be industry-wide both for law enforcement control purposes and for the public good.

On staffing, we would support the Zeitz Commission recommendation, irrespective of the public meeting of April 1st in Atlantic City.

Regarding alcoholic beverage licensing, we cannot understand that the proposed new regulation would not have to incorporate the same dimension of controls as the present ones.

If the Legislature and the Commission want reform, they should abolish drinking at the tables, as casinos in other parts of the world do; they should abolish the plying with drinks by the pit boss of favored gamblers; and they should eliminate the present tipping system for cocktail waitresses, which testimony by the Atlantic Civil Liberties Union reports can lead to organized prostitution.

On internal controls, since skimming and theft have not been totally absent from Atlantic City, cutting the controls rather than improving them seems a strange approach. Certainly, so elaborate a question needs to be faced upon its own merits, and not in the haste of an alleged pressuring of the State by the industry.

Regarding 24-hour gaming, here is another promise to the citizens of New Jersey threatened with being snatched away. Nor is the issue the promise only. Twenty-four hour gambling is a curse upon the compulsive gambler and a direct threat to the family-style resort which was promised in the Referendum. The appropriate response of the Zeitz Committee may well be that the matter belongs to the Legislature and the Governor, but with all due respect to them, I suggest that the promise was made to the citizens, and that even the government would be breaking faith to change those regulations.

I trust that I have faithfully reflected the testimony that Rev. Dudley Sarfaty intended to give and which we have submitted to the Committee in writing. I will attempt to answer any questions you may have, but hope that you will recognize that I have picked up this assignment at the last moment and that I am, personally, not as conversant with the subject as Rev. Sarfaty.

ASSEMBLYMAN CODEY: Assemblyman Riley.

ASSEMBLYMAN RILEY: If it is open 24 hours, why would affect anything? If it is open until four or five o'clock now, would it really be any different if it were opened for 24 hours?

MS. DIEFENBACH: I believe the feeling is that, by having it open 24 hours, it is more of a temptation to the compulsive gambler, who at least now would have some limitations upon him.

ASSEMBLYMAN CODEY: Thank you very much.

Our next witness will be Mr. Larry Woolf, Casino Vice President of Caesars Boardwalk Regency.

L A R R Y W O O L F: Gentlemen, thank you for allowing us the opportunity to present this this morning. I have with me Robert Reilert and John Donnelly, both attorneys for the hotel.

In Section I of the Casino Control Act, the Legislature declared the public policy of the State of New Jersey to include: 1) the rehabilitation and redevelopment of existing tourist and convention facilities in Atlantic City; and 2) the restoration of Atlantic City as the Playground of the World and the major

hospitality center of the Eastern United States. It is also declared that the tourist, resort and convention industry were critical components of the State's economic structure.

As a hotel-casino operator, and speaking on behalf of the industry, we are committed to that redevelopment. Our primary tool in this effort is a strong and aggressive marketing program.

This program at each hotel-casino presently includes advertising, busing, complimentaries and entertainment. However, it is estimated that more than 85 percent of the hotel-casino patrons come to Atlantic City by buses or automobiles from the New York-Philadelphia areas. Due to the Casino Control Act and Commission regulations, we are unable to market Atlantic City outside of that 125 mile radius.

The central cause of the statutory and regulatory difficulties for the industry in its marketing program has been the confusion resulting from the use of the mystical word "junkets" in both the Act and the regulations. The word "junket" is used in other gambling jurisdictions and has specific connotations. The State Commission of Investigation's Second Interim Report, dated February 17, 1977, cited two major problem areas associated with junkets in those other jurisdictions: 1) major extensions of credit through junket operations; and 2) extortionate collection practices by junketeers.

By statute and regulation, no individual responsible for creation, organization or operation of a trip to Atlantic City can be involved in extension of credit to prospective patrons or in collection activities. Those specific strictures imposed by New Jersey law preclude the occurrence, in connection with the marketing of Atlantic City casinos, of the essential and what are thought of as the most reprehensible features of the traditional "junket." As a result, we should properly say that in this State the casino industry is not permitted to have junkets, but it is engaged only in the "marketing" of Atlantic City hotel-casinos.

Yet, if we examine the statute and regulation, we find repeated use of the word "junket," and that usage has both serious practical effects on casino marketing plans and on the psychological environment in which we operate on a daily basis. As a result, we recommend that the word "junket" be deleted from the Casino Control Act, so that the marketing issue may be examined fairly and without being influenced by scare words.

Any proposal to market Atlantic City casinos beyond a 125-mile radius is very difficult to accomplish. As an example, let me explain the problems that a tour and travel operator in a major city, such as Denver, Colorado, or Phoenix, Arizona, or Caracas, Venezuela, would encounter when attempting to sell Atlantic City to his gaming patrons. He would first telephone one of the major hotel-casinos in Atlantic City and would be put in touch with their marketing department. He advises their representative that his clients have a proven history of being excellent gamblers and would probably expect free room, food, beverage and air fare. He would be advised that, under Section 29 of the Casino Control Act, the trip that he has proposed is a "junket," as the complimentaries will exceed \$200 per person, and the primary purpose of the trip would be to game. Secondly, under Section 102 of the Act, the travel operator becomes, by definition, a junket representative and is required by statute to be licensed as a casino key employee. Under Section 92A, he also is considered to be selling gaming related goods and services to the casino industry and must be licensed to the highest standards of the Casino Control Act. This type of licensure normally takes a year to obtain. However, he would be advised that he could bring the group to Atlantic City if after he has applied for such a license, the hotel-casino asks for and receives from the Commission a transactional

waiver. The granting of a transactional waiver would normally take a number of weeks. Under Section 102D of the Casino Control Act, he would be advised that he must submit a report in advance containing names of the participants, terms, origins, dates of the trip and any other information required by the Commission, without limitation. The participants must formally acknowledge that they understand the terms of the trip. He will be told also that the regulations require the report to be submitted fifteen days in advance, and that all cash deposits required from the participants and any complimentary services offered be enumerated. As you can well imagine, this group and other groups like this one may never visit Atlantic City.

In an effort to ensure that the worst features of junket activities would not be present in the marketing of Atlantic City, the Legislature and the Commission have made it nearly impossible to market Atlantic City beyond a 125-mile radius.

We are forwarding to you our recommended amendments to the Act which are designed to clarify the public perception that junkets are being run to Atlantic City. This is not the case. However, the mere use of the word "junket" creates an atmosphere of hysteria in the marketing environment and imbues marketing programs with a tinge of criminality. We feel it is necessary to address the industry's serious problems in a realistic and forthright way. In that context, we feel it is necessary to amend Section 29, to eliminate the word "junket" from Section 102 and to amend Section 92A to ensure that casino marketing activities are no longer defined as gaming related activities. Casino marketing is not the same and should not be considered the same as the sale of gaming related goods or services to a hotel-casino.

As an interim measure, we would recommend that the Committee adopt the Atlantic City Hotel Association's recommendation of lifting the dollar limits as set forth in Section 29 of the Act and removal of the pre-reporting requirements set forth in the regulations.

Casino marketing programs and the continued use of the term "junkets" are presently under discussion among Commissioner Danzinger, Commission and Division staffs and the industry. We are working together to achieve some practical interim solution to the difficult casino marketing situation. We anticipate that within the next 30 days, a position statement as to statutory changes acceptable to the Division and the Commission will be available and we would appreciate the opportunity to meet with your Committee again at that time to deal with the specific statutory changes which might be recommended on a consensus basis, although we feel that the proposed amendments presented to you today would help to alleviate the problem, and should be enacted. Thank you.

ASSEMBLYMAN CODEY: Are there any questions of Mr. Woolf?

ASSEMBLYMAN RILEY: You use the words "proven excellent gambler." Could you define what that means?

MR. WOOLF: A proven excellent gambler would be someone who has made previous trips to gaming jurisdictions and has developed a reputation of being an excellent gambler.

ASSEMBLYMAN RILEY: Are you talking about skill or are you talking about play?

MR. WOOLF: I am talking about play.

ASSEMBLYMAN CARDINALE: You talk about it taking a year for certain types of licenses. What has been your experience in the past year? Has that been changing? Has there been a diminution of the time, or an increase?

MR. WOOLF: I think there has been a lot of work and effort put forth

to speed up that process, but there are still some cases where it has taken a year.

ASSEMBLYMAN CARDINALE: Thank you.

ASSEMBLYMAN CODEY: Mr. Woolf, you spoke about the experienced players. I would think that would probably be someone who loses a lot of money in your casino.

MR. WOOLF: --- has the capability of.

ASSEMBLYMAN CODEY: With regard to junkets, I guess there is no need for us to get into it in great depth because there are ongoing discussions with the Commission as to what should or should not be developed in terms of junkets. But I, personally, understand the problem and hope that we can work towards a mutual solution.

Another thing, with regard to the word "junket," that is the only word that I or someone else raised in Northern New Jersey would use for a trip where you fly out to Vegas and they take care of your hotel and your plane fare in return for your gambling so much. That is the only word I ever heard used to describe that activity. I assume that is why the word was used when we wrote the Act in 1977.

Thank you again, sir.

MR. WOOLF: Thank you.

ASSEMBLYMAN CODEY: Mr. Steven Batzer, President, Greater Atlantic City Chamber of Commerce. Is he here? (Not present.)

Mr. Marvin Roffman, a casino investment analyst.

M A R V I N R O F F M A N. My name is Marvin Roffman. I am a gaming analyst for Janney Montgomery Scott in Philadelphia, a member firm of the New York Stock Exchange.

Good afternoon, Mr. Chairman and members of the Committee. I welcome the opportunity to comment on the regulatory climate in New Jersey as it concerns the gaming industry.

The impact of regulations are far-reaching, indeed. We, in the investment banking community, are concerned. Not only are the seven current operating casinos being penalized by burdensome regulations, but prospective casino developers are now having second thoughts about coming to Atlantic City. This, in turn, makes the financing of these huge projects a lot more difficult to secure. Just in the last several months, we have seen four large companies delay their casino-hotel projects: Hilton, Holiday Inn, Crump Organization and Caesars of New Jersey.

In the past ten days, I have talked to the chairman of the board of a major gaming company which has invested considerable time, money and effort into bringing a major project into Atlantic City. When I had talked to him in the past, over the past year or two, he has been very, very optimistic. For the first time, he has gotten very negative about bringing his project to Atlantic City because of the overregulation in Atlantic City.

The four projects, excluding the one that I think may be tilting on the negative, represent a billion dollars in new construction awards and over twelve thousand new jobs. More important, it means thirty-three hundred hotel rooms might not get built. And, gentlemen, if Atlantic City is ever going to thrive, it must have more first-class hotel rooms, rooms that would enable the city to attract the kind of business it really needs, not day-trippers, but people willing to stay a few nights. And that means Atlantic City must develop a much large convention business.

I am sure that you all know that the average Atlantic City conventioneer

spends close to \$400 during an average 3.2-day stay, not 6 hours on a free bus trip that is costing the casinos a small fortune.

Las Vegas has over 47,000 hotel rooms. Atlantic City has only 4,300 new rooms for a total inventory of 8,000. We believe before any meaningful convention business develops in Atlantic City, they will need close to 10,000 new rooms. To develop a significant convention business, I think there has to be more cooperation between the casino industry and the State; and hearings such as this are indeed welcomed by the investment banking community.

More responsibility must be assumed by the Atlantic City Convention and Visitors' Bureau. But that is a private, non-profit agency not funded by the State. Last year, their budget was under \$500,000. This compares to a \$17 million publicly-funded budget for their Las Vegas counterpart. The Las Vegas Visitors and Convention Bureau is such a priority authority that its president has a higher salary than Nevada's Governor.

But higher operating budgets are not all that is needed. There must be a major expansion and total renovation of Atlantic City's 50-year-old Convention Hall. Over 50 percent of today's participating conventions cannot be properly accommodated. We are probably talking in the area of a \$100 million project. But that is in the future and I hope the near future.

Now, I would like to get back to what is happening now. We all know that not one Atlantic City casino made a profit in December. While the gross wins are surely rising with the temperatures, I would venture to say that most of the casinos will report losses or barely marginal profits in the first quarter of this year. I am estimating that only two casinos of the six operating casinos in the first quarter will be in the black. And of the two, one, Resorts International, will probably be only marginally profitable.

I am sure many may feel this is the result of the rapid expansion in the number of operating casinos, seven casinos today versus three a year ago. In six months, there will probably be nine. But what after that? That is the key question. Certainly, a highly competitive environment can dilute or reduce the profit base of any business. This is now happening in Atlantic City. But we think major aggravating factors are a difficult regulatory climate and labor pains arising from ever higher labor costs; and much of the labor problems arise from burdensome regulations. For example, Bally must have an around-the-clock security force of close to 400 to police a 504-room, 60,000-square foot casino. In Las Vegas, the huge 1725-room Caesars Palace operates effectively with a security staff of about 110. The difference here is several million dollars a year and this is just one illustration.

The Commission's six-months residency requirement before casino personnel can be licensed creates havoc in the industry. The enormous demands for personnel to staff the new casinos forces new projects to hire away or raid established casinos. This has led to overstaffing at some of the existing casinos and has led to a costly game of musical chairs and job transfers. Staff shortages at the newer casinos require costly overtime wages and create dissatisfaction among overworked employees. This year, Golden Nugget will pay key casino personnel up to 50 percent more than typical Las Vegas salaries. This is only one facet of how regulations can act like a huge flywheel. The tremendous momentum builds up exacerbating the situation.

Positively speaking, perhaps the Legislature should change the Casino Law to remove the Commission's responsibility from areas that are best determined

by business judgment. Let's look at how far-reaching the regulations are and what areas must be changed if Atlantic City is to have a bright future. Let casinos determine the play of the games. For example, the elimination of the early surrender rule in black jack should be at the discretion of the operator. This rule alone could cost the casinos anywhere from 2 to 3 percent of the total drop. Last year, this cost Bally anywhere from \$10 to maybe \$15 million. This could mean the difference between a profit and a loss. For some casinos, this could even be the difference between survival and bankruptcy.

The State should not foster rules that eliminate competitive forces. Entertainment - it is obviously ridiculous for a casino to offer a show in its theatre when there are less than a dozen people in the audience. But that is what the regulations provide. Cumbersome junket rules should be amended so casino operators can attract affluent gamblers to Atlantic City.

We think casinos should be given a little bit more leeway in their advertising programs. As it is now, before any ads are placed, each has to be approved by the Casino Commission.

Casinos should be allowed much more flexibility in changing the mix of games or slot machine denominations. As it is now, the approval process can take weeks or even months and does not enable the casino to adjust to fickle patron demand.

Allow the entrepreneur freedom of choice in determining how his building looks and where to locate different facilities - in other words, revocation of the Commission's ability to review the esthetics of a casino project - and eliminate the residency requirements for casino and hotel employee licences and waive the licensing requirements for employees not directly involved in casino gaming. It makes absolutely no sense to require the licensing for maids, waitresses or even parking attendants.

What I am saying is that the Commission's powers are so far-reaching, they are encroaching on decisions better determined by business judgment. The Commission must see that the industry maintains its integrity. It must regulate, but should not directly manage a business. The State in its effort to regulate has taken over industry prerogatives.

We feel it imperative that the Commission alter its views toward casinos. Casinos are not endless money machines. Casinos can lose too. We will see that in this year's first quarter. There must be a more realistic and friendly regulatory environment. Imagine what publicly elected representative wouldn't give his eye teeth to court a Toyota or a Volkswagen to build a facility and create 2,000 jobs? Each casino means at least 3,000 direct jobs and many more for ancillary services. And do we welcome casinos with open arms? Maybe government should be a little more understanding of the businessman's plight before some neighboring state makes more attractive inducements. We believe casino gaming in New York could be close at hand. If similar style gaming casinos were permitted in New York City, this could have very negative implications for Atlantic City. A substantial number of Atlantic City's bettors live closer to New York and this would effectively cut South Jersey's gaming universe in half.

Because of these cumbersome regulations and much higher taxes, we estimate it costs 40 percent more to operate a casino in Atlantic City than in Las Vegas. If Atlantic City is ever to be truly revitalized and develop into a first-class - and I emphasize this - year-round resort, not just operate at peak performance during the summer, we must see that its gaming industry remains healthy. There is room for improvement in the regulatory climate. This is the all important first step in getting New Jersey's casinos back on the road to recovery. Thank you.

ASSEMBLYMAN CODEY: Any questions?

ASSEMBLYMAN RILEY: You have used a key word that seems to have been used by almost all the people today. You keep making comparisons with Las Vegas and the Las Vegas system and situation. I spoke to the Nevada Gaming Commission about two weeks ago. Their key phrase always was management prerogative governs, and you seem to be using the same type of analysis. How many people live within 125 miles of Las Vegas?

MR. ROFFMAN: I think there are probably around 13 million people within a 300-mile radius.

ASSEMBLYMAN RILEY: I said 125-mile radius. All the people have been using 125 miles.

MR. ROFFMAN: I don't know.

ASSEMBLYMAN RILEY: Very few.

MR. ROFFMAN: Much fewer than in New Jersey.

ASSEMBLYMAN RILEY: Do you think that New Jersey should go towards the Las Vegas or Nevada type of system?

MR. ROFFMAN: No, I don't at all. I don't think you have to go to extremes.

ASSEMBLYMAN RILEY: Which is what you are saying Nevada is.

MR. ROFFMAN: I think in some cases, yes. But I also believe that management must have prerogatives and you can't stifle a person from coming in and putting down \$250 or \$300 million to bring a project when he can have a higher return investing in municipal bonds. If you are going to develop a year-round resort, you must bring in more hotels; and you can't do that unless you make it profitable for the entrepreneur. If Atlantic City stops after nine casinos and that is it - and that is the way it looks to us for the next couple of years - you are going to have that same cycle year in and year out. In fact, probably next winter it will be much worse than this winter because you will have nine competitors.

ASSEMBLYMAN RILEY: You seem to be saying though that Nevada has allowed casinos to sort of take over. You don't think we should allow that in New Jersey, do you?

MR. ROFFMAN: I think that Nevada has done a remarkable job in helping reduce citizen taxpayers' expenses. They have developed a tremendous year-round tourist resort. In other words, they have attracted the capital to develop a tremendous enterprise which creates thousands of jobs in a very healthy economic environment. That is what I would like to see happen in Atlantic City. It can't happen with nine casinos.

ASSEMBLYMAN RILEY: You started to talk about different rules of the game. Do you think those really should be the target of what you are talking about?

MR. ROFFMAN: Basically what I am saying is this: Competition will develop whether or not a particular casino offers early surrender or not early surrender. The regulations are so stiffling now that they are preventing most companies from making a profit.

ASSEMBLYMAN RILEY: How many casinos are there in Nevada - in Las Vegas?

MR. ROFFMAN: There are something like 269 licensed locations.

ASSEMBLYMAN RILEY: In Las Vegas, itself?

MR. ROFFMAN: No, in all of Nevada.

ASSEMBLYMAN RILEY: How many in Las Vegas?

MR. ROFFMAN: I am not sure.

ASSEMBLYMAN RILEY: There you don't have to add the hotels or anything like that.

MR. ROFFMAN: I am not against having the hotels. I think it is a good

thing. What I am against is saying that there had to be a show in the casino last night and there may have been six people in the audience and thirty people on the stage. It is totally ridiculous.

ASSEMBLYMAN RILEY: You are saying that is the big area you think should be changed - the overregulation regarding entertainment, the overregulation regarding architectural features.

MR. ROFFMAN: Licensing.

ASSEMBLYMAN RILEY: The overregulation regarding licensing.

MR. ROFFMAN: Exactly.

ASSEMBLYMAN RILEY: Rather than the rules of the game under which everyone got their license, knowing what the rules of the game were going to be.

MR. ROFFMAN: No, I think that the surrender rule is very important. I think it should be in the discretion of the operator.

ASSEMBLYMAN RILEY: Whom would the early surrender rule hurt most?

MR. ROFFMAN: Probably the card counters.

ASSEMBLYMAN RILEY: Don't you think it would actually hurt most the people that really don't know how to play the game?

MR. ROFFMAN: I think the people that don't know how to play the game are going to lose anyway.

ASSEMBLYMAN RILEY: Thank you.

ASSEMBLYMAN CODEY: On that note, we will recess until two o'clock.

(Recess for Lunch)

AFTERNOON SESSION:

ASSEMBLYMAN CODEY: I would like to get started again, please. Our first witness this afternoon will be the new Attorney General for the State of New Jersey. It is his first time before our Committee. We welcome you, Mr. James Zazzali.

J A M E S R. Z A Z Z A L I: Thank you, Mr. Codey. I thank you and the members of the Committee for the opportunity to appear. I thank in particular Dr. Villane who is my landlord and dentist, for the opportunity to appear, and he is now my inquisitor. I have not yet during my term in office had an opportunity to speak at length on the issues which confront this rather controversial industry. But, I did on the day I took the oath of office indicate that casino regulations should be applied in a fair and reasonable manner. But, I also said - parenthetically, and I suspect it was more than a parenthesis - that whenever there was a conflict between the public interest and private convenience, that public interest must at all times prevail, and whenever there was a reasonable doubt as between the public interest and private convenience that it was my judgement that any reasonable doubt should be resolved in favor of the public interest.

I appreciate the fact that in these past few months, the casino industry has made a number of requests in connection with their interests and the relief they seek in connection with the allegedly onerous burdens which certain regulations supposedly impose upon the industry. In response to those concerns of the casino industry, the Division of Gaming Enforcement led by Director Brown to my right has made a thorough analysis. Further, the Special Committee of the Casino Control Industry composed of Commissioners Zeitz and Thomas have held two days of testimony and have heard, I understand from the SCI, from the Division of Gaming Enforcement itself and from the casino interests to the end that Messers. Zeitz and Thomas could make appropriate recommendations. I understand, of course, that Mr. Zeitz who is here with us today will this afternoon discuss his recommendations further.

I think that their proposals, which I have read, and ours will hopefully establish certain procedures, if you will, or a format which will provide for a healthy casino industry and without in any way impairing my ability or the ability of Mr. Brown or the ability of our respective departments and divisions to control the industry's integrity and its honesty in Atlantic City.

For example, the industry has proposed that strict entertainment rules be modified. The Division of Gaming Enforcement and Mr. Brown have concluded that these entertainment rules do not significantly impact upon the integrity of casino gaming in New Jersey. Accordingly, we have not taken a position in opposition to the proposed changes by the industry. Having said that, I think I would like to address - that was really a footnote, and I want it understood as a footnote to my major presentation today - the four major areas which concern me.

First, the requirement of prior experience as a condition of receipt of an employee license; second, the regulation of junket operations; third, the contract approval process; and, fourth, the licensing of those employees not involved in gaming activity.

If I can digress for the moment both for the benefit of the Committee and the members of the press who are here today, the copies of my presentation will be made available shortly and I think probably within the next half hour, so that you can doze off for the next fifteen minutes, if you so choose.

The four items which I have just outlined I will flush in in a moment. Before I begin to discuss them, I would like to emphasize that I think the overriding

consideration on the part of the Committee on my part, and on the part of everyone associated with this problem - and it is a problem - is to make sure that we in the regulatory agencies are able to martial our forces in directions which will help to insure honest and efficient casino operation so that the public confidence in the casino industry can be maintained. I think it is this martialling of forces in the right direction which to some extent is one of the keynotes of my presentation here today.

Let me start out then with item number one which is the requirement that certain specific experiential standards be met prior to the issuance of casino employee license. As I think most of us know here today, the statute in its present form requires that each applicant for casino employee and casino key employee licenses establish as one condition for the issuance of that license sufficient business ability and casino experience. I repeat, sufficient business ability and casino experience. My understanding, however, is that the casino industry seeks to abolish the standards established by the Commission for training these employees, and instead the industry seeks to establish its own standards or to remove all of the standards. In a word, they seek to place anyone they desire on the casino floor. In a word, we oppose that proposal. And, I will tell you why.

This is not a race track where the recordation of wagering is accomplished at each and every transaction to the tunes of tens of thousands - tens of thousands - of such recordations in a given evening or afternoon - depending upon where you are betting on a given day. Rather, there are no recordations of gaming transactions; therefore, these table games are particularly susceptible to fraud, skimming, collusion and cheating. Indeed, and I think this is a credit to the Division of Gaming Enforcement and to the Division of State Police, since the birth of casino gambling in Atlantic City, over 120 arrests have occurred for criminal activity arising out of the casino games themselves. The majority of those arrests involve patrons who have been detected by floor persons - the persons who are at issue today - or by pit bosses. It was those pit bosses and those floor persons who detected the cheating and the swindling violations. Therefore, up until the present time, the best system - and I know of no better system - that has been developed to prevent these activities and control these games is to employ supervisors, such as box persons, floor persons and pit bosses whose prime function it is to verify what is happening out there at the games and to keep track of what is occurring. If the control exercised by those people is to be effective or is to continue to be effective, those supervisors must know what they are doing, why they are doing it. They must be able to follow every aspect of the game; and, therefore, I repeat that we are opposed to letting the casino industry determine their own training requirement for those employees, and we think the statute should be maintained enabling my people, to put it bluntly, and the people associated with me to make that determination.

To develop the point further, the supervisor with no training or experience simply provides no control over the table games, since he will not be able to follow those games, since he will not be able to detect deviations from proper dealing procedures, since he will not be able to verify the actions and the conduct of the dealer, and since he will not be able to detect cheating on behalf of either the dealer or the patrons. There is a dichotomy there. There is a distinction, because that supervisor must be able to determine improprieties on the part of both the dealer and the patron. The important fact remains that the principal control over the table games is vested in the person watching those games. I ask the rhetorical question as to whether or not we can leave the judgement of employee competence solely to the casino itself. I think not. I submit that

we should no sooner leave that judgement to the casinos than to leave other licensing judgements, which the State must make, to casinos. I don't think anyone is arguing here, and I hope not, that issues of integrity should be left to the employer or to the industry - with all due respect to their integrity and to their character.

ASSEMBLYMAN CODEY: No, they have not, Jim.

MR. ZAZZALI: In sum, I think the kind of control that is necessary to guarantee an honest operation will be in the hands of the people who know how to use them. We therefore oppose any legislative action which will leave to the casino the determination of business ability and casino experience.

The next issue I wish to explore is the second one I mentioned, and that is, the area of junkets, which I always thought was a form of jello until I found out that the casino industry had appeared on the horizon a hundred miles southeast of here. The junket issue - and perhaps it will become a boom industry - in any event, the junkets, if not properly regulated, are a serious potential threat we think to the integrity of gaming operations. This is not an imaginary fear, something conjured up out of our rhetorical depths. Only last year the Nevada Gaming Control Board filed complaints against Las Vegas hotels seeking monetary sanctions as a result of those illicit activities which sprang from junket operations. In particular, it was alleged that participants in a junket used fictitious names, established false lines of credit and used that line of credit to walk away from the casinos with more than one million dollars of stolen money. That is the only way that one can put it.

It seems to me that that experience only a year ago - and I think perhaps Director Brown can attest to others - in bold relief perhaps even by itself suggests that we should look cautiously on any relaxation of the junket rules. Historically, it has been the experience that unscrupulous junket operators either independently or in collaboration - putting it mildly or delicately - with casino management, having engaged in the issuance of casino credit, have therefore made collections in matters which have caused the funds to be improperly recorded or to go unrecorded, thereby allowing for the misappropriation of casino revenues and avoiding taxes, which is perhaps an oblique way of using the word skimming.

The present junket requirements enforced by the Control Commission, monitored by the Commission, as aided by the Division of Gaming Enforcement, have gone a long way, we submit, in preventing those kinds of activities from occurring in New Jersey. The present junket rules, those that are extant today, are aimed at determining the identity of participants. Had the names of the particular junket participants in Las Vegas in the case which I just illustrated been pre-submitted and pre-screened, the use of fictitious names could have been avoided. And, therefore, our position, respectfully, on junkets is as indicated, that we oppose any relaxation of the rules.

I would now like to shift to the agreement approval process. The present status of the law mandates a review of all agreements and there are perhaps some exceptions to that which can be elaborated upon by Director Brown, but basically all agreements between the industry and the hotels and third parties, such as vendors, et cetera, must be reviewed under this mandatory requirement. Therefore, the Division of Gaming Enforcement has had the exciting task over these past couple years of reviewing a \$110 contract for medication of an injured pigeon, and has also had to review in depth a \$42 contract for hand cleaner and I think a \$13 bagel contract. That is the kind of contract--- Those are not isolated examples. It is that type of contract which has intruded significantly upon the time and the financial resources of the Division of Gaming Enforcement. I can carry the illustrations on to contracts

for a few cans of tuna fish and the like. I don't know that any law enforcement interest is significantly served by engaging in the scrutiny of these small and inconsequential transactions, and I revert to what I said at the outset, the concept of martialling our forces so as to use those forces in a more meaningful way in the continuing battle against illicit activities. I am talking now about the fact that Mr. Brown and his staff, to some extent, have seen their investigative efforts diverted from the tricky area of ancillary services --- and, I think you know what I am talking about in the casino industry --- to the type of trivia or minutiae that I have described. Virtually everyone in law enforcement who has studied the problem agree that service industries/ancillary industries/some questionable industries present the aspect of casino operations which are most vulnerable to infiltration by organized crime.

We have all seen the recent reports attributing the murders of Mr. Bruno, Mr. Mc Cullough, and Mr. Testa to attempts by organized crime factions to infiltrate casino support services, that is, the ancillary services. For this reason - and I have discussed at length with Mr. Brown, with Mr. Michael, who is to his right, and with his staff in order to be certain that we do not waste our limited resources. This is not an unlimited barrel, as we all know. So that we can direct those limited resources to areas of significance. That is why I have tried to present in juxtaposition the tuna fish contract with the contracts for ancillary industries.

Let me therefore make two general recommendations which call for a reorientation-marshalling, but a reorientation of our efforts in order to guarantee our ability to direct our investigative resources at those areas that experience has indicated would be the most fruitful. The first one is about the construction phase of casino operations. I ask respectfully, and I urge strenuously, that the casino control act be amended to extend the jurisdiction of these regulatory agencies and to grant them the authority to investigate, to review and to approve or disapprove business transactions conducted by casino hotels during their construction phase. I do not, and these agencies do not, as yet possess this jurisdiction or this authority. Anyone who is over twenty-one in this State, regardless of his business or profession, knows that a lot of money changes hands between owners and builders of projects and contractors and vendors, prior to the opening of a door of a building. It is a fortiori thing, perhaps, but we think that the potential is greater for the money changing hands in licit or illicit ways in the casino construction stage as well. I think we all know too that the construction phase of any project quite simply creates pressures for construction completion and they in turn, plainly said, create the opportunity for commercial extortion and for the intrusion of criminal elements.

The impropriety or illegality in the conduct of those pre-opening transactions during construction stage bears as significantly in my judgement on the integrity of casino gaming in this State as do similar improprieties once the casino business has begun. I therefore ask and support any legislation which supports that goal.

I think, too, that the Casino Control Act should be amended to make clear that the Division and the Casino Control Commission receive a list of every contract entered into by a casino hotel. The statute should then permit, and I revert to my dichotomy between mandatory obligations to review and the discretionary right to review --- I therefore think that the statute should be amended to permit but not require receipt of all such contracts; and further to assure that we will have an effective review mechanism, I think the casino hotel should be required to file on a monthly basis information in a specified form with respect to those business transactions effectuated in that month. Now, maybe I should have said

that first so as not to confuse you. What we would want is a monthly filing by the casinos indicating all business transactions so that we could then modify the statute to provide for discretionary review, could pick and choose, rather than to go through the herculean task, extraordinarily expensive task and sometimes and often non-productive task, of reviewing each and every contract, no matter what it is for. I want to assure the Committee that this would not relieve the industry of its responsibility to assure that all contracts are legitimate and fair. The industry will not know - I emphasize will not know - which contracts will be selected for audit and review. I think any accounting student knows that 100% audit is not required to insure compliance. It would be more than a spot check approach. I have never been totally confident in the efficacy of spot checks, but it would be something less than this incredibly onerous burden of review of every single contract.

Summing it up, the efforts diverted from auditing bagel contracts could then be redirected to auditing building contracts under this re-ordering of our priorities.

I would now like to discuss, perhaps finally, an area which involves the licensing of non-casino employees. As I think most of us know, the Casino Control Act requires the licensing of all employees who participate in any way in the operation and business of the entire casino hotel complex. The problem is that we focus upon those employees whose employment responsibilities are unrelated to gaming activity and who in fact - and in many cases - are not even permitted access to the casino floor. This includes persons now encompassed within the definition of casino hotel employees. And, without being too simplistic, I think primarily what I am talking about is the subject of casino hotel employees. It is the position of Mr. Brown and it is our position that the present integrity of the gaming process assured by the licensing of non-casino employees can be maintained with a less onerous and less expensive administrative system. Director Brown has spoken on this subject at length and he may wish to elaborate upon it, pursuant to your questioning after I am finished.

First of all, let me speak in terms of concept. The efforts extended in the investigation and licensing of non-gaming employees - people who are not on the gaming floor - when balanced against the benefits which we have received from those efforts have the effect - and again I go back to what I said earlier twice - of diverting the attention of these regulatory bodies from areas of significance to areas which have no substantial effect on the integrity of casino gaming.

In 1980, for example, less than 2% of all investigative efforts filed by the Division of Gaming Enforcement with respect to non-gaming employees resulted in objections to the licensing of those employees. I am tempted to say that the game is not worth the candle. But, rather than say that, maybe Mr. Brown can give you some statistical data to show in a more graphic way how we may well be wasting our money.

On a practical level, I think all of us should be aware that at the present time, over 62% of all persons employed in the casino industry in non-gaming activities such as hotel employees are employed on the basis of temporary licenses only. These licenses are issued without the otherwise necessary background investigation which is normally the pre-condition to the issuance of a plenary license. Accordingly, even under our current setup at the present time the majority of the people at present now participating in non-gaming aspects of casino employment are doing so without the benefit of an in-depth background review. We are not proposing the elimination of scrutiny of non-gaming employees. What we do urge is the following, and it is consistent with the recommendations made by Director Brown before a recent

hearing held by the Casino Control Commission. I understand that the Control Commission itself is going to make similar recommendations. The revised system which Director Brown originally proposed would involve the issuance of a work card to all non-gaming employees upon receipt of an application from that non-gaming employee, which provides sufficient identifying information, so that the Division of Gaming Enforcement can conduct and complete a criminal history check and also review any prior disciplinary action of any kind which the employee has been subjected to in the past.

If, after those checks have been conducted, there is no criminal activity indicated on the employee's record, and there is no disciplinary problem, a work card can be issued immediately to the employee. Conversely, if there is some serious problem reflected in the check, criminal or otherwise, the issuance of the work card can be withheld and the applicant would be, in any event, allowed to have his due process right to a hearing, so that the issue can be flushed out. Obviously, there are two valuable benefits from that kind of a sensible but strict work requirement. First of all, it streamlines the non-gaming employee approval process enormously. And, secondly, and as far as I am concerned more importantly, it enables the Commission and the Division of Gaming Enforcement to take action to remove those persons from that hotel should the circumstances so warrant. Again, we are marshalling our forces in the proper direction.

I think, summing it up as I do in our report, our time and energy can be better spent with the Chairman of the Board than with the chambermaid. I therefore support legislation which would achieve those goals.

In sum, let me restate what has been obvious over these past few years. And, perhaps I understate it. The casinos are different from other industries. If they were not different, we would not have needed a constitutional amendment to allow them to exist. I think most citizens want the casino experiment to succeed, and in terms of giving a tone to my presentation today, success is not always measured in dollars. Success must be measured in terms of public trust and in terms of public confidence. The problem is that the public interest does not easily translate into numbers the way dollars do. Nevertheless, we cannot obscure the public interest. I think this State and this legislature and the Casino Control Commission, and the Division of Gaming Enforcement can be proud of what they have accomplished so far in the short time since the Casino Control Act has been passed. While we want to be reasonable in the enforcement of these regulations, it remains that the rigid standards of control applied to the casino industry are a major reason for the accomplishment, for the success that has been achieved to date. I don't think that it is any time to relax those regulations in any substantial way. Gentlemen, they are not manufacturing plastic airplanes in Atlantic City. Thank you very much.

ASSEMBLYMAN VILLANE: Attorney General, you talked about an extension of the investigatory phases that would be allowed by your office into the casino industry prior to them becoming licensed by the State. Would you also include an extension of the mandatory requirement that contracts let for building construction be submitted to your office prior to them being licensed also?

MR. ZAZZALI: I think the answer is yes to that; if that is not explicit in my presentation--- Because, construction contracts provide raw meat for review, I think, that we would be anxious to review those contracts.

ASSEMBLYMAN VILLANE: Would there be confidentiality maintained within your office so that the contract drawn between private parties would have that benefit?

MR. ZAZZALI: The contract's confidentiality would be maintained and indeed the practices to maintain confidentiality of those agreements. We still believe in due process.

ASSEMBLYMAN VILLANE: In the case of the tuna fish and the big fish, at what point will your office decide what should be an area which we should look into, the ties to organized crime or someone trying to infiltrate or monopolize an industry, whether it be supplying toweling or linens, or whether it be supplying the food? How will you be able to tell? Will it be a dollar amount contract?

MR. ZAZZALI: I think that determination is really a test for circumstances, and given the sophistication and the expertise and the experience of the people in the Division of Gaming Enforcement, I think they would look at the contracts, at the circumstances surrounding those contracts, that viscerally they might know when to proceed further based on information received, and they might know when to proceed further based on names that surface in a contract. They might be alerted by that as to when to proceed further. But, their antennae, I think, are sufficiently developed that they can proceed in the right direction.

ASSEMBLYMAN VILLANE: My concern is that however small the item, if we end up with thirty casinos in Atlantic City, and that one area that we didn't investigate was the particular sale of a small item, but that fellow had all thirty casinos, that could in itself develop into some sort of monopoly that would be fought for by the underworld.

MR. ZAZZALI: I agree with you. We eat a lot of tuna fish, and collectively if there is a tuna fish supplier supplying all thirty casinos, that amounts to a fair amount of money. Although, I think we can make those discreet judgements as time goes on.

ASSEMBLYMAN VILLANE: One of the things suggested earlier today was that the industry itself - and I feel as you do that this is a very, very special kind of industry and it is a special kind of business that has been licensed by the State of New Jersey - requested an extension of new games as the need is required, or the popularity of games throughout the world become more prevalent. Do you have an opinion as to whether or not you would like them to be able to decide whether or not new games could be implemented in Atlantic City?

MR. ZAZZALI: The variations in games or indeed new games can be and I think have been submitted to the Commission for approval. I don't have ---

ASSEMBLYMAN VILLANE: The statute allows a certain number of games.

MR. ZAZZALI: Okay, I stand corrected. I think I would have to defer to the Commission on that and leave it to its expertise supplemented, though, by the recommendations of Director Brown and his staff. Going back to the premise in your question about the industry feeling that it should be allowed to function as a business, no one denies the fact that this industry is a business and should be allowed to function as a business. But, they have to - meaning the casino industry - respectfully recognize that it remains a unique business. Again, they are not making plastic airplanes. They are down there dealing with something that is a very unique commodity, money - money in abundance. And there are enormous temptations. I am stating the obvious, but I think they have to recognize that they are sui generis and, because of that, they are held to higher standards and during our administration will continue to be held to higher standards. And, if they think they are being treated differently, perhaps they are.

ASSEMBLYMAN VILLANE: One last question, the industry has spoken very strongly about a need for a change in the junket laws. They talk about unless there are changes, that it would doom Atlantic City to a day stop, a one-day stop

and never really build the tourist industry or invite people from other parts of the world or other parts of the country to come and spend vacations. Is there some area within the junket law - maybe Mr. Brown can answer this - where there could be some negotiation or compromise or modification?

G. M I C H A E L B R O W N: Dr. Villane, the only area that I think we should consider discussing is the length of time of the notice requirement, which is now fifteen days. There may be a showing that that period of time, I am told by the business industry, is too long a period of time, and they should be allowed to make notification or submit notification of participants in the junket within five days or within seven days. We can consider that or discuss that as to the licensing requirement of junketeers, and the strict regulation of what a junketeer can and cannot do; I think we should maintain existing legislation. You only have to look at a speech that Chairman Bunker of the Nevada Gaming Board made a year ago in which when speaking to an international gaming conference he outlined problems with junketeers and mistakes that had been made in Nevada in the past, and on the process trying to be corrected.

ASSEMBLYMAN VILLANE: Thank you very much, Attorney General and Director Brown.

MR. ZAZZALI: Thank you.

MR. BROWN: Thank you.

ASSEMBLYMAN CARDINALE: I would like to thank you for your statement and in particular, I think it is the first time I have heard from a member of the governmental aspects of casino involvement that you can get by with a less onerous and a less expensive administrative system in examining some of the licenses of any area.

It has been quite obvious, I think, to most of the members of this Committee that this has been one of the greatest problem areas. There are some other things, though, that I have a little bit of trouble with, and I wonder if you have looked at some of the other possibilities. You talk about a certain number of arrests having occurred for criminal activity and the basic factor in your discovery and so forth has been the people on the floor.

I am informed - while I have not seen them myself - that there is very elaborate electronic surveillance of almost every table available to the supervisors of the casino activities. Isn't that a far more effective method than the method of the pit boss or someone behind the table?

MR. ZAZZALI: One of the answers to that question is, I think, in the battle, without overstating it, against illicit activities, we have to use a number of weapons which are efficacious. The use of electronic surveillance is not a redundancy. I think it is necessary, based on my familiarity with those operations. It catches things which the supervisor does not have the opportunity to catch. It records activities which are out of the eye of the beholder. I frankly endorse the use of that kind of surveillance since the public is aware of it, or should be aware of it, and no one is pulling a fast one on them. And, I think it has to be done.

It was said in another context, but eternal vigilance remains the proverbial price.

ASSEMBLYMAN CARDINALE: I happen to agree with you, but my emphasis in my question was that the surveillance by the electronics should perhaps be emphasized instead of the surveillance by the people, and that might be the economy that would allow us to do a more effective job, while at the same time maintaining our surveillance.

MR. ZAZZALI: I will let Director Brown respond to that. It occurs

to me that conversely, too, the pit boss, the supervisor, can pick up things in his particular locus activity which is beyond the pale of the electronic surveillance.

MR. BROWN: I think, Assemblyman, that the system in effect with the CCTV viewing a table and having video tape recording capabilities is a means of recording transactions and presence at a table at a particular time. The majority of the cases where arrests have occurred, as the Attorney General said, or cheating violations by a compromising employee or a fast-handed patron, the initial notification of the crime has come from the person who was on the floor, the floor person or the pit boss; he notifies security. Cameras are trained on the table, videotape recordings or the transactions are made, and the evidence is preserved. There has been one case which has gone to trial so far in which we had the recording of the transaction, but it is the expertise on the floor standing over the table that we suggest is necessary to insure there is not a compromising of the game by a patron.

ASSEMBLYMAN CARDINALE: Thank you. I guess we have to watch the pit bosses if we are going to cheat.

The determination of business ability and casino experience being left to management - and while I agree wholeheartedly with you on the aspect of integrity, I don't quite see why you feel that the casinos would have any less interest in having business efficiency and people who are competent working there, and I would like you to elaborate on that a little bit, if you would, as to why you come to that conclusion, and also in this or any other areas to which you can point, the State having control over such activities has in fact led to a greater degree of competence or has it instead created some other problems?

MR. ZAZZALI: I am going to defer to Director Brown, but I do think that in connection with the first part of the question, you are asking what?

ASSEMBLYMAN CARDINALE: Essentially, I am saying the State wants to make some judgements about the employees---

MR. ZAZZALI: Okay, I follow you. You are asking whether there is any real harm or, putting it another way, you may have confidence in the ability of the employer to make those judgements. I am not a cynic, but I am not so sure, and I think that an employer is perhaps more likely in this particular context to take into consideration extraneous or irrelevant factors, and that might perhaps affect adversely his judgement on experience in business on casino training. I just think to repose that final decision-making authority in the employer is fraught with danger. I know we are interfering with business judgements when we do that, but I think, on balance, it is better to have the regulator have the final say.

Now, with that, let me defer to Director Brown, because I think he can be more precise in terms of facts underlying that conclusion.

MR. BROWN: Briefly, Assemblyman, there are minimum experiential requirements in proposed regulations which were drafted by the Casino Control Commission and its staff in conjunction with the staff of my Division. These are only minimum experience requirements, and they set a threshold experiential requirement which must be met before someone can be licensed at a higher level. We feel that is necessary to insure minimum experience in the integrity of the game. You could have the most experienced box person in the world, and if he has some larceny in his heart, he can commit a crime against the casino. You can have the most honest employee in the world who has not worked at a craps table for 1200 or 1500 hours, and as honest as he may be, he will never detect a compromise by a patron or an employee. So I think that the State does have an interest in insuring minimum experience, since the statutory language is that the Commission must decide that a casino employee

for a particular job have casino experience, sufficient casino experience, that has been interpreted, and we agree that they do have a right to set minimum standards. Let me also suggest to you that there are financial considerations and economic considerations wherein casino management may determine that it is less expensive, less cost effective, to allow some cheating to exist at a \$2 table, and therefore, they don't want to be responsible for a floor person covering a few \$2 tables; they want one floor person to try and stop cheating at all of them. We don't have \$2 tables anymore, excuse me, \$5 tables.

That is a legitimate interest that they have. It is an economic consideration that it would be less expensive to allow some chips to be stolen, to allow some capping to occur at a low limit table than to pay to maintain the integrity of the game. We feel that there is an overriding interest to insure the integrity of not only the \$5 table but the integrity of the \$100 table. That is the best I can do.

ASSEMBLYMAN CARDINALE: I realize you probably were not in the room when we had the earlier testimony regarding this, perhaps you were, I am not sure.

MR. BROWN: I was not, sir.

ASSEMBLYMAN CARDINALE: This is a real problem as viewed by the industry in that in any judgements of this type it is obvious you are going to be looking at people who are quick learners and people who are not quick learners and to establish an experience factor on the basis of time might not allow the industry to promote people on a rapid basis who have demonstrated obvious abilities to master the subject.

MR. BROWN: I understand and I have heard the argument, but I believe that the experience requirements are minimum, and the minimums that the industry can live with, or the Commission can reduce hours over a period of time. But, I think the Commission should maintain that authority to set some standards that must be met.

ASSEMBLYMAN CARDINALE: In terms of the junkets, you indicated a commitment toward determining the identity of participants and I assume that you mean the customer of the junket. And, we heard earlier testimony that alluded to the fact that people are not too happy with going on a junket where they have to be identified and this is a severe deterrent to any kind of efficient junket operation.

Now, why is the State so particular? I can understand your concern about the operator; I can understand your concern about having no collusion between the casino employees and the operator of the junkets, but why the concern about the patron and his identification?

MR. ZAZZALI: I will commence answering that and then defer to Director Brown. I don't doubt that perhaps some members of the public may be a little uncomfortable giving their name, but I can't accept the proposition, as has apparently been suggested, that it seriously impeded the ability to get people to go on these junkets or whatever or however it was phrased.

It occurs to me in this name conscious 1981 that from birth to death the name is submitted and circulated in thousands of ways; and, for a citizen to have his name listed for the 120th time or whatever on a junket registration, I cannot see that would in any way impede that citizen's desire to go to Atlantic City. They are anxious to go to Atlantic City. Perhaps in a 1 in 100 situation, someone may otherwise not go. I just don't accept the proposition that it would severely curtail junkets.

I would add, though, the purpose that is served --- and I go back to the problem of credit and the extension of credit, and the fact that junket operators

have used credit devices to manipulate monies with the result that casinos have lost a considerable amount of money and therefore the State has lost a considerable amount of money.

ASSEMBLYMAN CARDINALE: Thank you.

MR. BROWN: First, Assemblyman, the list of participants in a junket is not a published list. It is submitted to the Division for investigations, if it becomes necessary. I think that the law enforcement community in the casino industry which is the Division of Gaming Enforcement and supportive State Police Units have a law enforcement interest in knowing who is coming into our casinos on a complimentary basis, the amount of complimentary services, the amount of credit that is going to be extended to those people, It further gives us the right to control the conduct of unscrupulous junketeers who may without knowledge of casino management create a system of trying to collect markers from junketeers when they have no authority to do so, and then pocket the money to the financial detriment of the casino, and therefore the casino winds up with the bad debt, which may be written off; and that fund is not only lost to the casino but the tax on that fund is lost to the State of New Jersey.

I think that the fact that someone does not want his name to be submitted as receiving a service from a casino which is going to be over \$200 which in some instances may go into thousands of dollars is not a sufficient justification. I think the law enforcement concern of being made aware of who is coming into our jurisdiction is legitimate.

One thing that Chairman Bunker said about junkets and junketeers when he spoke at the Gaming Conference in June of 1980 was that the reason they require so much control is that you are dealing with people who are outside your jurisdiction. The State of New Jersey has little or no control over participants to junkets, and over the junketeers unless we have strict regulation. The incident the Attorney General referred to that came out of Las Vegas --- the decision by the Nevada Gaming Board recently involved a credit scam of approximately \$780,000 committed on a Las Vegas casino by people who had participated in junkets, used false names and developed high lines of credit. Those people came from the North Jersey area that committed that scam in Vegas.

ASSEMBLYMAN CARDINALE: It is interesting to note that they went to Las Vegas to do it. I think we have some other controls on credit that would obviate that happening here in New Jersey. They didn't go to Atlantic City to do this.

MR. BROWN: We had a situation last summer where more than one casino lost substantial amounts of money by patron theft through falsification of identification and credit information.

MR. ZAZZALI: Just to echo what Director Brown just said, it seems to me that the unlicensed use of junketeers, unrestricted, unregistered importation of masses of people, really, could result without overdramatizing it in a Trojan horse situation, and you may just want to think about that.

ASSEMBLYMAN CARDINALE: Thank you.

ASSEMBLYMAN CODEY: Mr. Zazzali, with regard to the proposal you have made this afternoon, it concerns contracts between a would-be casino and their contractors to build a casino; is that correct?

MR. ZAZZALI: That is correct.

ASSEMBLYMAN CODEY: Do you have any knowledge that there has been any illegal activities in regard to those contracts between those parties in the building of casinos in Atlantic City?

MR. ZAZZALI: My predicate for the proposal is based on common sense,

experience and very good advice from my people. As to specific examples, I will turn to Mr. Brown. I don't know whether he is able to discuss that at this time.

MR. BROWN: Mr. Chairman, there is to my knowledge---

ASSEMBLYMAN CODEY: It would seem reasonable to me to assume that maybe the genesis of this proposal is that there may have been some illegal activities before

MR. BROWN: Since I have been with the Division, there have been two incidents involving what may have been an impropriety on someone dealing with the casino under construction. Such matters have been referred to the Division of Criminal Justice, and the Commission has absolutely no authority to interfere with or to control such transactions prior to the issuance of the temporary casino permit, and many of the contractors thereafter must continue a business relationship with the casino to finish construction to finish off the top floor of the lounge or whatever was not done when they opened the doors.

ASSEMBLYMAN CODEY: But you feel there is a real need for that proposal.

MR. BROWN: We feel there is a real need to exercise some control. These casinos are under a terrific strain, financial strain, to finish a building on a day, and have that TCP approved, which involves approval of the facility to receive 500 rooms or to receive 500 overnight guests and have sufficient public space available before the Commission will grant a TCP. I think it is ripe for some type of business extortion when it gets close to completion of a project and the casino must be completed, and they must start paying their interest on their notes on a given day.

ASSEMBLYMAN CODEY: Couldn't you also extend that to unions?

MR. BROWN: Yes, sir.

ASSEMBLYMAN CODEY: It would seem just as right.

MR. BROWN: And there is the present Casino Control Act which is somewhat vague, as you know, Mr. Chairman, regarding registration and enforcement of registration of unions.

MR. ZAZZALI: In terms of the common sense aspect of this problem, just look at the dollar volume and dollar costs reported in the paper each day of what it takes to build a casino - \$140 million, \$180 million. That is where the situation is potentially fraught with peril and I think these resources should be martialled towards that instead of a \$200 cornflakes or cheerios contract.

MR. BROWN: Let me also say, Mr. Chairman, if I might, that I think this suggestion would meet with a limited sum approval of the industry, if not limited approval. The incidents that we have been involved in in a construction phase were brought to our attention by the casino developers where they thought there was something going awry.

ASSEMBLYMAN CODEY: It is nice to know that.

ASSEMBLYMAN VILLANE: Remember, we approached this problem perhaps more superficially when we talked about the length of time for a temporary permit, how long we would let them go, because we felt that at the time some unions would hold up the completion or the finalization of the plans until it was all done, and really holding blackjack ransom until they could complete the negotiations with a strike or whatever.

ASSEMBLYMAN CODEY: Just one other point in regard to the junkets, the other thing that comes up is the \$200 figure which we made in 1977, and with the price of gas today, that is almost a taxicab from Orange to Atlantic City and back. I would think that maybe we could raise that figure to meet inflation.

MR. ZAZZALI: We would have no problem with such a position, Mr. Chairman, raising the minimum amount.

ASSEMBLYMAN CODEY: It doesn't seem unreasonable, I don't think.

MR. ZAZZALI: No, it doesn't, because as the statute is presently drafted, the casinos cannot even use the reduced costs that they may get if they charter a bus. They have to use what it would cost the patron, the fair market value of what it would cost a patron.

ASSEMBLYMAN CODEY: In other words, if you drove someone from Orange to Atlantic City and back, if you used your own car---

MR. ZAZZALI: That is right, so they have to submit based on fair market value of the service, not what it actually cost them to do it. You might also consider cost.

ASSEMBLYMAN CODEY: Thank you. Assemblyman Riley.

ASSEMBLYMAN RILEY: Thank you. I have several questions. First, regarding your recommendations for statutory amendments that you alluded to regarding contracts for construction, would you submit language to us?

MR. ZAZZALI: Yes, we will. We will take that responsibility.

ASSEMBLYMAN RILEY: On conceptual items, it has been raised about twenty-four hours, the casinos being opened for twenty-four hours is one of the things that they would like to see, for different reasons. Would you be opposed to that, and also, do you see any adverse effect like they were saying to law enforcement? I would think it would be the reverse. I think they would probably create more havoc closing them at a certain time.

MR. ZAZZALI: Plainly said, we are opposed to opening the casinos all day.

ASSEMBLYMAN RILEY: Why?

MR. ZAZZALI: I think the problems that have already been indicated in Atlantic City as a result of the industry will multiply. We are trying to get the present situation under control. I have a basic sociological concern about that kind of proposition. I think in terms of specifics, again, I refer to Director Brown, because he has addressed that question in a prior hearing as to his precise reasons. My reasons for opening are practical, to the sociological.

MR. BROWN: The elimination of time in the casino atmosphere we feel would enhance the number of problems. I realize that there is a cost--- As it stands now, there is no time inside most casinos, except for the Playboy, where you can look out a window and see the ocean during the day time. But, with that exception, there is no time inside a casino. I think it is a matter of a policy issue. I think the fact that time is eliminated inside the casino floor, such as in Las Vegas with twenty-four hour casino gaming, although it is convenient for eight-hour shifts, enhances the problem of not being down for a period of time, of not having a situation, be it two hours a day when the floor is emptied and inspections can be done, when accounts can be made, when people can be brought into the atmosphere fresh.

I have read the transcripts of some of the hearings you held during the formations of this legislation, and it would detract from the resort and enhance the casino dominance of Atlantic City, that it is a casino town and not a resort town that has casinos.

MR. ZAZZALI: I would like to underscore that. If there is one thing we can say today, it is to emphasize the fact that the *raison d'etra*, the basis of this legislation, was to improve Atlantic City as a resort town and not to make it a gambling town. I have basic differences in principle with anyone who would

suggest twenty-four hours a day opening and twenty-four hours a day gambling because you inexorably lead us to a full-time gambling town and you don't develop the magnificent resort resources that the town has, that the area has, and instead the gambling eclipses every other consideration.

ASSEMBLYMAN RILEY: Aren't we being almost unrealistic. Five years ago Atlantic City --- Fifteen years ago all of us remember Atlantic City as the playground of the world. Five years ago, it was not that. Now, the reason for its renaissance is the casinos; isn't that correct?

MR. ZAZZALI: In part and primarily.

ASSEMBLYMAN RILEY: In part, then what is the other part?

MR. ZAZZALI: Well, it is the attendant consequences, the hotels, and so forth. I don't want to get back to five years ago; I want to get back to twenty years ago. I think that is what everyone else wants to do.

ASSEMBLYMAN RILEY: I agree, but the way we are getting there is through the reconstruction of Atlantic City and through the casinos; isn't that right?

MR. ZAZZALI: Yes, but it doesn't have to be to the total advantage of gambling to the exclusion of all the other resort resources.

ASSEMBLYMAN RILEY: Oh, I am definitely not for the total advantage of the casinos. That is already understood.

As far as the new games, and I presume that some of the games like keno and others would be hard to supervise the money aspects of it with the girls running around in the breakfast lounges and things, but except for that, say something like mini-baccarat, or expansion of the floor games itself, do you see any problem with that at all? Isn't that more strictly regulatory or maybe over-regulatory?

MR. BROWN: If there is a game, and the Commission is satisfied that it is a game which has fair odds, and it is a game which can reasonably be understood by the average punter or gambler, and the Division is satisfied that we can learn a sufficient control of the game in observing it, and the Commission inspectors, then I think the game can be submitted. I think there are some guidelines broadly set as to the type of games that you allow, and I think that is a policy matter, as the Chairman can recall, as to what types of games you wanted in Atlantic City.

ASSEMBLYMAN RILEY: That is in the statute.

MR. BROWN: Yes. You didn't want slot machines in the men's room or the bus station.

ASSEMBLYMAN RILEY: I know, but I am talking about expansion such as a mini-baccarat game. You wouldn't have any opposition to something like that, would you?

MR. BROWN: We would review any game submission and so long as the rules would be standardized throughout Atlantic City regarding that game, and it was a fair game for the customer, we would not oppose such a proposition.

ASSEMBLYMAN RILEY: If I understand the major obstacle or major argument regarding the junkets besides the dollar limitations, it would be the submission--- Fine, I agree with the Attorney General about the list of names. Anyone who is afraid to give their name, we don't want them in this State anyway. But, as far as someone who submits his name, do you think we ought to put the onus on the regulatory body in regard to that, as we do with a planning board or a zoning board? If a name is submitted and you don't get back to them within fifteen days, then it is tantamount to approval under the statute. Would you be opposed to something like that? In other words, just turn the onus around.

MR. BROWN: All they have to do is submit the names to us. There is no approval required.

ASSEMBLYMAN RILEY: Okay. There is no approval.

MR. BROWN: No, no, they just submit the names, so we have the information. And, we also have accepted updates on information where things change and somebody pulls out of a junket and they are replaced by another person.

ASSEMBLYMAN RILEY: One last question, when you were talking about cheaters, you weren't talking about card counters or anybody with skill, were you?

MR. BROWN: No.

ASSEMBLYMAN CODEY: Attorney General, in regard to the twenty-four hours, I had mentioned some weeks ago about maybe not in 1981 but in 1982 during the summer using as an experiment twenty-four hours just on weekends. As you know, we are closed only from 6 A. M. to 10 A. M. and I certainly wouldn't think that would be a great sociological change in lifestyle in Atlantic City for weekend nights during the summer.

MR. ZAZZALI: Director Brown has indicated that he might be receptive to the concept on a test basis. He might also have to persuade me.

ASSEMBLYMAN CODEY: Best of luck to you. Mr. Brown, I just wanted to mention that your Division from what I can see has really changed quite a bit, and it seems to have streamlined quite a few things. I don't get nearly the amount of complaints that we used to and that is not any knock on Bob Martinez who is a good friend. I think he did a good job. But, it really seems to be moving along so that people are not as upset as they used to be about long delays and whatever from the the Division. Thank you.

MR. ZAZZALI: Thank you very much.

MR. BROWN: Thank you.

ASSEMBLYMAN CODEY: Carl Zeitz, Commissioner, Casino Control Commission.

C A R L Z E I T Z: Chairman Codey, members of the Committee, my task today is to present to you certain proposed amendments to the New Jersey Casino Control Act, which have been adopted in a formal commission resolution for forwarding to the legislature. I should say at the outset of this testimony that these recommendations are limited, are the result of the commission's own careful study and review of the law as mandated in Section 72 of the act, and are derived from actual experience administering the law and the comprehensive regulatory system it established to control casino gaming in this State.

Let me add parenthetically here that the Commission believes where possible when revisions are in order in the regulatory system it is probably possible to address these concerns more rapidly through the regulatory process than by legislative amendment; and legislative amendment, I think, raises changes and a debate to a much higher level and therefore does not have the flexibility that the regulatory system has. Also, there are other areas which I did not come prepared today to discuss in my prepared remarks that the Commission is reviewing, such as junkets, and we have heard a great deal about junkets today. That is something that is under review now. It is a very complex area, and at this point the Commission has deferred any recommendation there pending a comprehensive review.

In any case, the recommendations we present to you today derive from two sources. The first is the product of the work of the commission's Permanent Committee on Regulation and Legislation, which I chair. The second results from the work of the Legal Division of the Commission under the direction of R. Benjamin Cohen, General Counsel to the Commission. I should note that I am accompanied today by Robert Genatt, Deputy Chief General Counsel to the Commission, who like Mr. Cohen is a considerable authority on the casino control statute, and may be able to assist you in accomplishing a legal diagnosis of the amendments we propose.

Primarily the amendments if adopted, we propose were extracted from a report by the Permanent Committee on Regulation and Legislation to the full Commission. That report provided a summary of the information presented to the commission at a public hearing conducted by the Permanent Committee on February 23 and 24 in Atlantic City. The report was presented to the commission at its public meeting on Wednesday, March 25th. Last Wednesday, April 8th, the Commission approved a resolution to transmit several specific amendatory recommendations to you today. No doubt many of the witnesses at this hearing, including many who already appear today either from the industry or other government agencies, notably the Commission's companion agency, the Division of Gaming Enforcement under the Direction of Attorney General Zazzali and Director G. Michael Brown, have discussed some of these issues already.

First, the Commission believes that four years of experience licensing employees in the hotel casino industry demonstrates that it is time to remove from licensing those workers who are employed in the hotels but have no contact with and no duties in the casinos. Instead, the Commission believes a system of employee registration can be substituted for these hotel workers, safeguarding the public interest in knowing who is working in the hotels while preserving the ability of the government to seek the removal of any such employees who are found to be, or become unfit to continue such employment.

Similarly, the commission by specific amendments would define more precisely gaming related casino jobs, and recommends that non-gaming related workers employed in the casinos but not in casino functions, also be removed from licensing in favor of a system of registration. These workers, for example, are the cocktail waitresses, the maintenance employees. Still lacking data processing which, by the way, the Commission expects to have at last in the new fiscal year, it is difficult to extract figures that would demonstrate exactly the impact of these proposed licensing amendments on the work force in Atlantic City hotel casinos. Nonetheless, the Commission believes these amendments could be accomplished without detriment to the integrity of the regulatory system, and would in fact accrue benefits to the regulatory effort by permitting it to concentrate its resources on other more sensitive areas like the licensing of service industries, casino and casino key employees, the hotel casino corporations themselves, and the actual gaming operations in Atlantic City. This much I can tell you with assurance: To date, of the many thousands of individuals licensed as hotel employees - and I believe the figure exceeds 15,000 - that's hotel workers who have no job contact with the casino, the rejection rate for unsuitability is less than one percent. The amendments we propose would retain the State's ability to find and exclude from employment by the hotel casinos such unsuitable individuals.

A second amendment that the Commission recommends would reduce from seven to one the classes or categories of alcoholic beverage licensing in the hotel casinos, and by statutory enactment adopt a recent declaratory ruling by the commission that hotel casinos may store alcoholic beverages at off-site premises, providing that when they do so the proper licensing authority would be the Division of Alcoholic Beverage Control.

The Commission makes this recommendation because it has found through experience that the present seven classes of licenses created an administratively cumbersome system, increasing no doubt the administrative costs of both the regulatory agencies and the hotel casino industry. The proposed amendment would change nothing by way of the precise definitions of approved or permitted alcoholic beverage services in the hotel casinos, but would streamline the review and enforcement of these

provisions by bringing them under one license.

Next, the Commission recommends pruning Section 70 of the act as it pertains to review of hotel casino advertising. Nothing would be lost to the state's effort to assure that such advertising is tasteful, reflects the complete services of the hotel casinos, and not merely the gambling they offer, but would retain the Commission's ultimate authority on behalf of the State and its public to regulate this aspect of the industry's activities. But, in recognition of a relevant argument that advertising is largely a business function, and that indeed such state agencies as the Lottery Division are permitted to advertise gambling as a product, the Commission would have less involvement in this area of the hotel casino industry.

Finally, in an amendment drafted by the Commission's Legal Division, the Commission would be given within the Casino Control Act a limited exception under the Open Public Meetings Act. This amendment, if adopted, would allow the full Commission to consult on decisions in major licensing cases. Also, it would allow the five members of the Commission to sit together to work on and decide purely administrative decisions within the agency. I recognize this is a sensitive topic, and perhaps a sensitive proposal, and I am prepared to answer any questions about it that you may have.

That concludes my presentation concerning the recommendations being delivered to you on behalf of the Commission. Before I close, however, I would like to add a personal comment, and these reflect only my views. I cannot represent that they speak for any other member of the Commission, although I am sure that the basic philosophy I express would be concurred in by all of the Commissioners. But, in any case, this is a personal comment. I hope it places in perspective the possibility that the statute would be amended and place some perspective on this continuing debate on whether it needs to be.

I think I can say safely that no one involved in the regulation of this most sensitive industry would urge any changes in the law or the regulations governing casino gaming that would give back one scintilla of the strict requirements for integrity, control, and public confidence that New Jersey said it would demand and has demanded since it let casino gaming into this State. I have said this before, and I will say to you again today that when it is contended that the regulatory system is overbearing, or given to excessively zealous vigilance, it must be remembered that it took an amendment to the constitution of New Jersey to legalize it and give casinos a beachhead on the East Coast. That is a simple fact; it is not an oversimplification. We can count on the fingers of one hand the industries that have travelled the route of the constitution to become legal in this State, and in one way or another they are all gambling activities. The law we have attempted to construct the perfect regulatory system. Perfection is an ideal and the best we can do to achieve it is to keep trying. But, I think it was and remains preferable to have attempted to cover every possibility, every contingency, at the outset of the establishment and regulation of casino gaming in New Jersey and then by careful review as we have done -- as you are doing -- to determine when and how the rules can be changed from time to time only when and as experience demonstrates that can be done without insult to the State Constitution, or to the public interest rooted in the constitution. Thank you.

ASSEMBLYMAN CODEY: Questions?

ASSEMBLYMAN CARDINALE: In these alcoholic beverage distinctions that you are proposing be eliminated, would that obviate the problem of a drink being carried from one part of the building to another part of the building? In other words, if you buy a drink in the cocktail lounge, would you then be able to carry it into the casino if that licensing provision were changed?

MR. ZEITZ: That could be handled within that provision. I think we have already answered that in terms of one petition from a hotel where there was a problem like that, and the Commission granted them approval for that.

ASSEMBLYMAN CARDINALE: The reason I asked that is, it seems like they almost have a security guard stationed at each entrance and exit whose primary function is to prevent people from carrying a drink from one area to another, and while that may seem to be a very small point, it might be a significant economy.

MR. ZEITZ: We will have to check with Mr. Genatt, if he recalls. I believe that in effect has been waived. Certainly it was addressed in terms of one of the hotels and permission was granted to allow the transportation of an alcoholic beverage from a pub area on to the floor.

ROBERT GENATT: I might add, Assemblyman, the change we propose in Section 103 doesn't mean that the entire facility would automatically be licensed for alcoholic beverage possession or consumption. It may well be that we could use Section 103 as amended to do what the Commissioner suggests where appropriate, if you have two areas of a hotel both licensed for alcoholic beverage and you have a flow of traffic between them, but I don't think we intend to say that the result of this would be to wander the halls of the hotel with alcoholic beverages in open receptacles.

ASSEMBLYMAN CARDINALE: That was in my suggestion. I am limiting my question to carrying a drink from the cocktail lounge to the casino floor, and I have observed that they do actually at Resorts station a security person there, and from my own observations, it doesn't seem to have much other function. The principal function that person is performing, at least, is to stop people from carrying drinks from one place to another, and it seemed rather senseless to me. They will give you a drink for nothing on the other side.

ASSEMBLYMAN CODEY: Mr. Zeitz, in regard to junkets, it is my understanding then that the Commission is working with the Division to try to come up with a proposal.

MR. ZEITZ: Yes, the Commission has authorized Commissioner Danziger to direct this review. The Division is involved in it, the industry, our own legal staff which has come up with a rather complex and detailed analysis with a memorandum, and we are proceeding with that review.

ASSEMBLYMAN CODEY: When do you think he might be able to recommend something to us? The reason I voice a concern is because we will be going back into session in another week, and I don't know how often we will be meeting, and then we have the summer break.

MR. GENATT: Maybe I can address it this way, Mr. Chairman. We are currently working with the Division and the industry and we have sent out to the industry and to the Division a questionnaire to raise the minimums in eighteen separate areas of concern. We have asked the industry and the Division to repond to us and give us their thoughts as to how to address better those areas. Today was the due date for those questionnaires, but people being busy, that due date is going to pass, but we are going to stay on top of it and get it in as soon as possible. If we can, from that, we will synthesize legislative amendments and we hope to get them to you in a matter of weeks.

ASSEMBLYMAN CODEY: Okay, Mr. Zeitz, I just wanted to compliment you on the report that I received and passed along to the other Committee members. I didn't have to read about it in the newspapers, for one. And, two, it was well done. It was very concise and to the point. It is really one of the best I have seen in a while.

MR. ZEITZ: Thank you. I remembered how often you had told me that you hadn't seen it, so you wouldn't comment.

ASSEMBLYMAN CODEY: That is true.

ASSEMBLYMAN RILEY: One quick question. I met with the Executive Director of the Commission about two weeks ago and he said that part of the problem was that some of the studies had stopped because of the two-year post employment restriction on the consultants. I am presently having drafted a bill pursuant to his request to eliminate that from anyone hired by you. I presume you concur with that, to eliminate any experts or consultants hired by you.

MR. ZEITZ: Yes, we would, because it has chilled the interests of people and businesses in doing consulting work for the Commission, because there is the possibility that under the statute they would be barred from working in the industry.

ASSEMBLYMAN CODEY: Thank you. Our next witness will be Mr. Jack Davis, President of Resorts International.

J A C K D A V I S: Gentlemen, in the interest of your time and non-duplication of testimony, we have handed in a statement which comprises all of the points that we would like to make a presentation on. Most of them have been already taken up and presented, and primarily in the testimony given by Mr. Downey of the Association I understand, so I would just like to make a couple of re-enforcing points and then be available for any questions that I might answer for you.

First of all, I understand that this morning the New Jersey Council of Churches commented on the issue of facilities, and I would like to say that we agree with the Council of Churches' position---

ASSEMBLYMAN CODEY: That is the first time in about four years.

MR. DAVIS: Yes. With regard to their position on changes in the facility requirements in the act - In other words, we think that in order to maintain the quality of casino hotel establishments that were intended in the original act that the same requirements for ancillary facilities should be maintained and not reduced. In this manner we feel that there is a better chance to encourage the development of Atlantic City further as a convention and tour center, rather than by reducing the facilities that would be required to qualify for a casino.

The second point on which I would like to make a statement is with regard to junkets. Again, we look upon junkets as a means of attracting visitors to Atlantic City from a greater distance than we are presently attracting them, and as a means of obviously increasing our economic position, and the benefits that go along with that to employment and taxation for the State.

We have studied the reports of the SCI and the second interim report of the Governor's Council and we feel that the changes that we are supporting, that is, an increase in the allowable amount of money and the fifteen-day requirement to list all of the members of a tour, are restrictive and that there is not the jeopardy that has been expressed here of creating a potential problem with credit and collection procedures.

For one thing, the credit and collection procedures outlined or in operation in New Jersey are far more stringent and protective to the integrity of the game than exists in Nevada. We do not in any way want to relax the integrity of the game or the security that is presently in existence. Quite the contrary - we would like to in any way possible reinforce that, but we don't feel that the arguments and the requests that have been made in favor of relaxation of the amount of money and the 15-day requirement on junkets would challenge the integrity of the game.

And, finally, the third item on which I would like to make a comment is on the blackjack game which I understand is not in the statute but more in the regulations that are established by the Commission. But, to the extent that the legislation can do so, we would like to see the Casino Control Commission encouraged to provide rules in blackjack for us that are comparable to the rules of the jurisdiction with which we must compete, and I think a number of points have been made on this issue already as to the specifics that we would like to have changed in order to make blackjack as equally profitable in supporting the costs of our casinos, which in many instances run much higher than those of the Nevada casinos, by making our game comparable to the Nevada game.

In this regard, we have ourselves with other casinos, contributed some \$20,000 to have computer studies run which show in their initial results that the blackjack game that we deal can actually be beaten on basic strategy alone, without the advantage of being a counter, and this means that along with the counter situations that exist and our restrictions on shuffling and so forth, our casinos seem to draw down a win percentage of somewhere around 14%, whereas 21% would be more usual in Nevada. This would make a huge difference in our ability to match the return on investment that is taking place in Nevada.

Those are the only comments I would like to make, but I would be happy to answer any questions that you may have.

ASSEMBLYMAN CODEY: Assemblyman Cardinale.

ASSEMBLYMAN CARDINALE: How do you feel about some of the other square footage requirements, particularly the footage for rooms, things other than the public areas?

MR. DAVIS: The room restriction below the present 325 square feet---

ASSEMBLYMAN CARDINALE: Why?

MR. DAVIS: Because we think it would bring the standard of the hotel casino to a point that is less than first class.

ASSEMBLYMAN CARDINALE: Okay.

MR. DAVIS: I might add that in our plans for additional hotels, which are ongoing, we seek to exceed the 325 foot figure, because we don't think that is competitive in a first-class sense.

ASSEMBLYMAN CARDINALE: Do you not have some rooms in your facility that are below the 325?

MR. DAVIS: No, sir.

ASSEMBLYMAN CARDINALE: You don't have any?

MR. DAVIS: No, sir, not that are qualifying rooms.

ASSEMBLYMAN CARDINALE: I understand that, but don't you also have rooms beyond the qualifying rooms that are less than 325?

MR. DAVIS: We have probably a very few, very few - under 10%.

ASSEMBLYMAN CARDINALE: Do you find those are utilized more or less than the rooms that are the 325? Is the vacancy rate greater on those?

MR. DAVIS: I couldn't answer that for you, to tell you the truth. I don't think we keep records of that particular item.

ASSEMBLYMAN CARDINALE: Thank you.

ASSEMBLYMAN CODEY: Mr. Riley.

ASSEMBLYMAN RILEY: You don't want the hotel to go to the standards of Vegas or anything like that; you want to keep the hotel first class; is that right?

MR. DAVIS: The whole facility, yes.

ASSEMBLYMAN RILEY: You don't want to go to the system like Las Vegas has with hotels, right?

MR. DAVIS: You mean the freestanding casino? No.

ASSEMBLYMAN RILEY: But you want the game to be like it is in Las Vegas.

MR. DAVIS: That is correct, yes.

ASSEMBLYMAN RILEY: You said a basic strategy player can beat the casinos, but it doesn't mean that they will beat them, does it?

MR. DAVIS: I hope not.

ASSEMBLYMAN RILEY: What do you mean by basic strategy player? That is a key word that keeps being used by everyone? What is a basic strategy player? That is not just the average person walking in off the street?

MR. DAVIS: No, that is a person who studies the odds of the game and the manner of play and makes moves in relation to what other players do and what the dealer does, without necessarily being a counter.

ASSEMBLYMAN RILEY: But, that person could show the similarities of being a counter.

MR. DAVIS: Yes, but I don't think the betting strategy is the same as a counter.

ASSEMBLYMAN RILEY: In regard to someone playing basic strategy, what percentage would be basic strategy players versus off-the-street people--- The average person playing blackjack doesn't really know how to play blackjack, does he?

MR. DAVIS: Well, they are becoming better and better. The percentage win to drop in our blackjack games in Atlantic City is constantly eroding because of a better standard of play by the public, but I think the position that we are urging is that we want to have the game attractive and challenging and have the average person have a decent chance at it. At the same time, we have to be careful that we don't lean so far in that direction that the professional can make a living at it, because we have to pay a lot of expenses that the professional player doesn't have to pay.

ASSEMBLYMAN RILEY: Recently, several casinos have banned people - in fact, I believe that it was your gift shop and several gift shops that sell little cards called basic strategy cards showing basic strategy and how to play the game of blackjack. I believe several casinos have banned people for using those in the last couple of weeks. Unless the papers are wrong, that is true, I believe. Can you tell me why?

MR. DAVIS: I really am not familiar with that. I couldn't answer that.

ASSEMBLYMAN RILEY: You know what I am talking about, the strategy wheels.

MR. DAVIS: No, I am really not.

ASSEMBLYMAN RILEY: You have never seen those?

MR. DAVIS: I think I have seen them someplace during the course of my career in gaming. But I haven't been aware of any recent developments.

ASSEMBLYMAN RILEY: You don't know of anyone being banned for using those?

MR. DAVIS: No, sir.

ASSEMBLYMAN RILEY: No further questions.

ASSEMBLYMAN CODEY: Mr. Davis, you mentioned about your on-going plans for that second hotel. It is more likely that I will be Governor before you build a second hotel. (Laughter)

MR. DAVIS: I hope so.

ASSEMBLYMAN CODEY: In regards to entertainment, I would have to assume

that you have your entertainment for the summer all locked, signed and contracted for. So any change in the entertainment regulation wouldn't change your entertainment, at least for the summer. But what would happen if the Commission does go to the easing of that regulation?

MR. DAVIS: Well, our basic entertainment policy is arrived at not really because of the regulations but because of what we think makes good business sense, coupled with what we think the intent of the original Act was. I stress the fact that primarily it is what makes good business sense for us.

ASSEMBLYMAN CODEY: Do you make any money on entertainment?

MR. DAVIS: No, we do not. We lose money on entertainment. Where I think the statute is perhaps not as effective as it could be is that it deals with entertainment in terms of how many nights you have to have entertainment. And entertainment can be anything from a one-man band to Frank Sinatra or a hundred-girl review. It, therefore, is not in our opinion a true standard of entertainment requirement. In other words, maybe the standard should be that such and such a percentage of your gross win has to be spent in dollars on entertainment. Give the flexibility to us. Maybe we will want to put on four shows a night during the summer and only on weekends in the winter.

ASSEMBLYMAN CODEY: Mr. Davis, there is no question that your company does an excellent job on entertainment, far and above the others; and it is a great attraction for many people to come to Atlantic City. My concern and I think that of other members of the committee is that if you do away with that attraction, you once again hurt the tourist trade that we hope we can develop. In your other casinos in, I guess, it is Freeport, in Nassau, you do have a show nightly, don't you?

MR. DAVIS: Yes, we have a show five or six nights a week.

ASSEMBLYMAN CODEY: That I would think is to accommodate the tourist trade; am I correct?

MR. DAVIS: That's correct.

ASSEMBLYMAN CODEY: Don't you think we need that kind of attraction in Atlantic City to develop the tourist trade?

MR. DAVIS: Yes, but I think you get it without legislation and you probably get it in a more effective manner.

ASSEMBLYMAN CODEY: Right now, we are only getting it in one hotel.

MR. DAVIS: That is star entertainment. But I think other forms of entertainment - lounge entertainment, which a lot of people prefer to star entertainment, and review entertainment - is coming on, as I understand, with a couple of the new facilities. I think the best example is in Las Vegas where there are no entertainment requirements and yet it is the entertainment capital of the world.

ASSEMBLYMAN CODEY: But you are dealing strictly with tourists there.

MR. DAVIS: With tourists?

ASSEMBLYMAN CODEY: Yes. So, to attract the tourists, you need that star entertainment. Whereas, in Atlantic City, you are doing it on day-trippers in much greater volume. Therefore, you don't have the need for entertainment.

MR. DAVIS: But you still have the competitive elements that will say, "Come to my place instead of somebody else's because we have better entertainment and we all deal the same game." So, I don't think you would find entertainment eliminated if it were not legislated. As I say, there might be certain nights in the depth of winter when you wouldn't have entertainment.

ASSEMBLYMAN CODEY: I can understand in the middle of January on a muggy night.

MR. DAVIS: I think that that money might be spent more effectively on entertainment in the season when the tourists are more abundant.

ASSEMBLYMAN CODEY: Let me ask you this - and I know you could talk about it for hours. What is the future of Atlantic City in regards to casino gambling as we now have it?

MR. DAVIS: I think that the trend that is being shown of the willingness on the part of the regulators to now trust the business judgment of the people that are licensed and have passed the integrity standards is a very healthy thing, that if it proceeds in the same manner will hold a very promising future for Atlantic City. We have no less confidence in the basic economic potential of Atlantic City than we had when we first came into Atlantic City. We also feel that the other purposes are being accomplished in addition to just the economic advantages. I would continue to stress that there will be a continual need for holding up the standards of integrity and security, but relinquishing the management prerogatives to the business people that have been licensed. If that continues, as I have every confidence that it will, with a forward-thinking government such as the State of New Jersey, the future of Atlantic City is very promising.

ASSEMBLYMAN CODEY: Dr. Villane.

ASSEMBLYMAN VILLANE: You know you are the grandfather of the casino industry here, Jack.

MR. DAVIS: I feel like it.

ASSEMBLYMAN VILLANE: The question of card-counting comes up all the time and I hardly ever get the opportunity to ask an expert. Is it true that if a card-counter is at a table and refuses to take cards or bets more on some cards, that it puts the other players at the table at a disadvantage to have one person more knowledgeable than they are?

MR. DAVIS: Well, I never really thought of it that way. I think that what often happens is that the other people in the game will follow the card-counter, which amplifies the problem.

ASSEMBLYMAN VILLANE: If the card-counter is at the beginning of the play and he decides that so many picture cards are out through his counting procedure and then steps out of the game, does it leave the other people in sort of a sucker position to take cards that the counter wouldn't want?

MR. DAVIS: I see what you mean. I wouldn't say so if the other people were average players - amateur players, let's say.

ASSEMBLYMAN VILLANE: They would just follow the normal course?

MR. DAVIS: Right, because they would continue to play if he were there or he wasn't there.

ASSEMBLYMAN VILLANE: If there were three things that you could change in the industry now that you would considerable reasonable, what would those three things be in the order of importance?

MR. DAVIS: I would like to see the rules of the black jack game eased to the standard of Las Vegas against whom we have to compete. I would like to see the junket regulations amended in a way that has been suggested. For my third wish, there are so many what may be small things that it is hard to set priorities. But I think there is a growing expertise in Atlantic City, not amongst perhaps the experienced people that came in in the managements, but amongst the people that started as new dealers when the industry was born a few years ago that have now reached up into management positions. I would just like again to stress the hope that the reappraisal and re-examination of the regulations as to leaving

the business judgments in the hands of the operators is not something that is put back on the shelf and brought out once every couple of years, but is constantly evaluated by the Commission and the Division with the encouragement of your body.

ASSEMBLYMAN VILLANE: Okay. Thank you very much, Mr. Davis.

MR. DAVIS: Thank you.

ASSEMBLYMAN CODEY: Is Mr. John O'Connell here?

J O H N F. O ' D O N N E L L: Mr. Codey, members of the Committee, I want to thank you for giving me an opportunity to read a statement on behalf of Congressman Bob Roe. His statement is as follows: "Assemblyman Codey, members of the committee, ladies and gentlemen, thank you for the opportunity to present my views today. I'm sure there are many comments you will receive that relate to the various areas of the casino industry. I wish to address my comments not to the casino industry, per se, but to a situation existing in the administration of the Casino Revenue Fund, which would be changed to afford those who most need it the full benefit of the fund.

"I speak, of course, of senior citizens and the disabled, to whom the fund was constitutionally dedicated when the casino gambling referendum was approved by the state's voters in 1976. These, for the most part, are people living on fixed incomes. And these are the people who are having an especially difficult time meeting the extraordinary increases in utility and home heating oil. In light of this situation, it behooves us to give these people all the help that is due them.

"Since the Casino Revenue Fund was created in May of 1978, while the Fund itself has been used to give property tax and utility cost relief to senior citizens, interest on the Fund has been going to the general treasury. According to the most reliable estimates available to me, the Fund, over the past three years, has generated \$6 million in interest and most likely more. Further, by late this summer, three more casinos are expected to open in Atlantic City. That means that the Fund and, hence, the interest on that Fund will also increase.

"I believe then that it is critical at this time that the Legislature redirect the interest on the Fund from the general treasury back into the Fund itself so our disabled and senior citizens can receive the full benefits due them.

"Just consider what is happening now to oil and utility costs. De-regulation of home heating oil was supposed to add only a few cents to the cost of that precious commodity. Since de-regulation, home heating oil has gone from 95¢ to \$1.25 per gallon.

"Public Service, Electric and Gas Company is asking the State for an incredible \$526 million rate increase. As it is, these persons on fixed incomes are already being faced with devastating monthly utility bills of \$200 and \$300. At critical times like this, these people for whom the Casino Revenue Fund was constitutionally dedicated need all the help to which they are legitimately entitled. Because of that, I ask that interest on the revenue from casino gambling be directed into the Fund and that the Legislature act to effect such a change as quickly as possible. Thank you."

ASSEMBLYMAN CODEY: Thank you very much, Mr. O'Donnell. The next witness is Assemblyman Chuck Hardwick.

A S S E M B L Y M A N C H U C K H A R D W I C K: Thank you, Mr. Chairman. Last week, in this same room, the Institutions, Health and Welfare Committee heard very convincing testimony that gambling can bring destruction to certain individuals. I'm not suggesting that everyone who goes to a casino will become hooked on gambling or even be harmed, but clearly, many are. I am seriously concerned that we maintain casino regulations, and that they be strict enough that the public will be protected and not just a compulsive, but even the occasional gambler who can be influenced by the free liquor, the late hours and the easy credit practices that exist in our casinos now.

Following last week's hearing, the Health Committee is trying to devise appropriate programs to help problem gamblers. I would hope that this Committee

would cooperate with the Health Committee and see that legislative actions are not counter-productive because the whole issue, contrary to what we seem to hear today from the casino industry, is not just an economic or tourism or a redevelopment issue, because casino gambling impacts the health and well being of the peoples of this and neighboring states. I would add parenthetically, I was disappointed today in the testimony I heard from the industry because I did not hear any mention of the casinos' public responsibility to their clientele.

In revising the Casino Control Act, I hope that this Committee gives full consideration to gambling's potential harm. I would specifically like to urge your prompt action on Assembly Resolution 1 sponsored by Assemblyman Cardinale which would set up a commission to study the effects of legalized gambling in the state. I think passage of that resolution is long overdue.

As this Committee gives serious consideration to the casinos' request for a lessening of the rules and regulations conducting their activities, my principle concern is that whatever changes are contemplated, they should be focused on the potential adverse impact they can have on the public and not simply the economics of the casino industry.

Personally, if changes are made in the number of days of live entertainment or the number of chambermaids, I'm not personally concerned about that, though I understand the arguments of those who oppose the changes. In non-gambling areas, I think strong arguments could be made that the casinos' hotels could function like non-gambling hotels. However, the casinos want more than that. They want to emulate Las Vegas in many, many ways, including the testimony we heard here today on junkets and on payouts. I thought the testimony from Mr. Woolf, by the way, urging that we change the term, junket, was interesting because junket by any other name would still be just as pernicious.

Also, there is strong pressure now for round-the-clock gambling. The Chairman mentioned the possibility of a trial in 1982 to see how we like it. I think if we want to see a trial of round-the-clock gambling we can go to Nevada now and see how it is being conducted. Without a break in gambling hours, the euphoria of constant gambling of a gambler in trouble trying to recoup losses can become pernicious. Not only do I oppose any extension of hours--in fact, I've introduced Assembly Bill 1581, which is before this Committee, which would reduce the number of casino hours that are permitted now. Round-the-clock gambling could be considered a loaded gun that is being passed around to the gamblers waiting to harm someone, particularly with the practice of free liquor which obviously can influence judgement and gambling behavior.

When gambling was first accepted by the voters, the rules were accepted by the casino operators. They were established by the Legislature and the Casino Control Commission to protect the public. Any gaming rules or payout changes in which the public can be hurt should be strenuously opposed. Personally, I was unhappy that the Casino Control Commission already has reduced the number of \$2.00 minimum bet places and I would like to say to you, Assemblymen, on the times that I have visited a casino, I have never seen an empty \$2.00 chair. I haven't been there that many times, but I have never seen one.

The casinos have asked you to let them run their own affairs like prudent businesspeople, but running a casino is not an ordinary business and running a casino is not a right. It is a privilege granted by the people of New Jersey. Even if it is desirable for the casinos to increase their profits and it is very arguable

whether or not that is necessary to maintain the industry, the ends do not justify the means to accomplish that.

As far as the compulsive gamblers issue is concerned, I would argue that gamblers who cannot resist the temptations of the tables are similar to the alcoholic and that our state has a particular responsibility. The state has contributed to the problem by encouraging gambling and, thus, our particular responsibility is to address their problems.

24 hour gambling, easy credit, they are incendiary factors which cannot be allowed to burn out of control and I urge this committee, in your deliberations on the complex nature of the regulations, the Legislature and the people of New Jersey are really depending upon this Committee because, you know, on the floors of the Legislature the bills that would come out will not, in all likelihood, be changed, and the work that you are doing here is extremely important and that's why I've spent the day here with you listening to the testimony and I'm glad you are conducting the hearings and focusing on the problems and I just encourage you not to be caught up in the adverse, and I think, temporary reports of earning problems which could lead us into changes that we would regret later on. Thank you.

ASSEMBLYMAN CODEY: Thank you very much. Any questions?

ASSEMBLYMAN CARDINALE: Thank you very much for mentioning my resolution.

ASSEMBLYMAN CODEY: Our next witness will be Mr. Steven Batzer, Greater Atlantic City Chamber of Commerce.

S T E V E N B A T Z E R: Gentlemen, thank you for this opportunity to speak before you. We have prepared written documents relating to our positions on several of the matters that have been discussed, which we will turn over to you. I see no reason to go through them. Most of them have been more than thoroughly aired by members of the industry.

I would, if I may, like to take just a couple of minutes to speak on behalf of the general business community. I think, today, you heard some of the concerns of the people that are presently involved in gaming in Atlantic City and the effect the regulations had on them. I would like to talk a little bit about what I like to refer to as "the investment climate" that exists in Atlantic City, perhaps, before we even talk about that, the investment climate that exists in the State of New Jersey.

It is interesting that over the last several months a lot has been said about the fact that Atlantic City was given gaming, that the casino industry was given the right to operate in Atlantic City and why are they coming to the State and asking to have things changed? The gaming industry is not the only industry in the State of New Jersey that has problems. A recent survey, as the Conference of State Manufacturers Association noted, stated that the State of New Jersey was placed 44th out of the 48 continental states in a state that is perceived to be positive toward of investment of any sort of industry. So, I would say that although the gaming industry is, perhaps, under a microscope, because we are a microcosm which is very easy to focus on, because Atlantic City and the gaming industry are highly publicized, people look at that. But, I would say the problem of the perception of industry toward regulation in the State of New Jersey goes well beyond the problems that the gaming industry is bringing before you today.

In order for Atlantic City to regain its pre-eminent position as a resort-convention city, I think it is generally accepted that we need approximately

10,000 hotel rooms. This would translate, again, to approximately 20 hotel-casino projects. At present, we have nine projects that are either open or under construction. All the other projects that have been announced have been either scrapped or put on a back burner. This causes us great concern as the general business community because, at present, we have nine casinos which does not put us in a position to be competitive for major convention or resort attractions.

Financing and investment decisions require a very stable regulatory climate and I think one of the major concerns is announcements that I think come out of here where someone says, "I think we should increase the tax 2%." An increase of 2% on a gross revenue can translate to a 15 or 20% effect on your net return on equity investment. I think things like this, people don't consider, but when someone is sitting in San Francisco, Los Angeles or Chicago making an investment decision relating to a \$200 million project in Atlantic City and he sees that people are standing up in state government and making comments related to, "Let's change the tax laws," or when we had an adverse problem some time ago, the Governor standing up and saying, "Well, we'll shut the casinos down," which we may understand within the State, but when things like this are reported throughout the United States on the financial pages of newspapers, they give us a very adverse image and I think it is very important for all people in the government at the state level to realize that today we are looked at by the entire United States, if not the world.

It is interesting that I was in San Francisco last week and my wife handed me the financial page of the San Francisco newspaper that had the win figures on it from the Atlantic City casinos the day after they were announced. Atlantic City is news and I think it is very important that we all realize that the deliberations that take place within your body and within the State government are now news and we need to project an image of concern for industry. If Atlantic City is to turn around, if we are to help the people of Atlantic City, if we are to have a stable economy in Atlantic City, if the revenues that come out of gaming to help the state are going to expand, we need to show potential investors that we desire their participation and I think it is incumbent upon groups such as your own and other members of state government to recognize this and to present that sort of an image to the investment community. I thank you very much for your time.

ASSEMBLYMAN CODEY: Assemblyman Villane?

ASSEMBLYMAN VILLANE: We're alone, so to speak, and I would like to talk to you about that. I recognize the hard work you do in the Chamber and I like Atlantic City very much. I never miss your boat show, which I understand is doing very well now. Yet, you talk about the state's projection of an image for Atlantic City. We did so much for them. I voted for them from the very beginning. Your tax rate is higher today, after nine casinos are built, with more revenue on the books for taxation than it has ever been and your tax rate went up a dollar something a couple of weeks ago. That's one thing.

Some of the other things like prostitution, and crime and the commissioners giving themselves big raises, people from your city coming to the Legislature and saying to us, "What are you going to do for us now? Now that you've given us all this traffic, when are you going to give us something for the roads?" So, you would know, as a member of the Chamber of Commerce of that town, the Legislature is often disappointed in Atlantic City. So, it is not your fault. You're a businessman and I understand what you do and you do it for nothing. But, you know, just as we give an image of what appears to us in Atlantic City, you in Atlantic City sometimes give the Legislature some bad vibes.

MR. BATZER: Okay, first of all, if I may respond, number one, I agree 100% with what you said. I don't think this is a matter of where anyone is at fault. You are dealing with one of the largest redevelopment projects undertaken, essentially, by private capital that's ever taken place, certainly, in the United States. Atlantic City people said it was dying. I would like to say that it was not dying, it was dead. This experiment, as we all like to refer to it, started approximately four years ago. I think to have assumed that it would have gone completely smoothly, that the problems would have been solved as the casinos came on, in some sort of an arithmetic progression, which I think a lot of us did assume, was probably extremely naive. I think with anything as massive as what we're dealing with down there you are going to have problems that don't get solved for a couple of years.

ASSEMBLYMAN VILLANE: You know, I don't argue with you about that all. That's not what I'm talking about. I didn't ever expect it to go smoothly. I didn't expect the Police Chief to come and appear before our Committee and say "When are you going to do something about the traffic problems and the high pollution of carbon monoxide?" Also, I didn't expect you guys to put on a special tax to unload buses in Atlantic City when it was declared illegal by the courts. You know what I'm talking about. Nobody expected it to be smooth.

MR. BATZER: I can't speak for the Atlantic City government, nor would I attempt to.

ASSEMBLYMAN VILLANE: But, when you come here and you speak about state government and the impression that it gives people in the West Coast, I'm telling you what the impression of the people in the Legislature is from things that happen in Atlantic City. Just take it back home.

MR. BATZER: I would say that the Chamber of Commerce, if I may, along with several other organizations, are trying to revitalize ourselves. You know, while Atlantic City was dead, a lot of the voices in Atlantic City were also dead and I would say that, at the present time and certainly in the immediate foreseeable future, there will be some voices heard in Atlantic City that perhaps will change some of the things that you've seen. I think you will see, perhaps, more intelligent reactions, but these things take time. The nature of our government, the nature of a democracy is that it is rather difficult to do things rapidly. I think that is the way it was designed. It is frustrating at times but I think the impact will be there and I think things will change.

ASSEMBLYMAN VILLANE: Thank you.

ASSEMBLYMAN CODEY: Assemblyman Reilly?

ASSEMBLYMAN REILLY: Just quickly, as you know, the \$2.00 and \$5.00 tables have been pretty well eliminated in Atlantic City. Do you believe that is going to have a long-term impact on Atlantic City? Because, obviously, we want people, I believe, to come down to Atlantic City--most of the people are day trippers--come down, husband and wife, go to the show, go to dinner, go to the different restaurants coming back from Atlantic City. They may go in for an hour and play and have an evening out. Do you think this has had a detrimental effect on Atlantic City itself?

MR. BATZER: The elimination of the lower denomination tables?

ASSEMBLYMAN REILLY: Yes.

MR. BATZER: I certainly can't speak as an expert or anyone with any statistical information. My perception is that the answer is probably no, that it hasn't. Atlantic City is often compared to Las Vegas and I don't think there is any comparison. I think Atlantic City is Atlantic City with gaming in it, period.

Atlantic City still has the beach and the boardwalk and all of the silly things that we've talked about for many years that made it the playground of the world and they still exist. My perception is that as Atlantic City is physically cleaned up, people will come down and spend time there, whether they be day trippers or families that come to stay overnight. I think people that want to gamble will gamble. Casino gaming is the catalyst to get the kind of investment that you want in Atlantic City, which will in turn act as a catalyst to turn the business community around and clean the town up, so that families and others will come to Atlantic City. It is my perception that gaming, per se, is not the magnet to Atlantic City over the long run.

ASSEMBLYMAN REILLY: You don't really think that Atlantic City was on the way up in 1974, do you?

MR. BATZER: No, no. I say that gaming was the catalyst to bring in the capital investment which will allow Atlantic City to become a first class convention and resort community again. In other words, no one would have invested in Atlantic City without gaming because that is what allowed a hotel man to build a \$200 million facility.

ASSEMBLYMAN REILLY: But, the people of the State of New Jersey didn't just vote for it to rebuild Atlantic City. They voted for it so they can go down and have a night of affordable entertainment.

MR. BATZER: All right, let me use myself as an example, if I may. I don't gamble. I have no moral problem with gambling. I just don't gamble. I don't find it amusing. I love the beach; I love the boardwalk. I go out to dinner at the casinos. My wife and I go to the shows. So, when you say, do the \$2.00 and \$5.00 tables affect it, it doesn't affect me at all. I suspect that there are a lot of people like me, but you know, you're asking a question to which I have no statistical information. I'm sure it has an effect, but whether it is an appreciable effect, I don't know.

ASSEMBLYMAN CODEY: Okay, thank you.

MR. BATZER: Thank you for your time.

ASSEMBLYMAN CODEY: Tony Hoffman?

A N T H O N Y H O F F M A N: Thank you, Mr. Chairman. By way of identification, since I'm not a well known figure down here in Trenton, I will tell you that I am a security analyst at A.G. Becker in New York, an investment brokerage firm. My job there, as it has been with other brokerage firms over the years, is to follow, among other industries, the gaming industry, which I've been following pretty intently for the past ten years. During that ten year period, I've watched the development with interest towards getting casino gaming in New Jersey and, of course, I maintain very close surveillance of what is going on in Nevada. I must say, sitting here today has been a tremendous experience for me because I have never in one place and at one time heard so many people testify to so many things that, from our vantage point, come out of the twilight zone. I must tell you that I watched the regulatory environment in New Jersey develop and I agree that at the time it started, there really was no reason not to do it the way that it was done. It was done very well under the circumstances. At that time, we had some 36 or 39 casino projects that were on the books. No one could buy land fast enough to develop this market. The projections out in the future were unbelievable and I think the problem is that there still may be some people who think that that is still in progress and it isn't. From my vantage point in the investment community, that has come to an end and has been at an end,

essentially, for a little less than a year. In fact, what we have today is essentially the end of the first phase of the experiment in New Jersey. I regard the regulatory environment as being at a crossroads right now. You can stop the casino investment absolutely dead in its tracks today with the regulations as they are or you can develop regulations to stimulate people to come into the market in the future.

Now, we compare things with Las Vegas all the time. I don't want to go through the litany of comparisons. Everyone here has probably been to Las Vegas and certainly you've all been to Atlantic City. But, it goes beyond that. We're not just going to be comparing from the investment side this market with Las Vegas. We're comparing it with Massachusetts, Connecticut and New York and any other state that eventually approves casino gaming because the death knell to any investment in Atlantic City will come the day that New York approves casino gaming, if the regulations in New Jersey are not changed. Now, I don't have any bone to pick with anybody. I would just as soon follow companies that invest in New York. They are closer for me. I don't have to come down to Atlantic City all the time. So, I would be delighted if New York got developed by these companies in a better investment climate than New Jersey. But, I think you have to understand that I'm not here to preach that these companies deserve a break in New Jersey because I like the companies. I don't care. They'll take their money and they'll play in another market. I just think it is a shame that all this time and all this effort and all this money has been invested in something that has not yet come close to achieving critical mass regarding the objectives that you had originally for the Atlantic City market. It cannot become a vital convention market without a critical mass of rooms and the gentleman who preceded me indicated that it was 10,000 rooms. Well, I'm not going to sit here and argue about whether it is his 10,000 room or my 12,000 room number. The point is that we're probably 1/3 to 1/4 of the way there and we're not going to get any further unless something happens.

Now, I think there is a very important distinction here in the types of travellers that we have coming to this market than the traditional destination resort travellers. Las Vegas is a good example and we have lots of data on it, so we can look at it. Last year 11.9 million people went to Las Vegas. The average stay there was three to four days, giving Las Vegas, essentially, 42 million tourist days in that market.

In Atlantic City, it is mostly day trippers. As a matter of fact, it is not even day trippers, it is half day trippers because they sure don't spend 24 hours in Atlantic City, especially if they came down by bus. We had essentially 14 million visitors to Atlantic City in that same period of time. If we assume that the average stay is 12 hours, we're talking about 7 million tourist days. This is a factor of six difference from Las Vegas and yet, what we generated is that we've generated very, very good win figures, which bear a much closer resemblance to Las Vegas numbers in total dollars than we have relating to the number of tourist days. But, unfortunately, that is the wrong way to look at it because if you people are happy today with the kind of gaming win that you are getting in Atlantic City, you are missing the great opportunity that New Jersey has. Essentially, right now, Atlantic City is taking the social security checks from New York and Philadelphia residents and processing them through the casinos and redistributing a portion of it to the senior citizens of New Jersey. That is not what I see as being a mission of rebuilding Atlantic City as a destination resort. The only way you can build this into a destination resort is to start upgrading the clientele of the people that come into this market.

ASSEMBLYMAN RILEY: Isn't that what we're trying to do now?

MR. HOFFMAN: I hope so. But, I think that you've got to understand that the important thing you start with is to create a climate where it is possible for investment to be offering a reasonable rate of return. Now, a year ago, I modeled up a couple of the casino facilities for people to try and determine what kind of win and what kind of profitability was possible in Atlantic City. The win numbers have not really changed very much from what I saw. What has happened is that the cost building the facilities has gone up. The cost of payroll has gone through the roof, compared to the escalation that I thought would occur, and today, a 60,000 square foot casino facility with total net revenues of \$200 million, in theory, should be capable of making in the neighborhood of \$35 million, pre-tax. That's in theory. Unfortunately, no one has done that yet and, unfortunately, that rate of return is not enough when you discount the cash flow from that facility to give you a rate of return which is high enough. If you, in fact, had a pre-tax number of \$35 million from a \$200 million facility, adding back the depreciation and amortization number of \$14 million, would give you a stream of \$33 million in cash flow from that investment. The rate of return on that investment is about 13.4% which is several points below the current rate of cost of the money. It would take a substantial increase in pre-tax to make these investments work and, in fact, there are several ways of looking at this.

One is to cut costs. Obviously, the largest one is the payroll. There's been a lot of noise about how much the security force costs and, yes, it probably does cost much more than it should, but you're talking about saving one or two million dollars. By cutting down on the administrative functions in the cashiers' compliance and licensing areas, you could probably save another \$3 million. We're talking about small amounts of money here on the cost side of this argument and although I think the casinos have a right to expect that New Jersey should revise its rules to a slightly more permissive situation concerning their particular perogatives as to controlling this--they feel that they can control it with less people and I must tell you that over the years that I've been following the industry, they've demonstrated to me that they are capable of doing that. So, I think these concessions should be looked at with great interest.

Entertainment, likewise, I agree totally with some of the comments that have been made with regard to entertainment and disagree violently with others. The entertainment that will really do something for Atlantic City is the event type entertainment, whether it is an Ali fight or a Barry Manilow concert or whatever it is, something that brings in tens of thousands of people on the weekend to see a particular show or a particular event. If you can redirect the expenditures that are now being made in entertainment more toward that event type orientation, you will get a tremendous amount of payback in terms of win and, more importantly, in terms of the image that is communicated of the Atlantic City market. The problem is, having sat down with some of these casino operators and gone through the process that is necessary for them to do an event like that, it took one of them two and a half hours to explain to me all the steps that they would have to go through in the approval process to get an event like that staged in Atlantic City. Now, if Atlantic City wants to take its place as a real destination resort, these regulations have got to be reduced so that that kind of event type entertainment can, in fact, be pulled off.

As to the pre-screening of employees and what that's going to do for

you in terms of finding people who might be susceptible to the temptations of working with large amounts of money, I'm not very sanguine about the prospects of figuring that out in advance. Therefore, I agree wholeheartedly with the recommendations that hotel employees in particular receive work permits and not be required to be licensed. You're not going to find out, in many cases, whether these people are capable of existing in an environment like this without being susceptible to this temptation until they are actually presented with that temptation.

I said that you can't do this all with expense cuts and I meant that very sincerely. What we've got to do is find a way of increasing the win capacity of the casinos without compromising the integrity of the casinos, without compromising the control over the flow of funds and I think there are several areas. One is gaming hours. I disagree totally with the people who are convinced that gaming hours will lead to more compulsive gambling. Compulsive gambling is in existence today. It is not something that the existence of casinos will do anything much to add to, in my judgement. We have illegal gaming in New York, which I'm told has a greater gross win for the underworld that is now being recorded in both Nevada and New Jersey combined. They find a way to gamble and they always will. But, what I am concerned about is the fact that the casinos will be able to schedule their shifts more effectively and they will, in fact, be able to present higher win numbers for their operations and, in fact, generate higher profits at the bottom line, if the gambling hours are improved.

Similarly, I don't see why the people who regulate this industry should be overly concerned with what the gaming mix in the casino is. The casino has a certain amount of space in it and as the seasons go, as the days of the week go, I think it should be the prerogative of the management to change that, certainly with notification, and probably with some sort of pre-screening of general shifts such as one blackjack table would equal so many slot machines, etc. The ability to change that should be a management prerogative and I assure you that the managements do not take that move lightly. It's not an easy thing to move these things around. It is very complicated and they don't do it unless there is a real reason why they think they can make more money doing it. Here, I think, is the major distinction. If a casino is going to be like another casino in Atlantic City and they are all going to be carbon copies of each other, you're not going to allow the casinos to develop their own kind of clientele. The Caesar's clientele is very different from the Resorts' clientele. In Atlantic City, they are about as far apart as we can get. The differences between a high end casino in Nevada and a low end casino in Nevada is much more striking even, than the difference between a Caesars or a Resorts, for instance, in Atlantic City. So, I think if you allow the casinos a certain amount of latitude to make up the gaming mix of the machines and tables, that works best for their type customer, you will, in fact, be satisfying the gamers more successfully than you are now. I think the new types of games should be encouraged. If it is proven that certain ethnic groups have a particular affinity for a game that is not being offered in Atlantic City, I think it should be considered and certainly done on a trial basis. That goes for the new types of video slot machines, which, in fact, can teach players how to play without having them risk great amounts of money. We heard a lot of talk about the disappearance of the \$2.00 table. I didn't hear much talk about the existence of a \$1.00 or a 25¢ blackjack slot machine, which plays by, essentially, the same rules as the tables and allow the player to sit in front of the machine without risking embarrassment of sitting around a table with other people and showing that he doesn't know how to play the game and through exercising his right to put coins in that machine

he can, in fact, learn the game or, at least, learn how much potential there is for him to lose if he doesn't know.

ASSEMBLYMAN RILEY: If you learn the game, then they throw you out.

MR. HOFFMAN: That's not quite so, which brings me to my next point. That's a very nice lead-in because it is my personal opinion that a year from today card counters will not be able to be barred from the casinos anywhere in this country. However, I do think that in return for allowing the so called card counters to come in there is something that has to be grappled with here and that this is supposed to be a game of chance, not a game of skill and to the extent that this is a game of chance, blackjack is the only game that you can really affect this way. Without marking cards, it is hard to affect any other game, possibly baccarat. But, in blackjack, it easy to count cards or at least it is easy for some people. I've tried it and I don't do it very well. The casinos love to see me coming. But, I think that the rules regarding surrender, doubling down and dealer hit on soft 17, for example, must be looked at very closely as being a potential offset, as well as some creative approaches to trying to answer the shuffling problem so that it makes it difficult for card counters to have an advantage over ordinary players. I don't think it is fair that they have an advantage over ordinary players, given that this is a casino. If we're talking about a sporting event, then skill is something else, but this is not what we're talking about here. So, I think it is going to be imperative that, if indeed, the suits that are now being brought by Ken Houston and others, if I'm right, will be decided in his favor, will prevent casinos from barring card counters. I think the rules have to be changed, probably on an interim basis immediately, and then on a formal basis later to make up for what the inevitable result would be.

Similarly, there are small changes which are outlined in reports which you have already received on craps, which I'm in favor of also. But, by far, the biggest problem that was being discussed today is junkets and this is an area in which I find myself, having watched Las Vegas for so many years, grappling with this kind of problem, to be so totally at odds with most of the testimony here against changing the junket rules. The junkets are the only way that you can upgrade the clientele in the Atlantic City market. If the casinos cannot bring in the high rollers, there is no way that you are going to get these people to come to Atlantic City. Very frankly, if they have a choice, they would really rather be comped out to Las Vegas then they would be comped into Atlantic City, even if they live in New York and, in fact, they are, today. New York residents are receiving complimentary plane fare, food, lodging, drinks and everything else in Las Vegas, right on a regular basis. Now, I understand your desire to eliminate several of the kinds of isolated instances that we've seen in Las Vegas, the skimming of money through the junket program. However, I think you have to realize that it is not in the interest of the managements of these companies to have skimming going on and I think it is more and more an occasional situation than you may currently believe in Nevada and, particularly, these types of events usually take place in the casinos in Nevada which are not run by public companies and that is something that I will touch on in a couple minutes. I think the issue is not really identification of these people in advance, per se. I don't see any reason why you have to identify these people 15 days in advance and be prevented from offering substitutions, should they drop out of the program. I think, clearly, if you were to be provided with a list on the day or within 24 or 48 hours after they came in, that would certainly be acceptable. My concern is that by putting in the rules that you have today, you don't have enough evidence of people doing

junkets to know whether this is a problem or not. I suggest to you very strongly that after the fact or concurrent with reporting on the junket people would be adequate, certainly if not for any more than a test period, at least start that way. This used to be an assumption or presumption, underlying all of the comments that I heard on junkets, that the managements of these companies are just looking for ways to skim these casinos. I think, unfortunately, many of the people in this state don't have the length of experience that I have with some of the Nevada operators and certainly which many of the Nevada operators have with gaming, which goes way beyond my experience. I must say, they've earned my respect in terms of being honest and serious and what they are trying to do. It is not in their best interest that money disappear from the casino that they can't report as profits, especially in the current conditions. I must tell you that I think you should give yourselves the time to examine this in detail by having an active junket program underway.

Now, I talked about event type programming or event type entertainment. Event type entertainment in Las Vegas works only because they can bring in high rollers, a very high percentage of the people being comped at an Ali fight. That is a very profitable event for them in spite of the horrendous cost of staging the event and the reason is that they bring these kinds of people in. You could not do that in New Jersey, under the current situation.

I have two other comments and then I'll let you go because I know this thing has dragged on for a long time. I think it should be the business of the authorities in New Jersey to regulate in one particular area, something that hasn't been talked about at all, and that is the busing program. If you are concerned with getting people to gamble that shouldn't gamble, if you're concerned with people who can't afford to gamble, I don't know how we can have you sitting by and looking at the aggressive marketing programs that were forced to the fore in the last few months, where it was possible for someone to go to Atlantic City, and not set foot into a casino other than to collect a bounty and go home and be a few dollars richer than when they left, in addition to having a good meal or even quite a number of proven situations where people took two trips a day to Atlantic City, getting on the earliest bus, turning around, going back to Philadelphia, and then coming back down in the afternoon and winding up approximately \$10.00 richer for the experience. I think that should be prohibited. I do think that the players should have to pay something to get to Atlantic City.

Another area that I talked about earlier, and I want to put this to you very, very strongly, you've established rules that required that these corporations that operate casinos in New Jersey also have New Jersey subsidiaries. I applaud that, but I think you can go one step further. I think you ought to avail yourselves of the regulatory supervision of two other groups of people by forcing the casinos that operate in Atlantic City have, at least, 10% public ownership and probably less than 20% public ownership. What that will do for you is two things. It will allow you to tap the regulatory authorities of the SEC and the major stock exchanges and secondly, it will enable you to tap the tremendous number of people like myself and the investors that I represent in looking over the shoulders of these companies, just aggregating the numbers, looking for the same kinds of things in the numbers that you people are hopeful you won't find under the regulations. I think this is a way that you could accomplish that a lot better than is being done now. No set of regulations is perfect. I've heard that stated today and that's absolutely true. My concern is that the regulations that you've got today are probably catching 99.9% of any of the problems that would occur, but it is costing the market somewhere between \$300

million and \$400 million in win. I think a relaxation in those regulations could realize most of that win for the market, which, fully taxed, would mean a significant increase in the tax revenues, but without having any significant drop in the accuracy of picking up these indiscretions. Thank you for your time.

ASSEMBLYMAN VILLANE: Thank you. I really appreciate your expertise in this matter. I'm sure you know far more than any of us and some of us were on the Committee when we wrote the law, and you really are a good businessman because you look at the profit and loss and how we're going to make more profit and how the costs are going to go down. But, we have another obligation besides that obligation that you have to your clients. Now, your obligation is a plus in the black at the bottom of the column. We have an additional one. We don't want a Jolly Trolley in Atlantic City. We don't want organized crime to own a hidden percentage of a casino. We don't want the bad publicity of even a small casino being forced to skim money by people that are musclemen. Now, you see, you have an obligation in only one area. We have an additional obligation. Some of us went out on a limb for Atlantic City. You know, the polls and the constituents in a lot of the districts in New Jersey said, "We don't want it. We don't really care about Atlantic City." Some of the legislators said, "Let's give it a chance," because we know the problems they have down there, and because of that reason, we're very careful.

MR. HOFFMAN: I understand that and I must say that you may not realize it, but you and I are in exactly the same camp. My investors don't want that either. There is absolutely no question in my mind that any investor that I talk to about the gaming industry, their major concern has always been the integrity question and the organized crime contacts. I think the point of view that I have, having been following the industry very closely for many, many years, I've watched this and I think in Nevada, there is a very clear distinction in my mind between the casinos that are run by reputable public companies and that's the reason for my remarks a few seconds ago. There is a very big difference between that and the Jolly Trolley.

ASSEMBLYMAN VILLANE: New Jersey can't stand one bad thing happen in Atlantic City. New Jersey's reputation isn't that great in the United States, but to have one bad thing happen there will jeopardize every one of these serious businessmen. Another thing, in one area you talk about less regulation for business, let business make decisions. We didn't regulate bus trips. The business community developed that whole problem of buses.

MR. HOFFMAN: I couldn't agree with you more.

ASSEMBLYMAN VILLANE: That's an indictment against sometimes not having legislative direction. Now, you are saying in one area they really ought to have more business concepts that they can have perogatives in and yet you say they had the perogative in this one and screwed it up.

MR. HOFFMAN: There is absolutely truth to what you say. I think that there is a difference between saying that either total regulation or no regulation is either good or bad, and that's not what I'm saying. I'm saying that there are some areas that you haven't regulated tightly enough and there are others that you are regulating too tightly and I think a rebalancing is what is called for here. These companies have been running these businesses in Nevada and have had to deal with these types of problems for a long time and what they want to do is that they want to operate as clean as they can in this business. You have to realize, the managements of these companies, many of them have their entire personal wealth tied up in the stock of their company. I don't have to tell you, because you have been

very much aware, what happened to the stocks of these companies during the licensing regulation procedures for Caesars and Bally in particular, where the daily pronouncements in the paper about would they or wouldn't they get a license; were they or weren't they clean, permanently damaged the stocks of both of those companies and, in my judgement, it will take five years of keeping their nose absolutely clean to regain any semblance of the luster that they had before they started this whole exercise. So, I know that you feel that, but they feel it even more intently than your wildest dreams. They would, in no way, take chances willingly with the reputation of their company. They're not talking about just New Jersey. They're concerned about the ability to go into other states eventually. If whatever happens in New Jersey happens, they're dead. Let's say Cliff Perlman, if he stays with his particular direction for his company and says, "Okay, I'm not going to operate in New Jersey," he can't go anywhere else with his company. Now, that's the terrific responsibility that you've taken on because you set the tone. You set the tone for your own state and you set the tone for the other states and I think, by and large, you've done a very good job. I have a personal disagreement with you on Cliff Perlman, but I'm not going to get into that today. I don't think that's germane to what we're talking about here. I think, on the integrity questions and on the control of the funds, you will find that the casinos will grudgingly agree with you on the integrity question and they will agree with you wholeheartedly on the control of funds. I think what we're talking about here is ways that we can make these facilities more profitable, get them up to a reasonable profitability, which will return the money that is necessary to be returned for the investments that they made, allow the market to continue to grow and in my judgement, you have a very short time frame here. There is no question in my mind that New York will not approve casino gaming in 1981, which means that we now go to 1983. That gives you a little over two years in which you can encourage additional investments in Atlantic City. I can tell you for a fact, regardless of what you do with the regulations, when New York approves it, that will be the end, for some period of time, of any investments in Atlantic City. It is not because they don't like you. It is just because the market is closer to maturity than it was before they started and they would rather go into an immature market and do what Resorts did, operating unopposed for a couple of years and making money.

ASSEMBLYMAN VILLANE: A lot of people in New Jersey, when that happens, will say, Amen.

MR. HOFFMAN: That may well be, but I think, if you go back, as I did this morning, and reread the original objectives of what this whole thing was supposed to do, you're only partway there. There is the opportunity, with, really, very little compromise on your own part in terms of giving confidence to the casino managements, to take over some of these management prerogatives. I mean, you can go back and take it back again if it doesn't work out. You still have as much information as you had before to tell you how it is going and what I would like to see from New Jersey is an attitude of trusting these managements. The managements of the companies that you have in New Jersey are very rare. They're very unusual people. They're the cream of the Nevada companies and companies that weren't even in Nevada because they didn't like the situation in Nevada. They are absolutely first-rate companies and I think you have to begin treating them like first-rate companies. They are trustworthy; they've earned my trust and I think they should earn yours. Maybe they will in ten years. The problem is, ten years from today, if something isn't done now, the opportunity to make Atlantic City reach a critical mass will have been missed because then we will have

Massachusetts, Connecticut and so on, and if you think for one minute that after New York goes, with New York and New Jersey going, that Massachusetts and Pennsylvania can hold out, they can't. They have to protect their own funds flow. They have to approve casino gaming. So, this is going to be a snowball effect. You have a tremendous opportunity right now, and it exists right now for the next six months, to show the industry that you understand their problems and that you're going to try and do something so that a \$200 to \$250 million investment in Atlantic City will give a reasonable rate of return, vis-a-vis, other places that they can go. I mean, I don't have to tell you the number of projects that have been cancelled. New projects are being started every day, by the way, in Nevada, but the cost of construction in Nevada is about 40% less for the same facility than it is in New Jersey. Even though the win is probably less, the profits are higher. So, as I said, I have no bone to pick with anybody here because I personally don't care if you are successful or not in New Jersey. I would like to hope that you do and I would like to hope that maybe my remarks today had some effect on your thinking in that area.

ASSEMBLYMAN CARDINALE: You know, I'm a free enterprise person. I would love to trust the managements of those companies. There are a couple of areas in which we have trusted them and instead of earning our trust and deserving our trust, they attempted to buy it by employing scads of people, and that was the most obvious thing that they did, out of government, into the casino industry, with no expertise-- people came into that industry with zero expertise--and until we established the control they continued to do that. They did it right up to the date, practically, that those laws which controlled that went into effect and that was only a few months ago. Now, this comes right down to the bottom line. You talk about these companies being the best that were around. Perhaps they were, but it doesn't speak very well for the industry that they came in here and engaged in practices of that particular type. You may be very right that if we want to continue the revitalization of Atlantic City or complete the revitalization of Atlantic City, we're going to have to loosen up some of these things. But, I think, if you can carry a message back, because I think this government type hearing is a two-way street, to the companies that you represent, had they not engaged in practices like that, we would be a little more open and a little more willing to trust them and, when we do allow them a little bit more freedom, as I'm sure we're going to, they use that wisely and not abuse it because it's going to be shut off, just as you indicated, as quickly as that spigot was opened.

MR. HOFFMAN: Let me respond to that because I think that's a very important point that you brought up. I've participated in discussions with management starting with periods of time when they were hiring people like this and I can tell you, from my own vantage point, and I don't think it is telling tales, that the consideration of trying to buy anything by hiring these people, other than greater efficiency and understanding in accommodating the regulations is absolutely a false impression. These companies did not hire people coming from government because they perceived that through the network of friends and so forth that things would get done that deviated from the official regulations. They came from a benovolent regulatory environment in Nevada which really wasn't very complicated and they were presented with a set of regulations that they frankly didn't understand. They didn't, first of all, understand that you were serious about some of these things. They thought, well, that's the objective, but we don't really have to do the letter of the law, because, that's what happens in Nevada. Okay, fine, Nevada is a totally

different jurisdiction. Once they realized that there were regulations here that were serious and had to be accommodated that were extremely complicated because there were things in the regulations that weren't written quite properly so they weren't exactly clear as to what they were trying to get at, I think there was a honest attempt at least on the part of a number of companies to hire people who understood government, not who could buy them favors or who could work some backroom deals, but people who understood government and said, "What do we have to do to get these approvals? Who do we have to provide information to? What timetables do we need?" I think it is easy for you to sit there, and I would too because if I was as skeptical as New Jersey was when they went into this and these guys were looking for an edge and figured they would hire this guy who is a brother-in-law of so and so or knows somebody and they could get the thing done, that's not at all the way they approached this. It was a serious attempt to hire people who were knowledgeable in New Jersey government and who would handle legal matters and could, in fact, represent them in handling legal matters in New Jersey. It was an efficiency decision, not an attempt to subvert the laws.

ASSEMBLYMAN CARDINALE: I wish I could agree with that, but I'm just going to let it stand there and let you know that, perhaps, the companies that you spoke to had those motivations. However, if one looks at the individuals who were hired and looks into their backgrounds and the degree of expertise that they had other than the fact that they had been members of government, it is difficult to believe that intelligent people in a management situation would have made the judgement that you suggest that they made.

ASSEMBLYMAN RILEY: Maybe it has been a long day and you're at the end of the list. It seems to me--I guess you know that we're here and I guess many of us are here, as Assemblyman Cardinale just said, because we want to make changes. But, if anyone thinks that New Jersey is going to become Las Vegas, they've got another thought coming. You made a couple comments that sort of got to me a little bit. Obviously, they started in the 1940's and we started in 1977. We started right, they didn't.

MR. HOFFMAN: That's correct.

ASSEMBLYMAN RILEY: We don't want the people they have in Nevada here in the State of New Jersey and I don't think you want to see us have those people either.

MR. HOFFMAN: Well, you might establish a new category of licensed employees called, "colorful person", to stand outside the casino and be a relic of old Nevada.

ASSEMBLYMAN RILEY: You made a statement that construction is 40% less in Nevada and things like that. The only thing that I can think of, and I'm talking about low end casinos and things like that. Well, we don't want those low end casinos.

MR. HOFFMAN: Well, that's what you've got.

ASSEMBLYMAN RILEY: The low end casinos in New Jersey?

MR. HOFFMAN: Yes, that's what you've got. You take the number of people who walk through the door of the casinos of New Jersey--

ASSEMBLYMAN RILEY: I thought you were talking about the honky tonk casinos in Las Vegas and Reno and Lake Topaz.

MR. HOFFMAN: I'll tell you something and I mean this sincerely. If you took a head count of the people who walk into Atlantic City casinos and the win that is generated in that casino in a day and divided the two out and did the same thing in your Lake Topaz place, the numbers would be a lot closer to that than they would to the strip average in Las Vegas.

ASSEMBLYMAN RILEY: I didn't say Lake Tahoe, I said Lake Topaz.

MR. HOFFMAN: I know. I said Lake Topaz too.

ASSEMBLYMAN RILEY: But, you're talking about construction costs and things and the only thing that I keep thinking about is you're talking about over-regulation in New Jersey, that we're 44th out of 48th or something. It seems to me that the only thing I can think of is fires and things in Las Vegas. They didn't have any sprinklers required by regulation. They didn't have fire walls required by regulation. Their construction costs are a lot less, sure they are.

MR. HOFFMAN: That hardly accounts for the total.

ASSEMBLYMAN RILEY: What happened to the stock of some those companies? New Jersey companies didn't have to force closing of trading.

MR. HOFFMAN: The one thing I can pat on the back is the fire codes in New Jersey. They certainly have done a good job.

ASSEMBLYMAN RILEY: But, I think what we have to do is have a good mix.

MR. HOFFMAN: That's all I'm asking for and what I'm suggesting to you is that you will find, after you deal with these companies for a few years, something which you probably, looking back on it from a vantage point in the future, would say, "Gee, if we had only had the guts to trust these companies going in, we would have, first of all, developed the market a lot faster and we would have learned a lot more about the industry." You see, the industry feels that they are in an adversary position and this is a function of the licensing process, right? It's not just an adversary position in the sense that there is a regulated company, but a real honest to goodness fight. I mean, everything's a fight and the Casino Control Commission in New Jersey was, for a long while, the companies wouldn't talk to it. All the companies did was do as they were told and the Commission said, "Gee, you never came to us and complained before." My God, nobody had a license. Are they going to complain before they got a license?

ASSEMBLYMAN RILEY: Isn't that because of what you called the "benevolent regulators" in Nevada? It's because they were allowed to run rampant in Nevada. In New Jersey, we said, "Wait a minute, we're going to start out right." I basically agree with your objectives, but we started from a little different premise and they may have thought we were kidding, but we started with that premise and it was pretty open. It was statutory, wasn't it?

MR. HOFFMAN: You started with it, but I think the problem is the force of their experience and their long history in Nevada had taught them that the system that you were proposing wouldn't work in its purest, strict letter of the law way and they assumed that very quickly that would become apparent and there would be changes. Now, obviously, that was as wrong for them to assume as a lot of things that have been assumed by the regulators and I'm not suggesting that it is blameless on either side, but what I am suggesting today is that I think the casino companies and I think the regulators have some of the same objectives and the objectives should be to upgrade the quality of the visitor to Atlantic City, which automatically brings in more money into the market. To upgrade the quality of that visitor, we have to do something about the regulations, so that it is possible to entice those kinds of people to come to Atlantic City. If we do that, I think you're going to see a very, very interesting result because Atlantic City does have a pretty good chance, if it starts getting investment going again in the market, of coming out a lot better than New York. I'm not talking about the prospects of New York doing it right. I've spent a lot of time in Albany and I must tell you, they're not starting right. So, you have an opportunity.

ASSEMBLYMAN RILEY: Well, we're out of the starting blocks. Thank you very much. Joyce Quattrochi? I see Michael Petty is from the same group. Can you sort of coordinate the testimony?

J O Y C E Q U A T T R O C C H I: My name is Joyce Quattrocchi and I am spokesperson for an organization called CRAPS, the Committee to Reform the Application Processing System. I would like for you to listen to me with empathy, as I represent hundreds of little people, the ones behind the booming voices of the bigger guys you heard earlier today.

I would like to address myself to the problems associated with obtaining individual casino licenses. The best way for me to do this is to relate to you my own story, as presented to the Casino Control Commission at their public meeting February 18, 1981. This was before I was licensed on February 28, 1981. This is what I told to them.

What I have to say is addressed to the Casino Control Commission and the Division of Gaming Enforcement as well. My dealer's license has been delayed again, due to the system. I do not intend to bore you with personal details of my case, but certain facts are imperative. The intake date on my case is 2-9-80, even though my personal history disclosure form number 2 is hand delivered to the Commission offices in Atlantic City in January of 1980. No matter how you look at it, over one year has passed and I am still unlicensed. In November of 1980, I was informed by Sgt. Bob Kent that my file had been misplaced and just located. My investigation followed and I was placed in a file to await review on 12-9-80. This last phase of the system should not take longer than three days to three weeks, according to Sgt. Steve Gellardi. On January 30, 1981, I was finally assigned an attorney to review my case. That three weeks stretched out to almost two months and an additional three weeks had passed since I was assigned an attorney. I expect another three week wait until the physical issue of my license. We're now talking about almost 14 months. As of 2-18-81, there was no information available to me about the dispensation of my case, other than the fact that I was considered active and I was told that it shouldn't be long.

I need not go into the history of inflation or the disintegration of the American Family for you to have some idea of the problems that I face as a single parent. But, I am here today, not only for myself, but for every applicant who has suffered because of the system. Most of us have been the victims of human error. Well, to err is human, but that's about the last human thing that happens. Errors are not corrected. They are merely discovered and noted, but not a human thing is done to offer restitution to the innocent applicant. Daily, I come into contact with many people who have stories similar to mine. We share a commonality. Our cases have been shuffled through the system from phase to phase without the human element of concern. We know that when we speak in front of the C.C.C., our files are pulled so that a detailed explanation of our circumstances can be reported to the Commissioners for further information. We've also been told that this fact should not be mistaken for special treatment. It isn't.

We are also informed that if a problem exists at this time that someone will look into it. However, if no problem exists, we will be placed back into the system to await our turn. Obviously, no problem existed in my case and I was returned into the system to wait and wait and wait for the signature of an attorney. I fail to comprehend how any system can operate without controls for checks and balances.

Yet, the system for licensing dealers seems to roll right along totally unaffected, human and computer error notwithstanding. Anyone who has submitted a personal history disclosure form is painfully aware of how the system operates. It is entirely too obvious that the method used to issue licenses to dealers has become archaic. The number of applicants is overwhelming, I am sure. Therefore, it stands to reason that constant evaluation and updating of licensing procedures is needed so that every applicant will have his or her case thoroughly and speedily expedited. I feel that it is time for the Casino Control Commission to accept the responsibility that comes with the Title, Control Commission, and control it does, but it lacks responsibility. My concern is the lack of recourse open to applicants who become victims of the system. No restitution is offered; no attempts are made to correct errors or delays. My case was unceremoniously dumped back into the system along with May and June intake cases. Why should I and others like me find that we sign away our right to privacy and now face an agency surrounded by secrecy. I did not mind your investigator examining my life, but, certainly, someone in that agency should be able to give me information about my case. We are told that our cases are under investigation or in the last phases of review. But, it seems not one person is able to give further information. Is there not someone who has been given the job of answering questions? Why can we not know the name of our investigator until he calls? Why can we not know and be able to get in touch with the attorney handling our case? Why can not one department walk over to the next department and secure information on our behalf? My life is an open book to you. I would merely like to find out who is listed on your table of contents.

We need and are entitled to some person or agency who can and will secure information for us and assist us when problems arise over which we have no control. Surely, a ten month delay due to the error of misplacing a file is worthy of having someone rectify the situation and lessen the hardships it has caused. I feel that we are entitled to priority treatment due to errors for which we are not responsible and we cannot correct. The possibility for corrective treatment lies only within your departments.

I feel that no solution to our problem will occur without educating the public to our situation. The law has provided a system of recourse and restitution for the victims of almost any situation. In every instance, the victim is encouraged to report his problem to an agency specifically set up to assist him in his time of crisis and yet the Casino Control Commission and the Department of Gaming Enforcement have no problem solving agency for the thousands of persons who pass through these phases daily, and I want to know why. To whom can we turn for help? Must we be satisfied with being told that we are the unfortunate few in need of further investigation or legal review? Is there nothing we can do? I am not satisfied with this treatment. We are entitled to know exactly what is going on and why. The public needs to be informed that such a situation exists when dealing with these two agencies. The Casino Control Commission and the Division of Gaming Enforcement owes me and the hundreds of others in my situation the investigation and development of a solution to the problems of securing licenses. We need help. It is a problem of no less than crisis proportions. Someone must take the responsibility of finding solutions that will satisfy the Casino Control Commission, the Division of Gaming Enforcement and, most importantly, the applicant. We have a right to expect no less than this.

This presentation was the foundation for our CRAPS and we mean to do exactly what our title says, reform the application processing system. My case is sadly typical of hundreds in our group. Late in February, we presented to Commissioners Zeitz and Thomas a bill of rights and we would like to see that bill of rights made into law. This bill of rights is comprehensive and inclusive. By turning our bill of rights into law, the result will be a system that maintains the integrity of the industry as a whole and also of the individual employees. I've submitted a copy of this bill of rights and our proposed changes, but I must stress to you the importance of reducing the time that it takes to get a license. A definite time frame is imperative. The changes that we urge you to make would eliminate the present and potential backlog of people waiting for licenses and it would relieve some of the hardships that we occur. We have surveyed our membership and find that the average age of our applicant is 30.08 years old. The waiting time between submission and licensure is an average of almost 11 months. Little guys like me need the help of changes within the law so that we may pursue our careers in the casino industry. These changes are not only for dealers' licenses. We must apply for position additions and upgrades in the future and these all require further investigations. Our bill of rights will ensure that all license applicants will be able to plan their lives and careers in a more realistic way and to realize a return on the investment that we have in the casino industry, the cost of schooling, the traveling time to and from school, jobs and homes, time away from families and the cost of moving ourselves and/or our families closer to our jobs. We, as casino employees, have a vested interest in the casino industry, one that we chose to make and now we ask your help in assuring that through changes in the law we can look forward to enjoying our return on this investment. Thank you.

ASSEMBLYMAN CARDINALE: Do you have any specific suggestions as to how a license could be processed more quickly? Let me preface that question with the fact that this Committee has been well aware of your problem both as individuals who receive complaints--some of us more and some of less--from individual constituents like yourself who have had similar problems. Every time we have attempted ourselves to get involved as a committee with this problem, we run up against some of the same things, I'm sure, that you're running up against. So, I would like to hear from you if there are some specific suggestions, since you are dealing with a group of these people, that perhaps we, as a legislative group, might be able to put into play and into place because most of the legislation--you should understand this--that comes down has a great deal of input from administrative agencies because they're dealing with the day to day problems and when a problem is discovered, generally, a legislator will consult with, at least, the administrative agency involved. When we've had those consultations, and we've had them even as a Committee in public hearings, we have run across, let's call it a reluctance--that's not totally accurate, but it gives you an idea of what we come up against. There is no rush to draw, for us, the requirements that would speed up the work of that agency. So, if you have some of those suggestions, I would be very interested in hearing them.

MS. QUATTROCCHI: We have. I believe that this bill of rights is very specific. I do not presume to be able to tell the Division of Gaming Enforcement how to revamp their investigative system. My solution is to approach it from an entirely different point of view by putting a definite time limit of--we have suggested--90 days. Do you understand what I'm saying? I can't tell them how to do it, but by putting a time span on it, this is the solution we are looking for. The way that

they manage to do it would be up to them. We have also found in our survey that there is an average delay in the time of submitting a personal history disclosure form and the time of receiving your receipt, which is your intake date, which everything is based on your intake date. The average delay between submission and intake date is exactly nine weeks. My case took 14 months to process and I have attended many, many meetings of the Casino Control Commission and my particular problem is that I was lost in the system. As I said, I can't tell them how to do it, but we have outlined what we would like to see as a result of changes in the law. We have set up a time span for the license, a time span for getting on and off of the calendar. One of the things that we've proposed is that many of the questions on the personal history disclosure form, which is 26 pages, be excluded. A lot of them, we feel, violate our civil rights, our human dignities. For example, why must anyone know with whom I have lived who is not a relative over the past ten years. I find that to be potentially, horrendously embarrassing.

ASSEMBLYMAN RILEY: I wouldn't answer a question like that.

MS. QUATTROCCHI: Then you don't get a license. But, what I'm saying is that I don't find that imperative to granting me a license, whom I live with.

ASSEMBLYMAN RILEY: I agree with you. What do we do? Do you have any specific proposals? I've seen that application and I find that application to be horrendous.

MS. QUATTROCCHI: Yes, we have. I don't have a copy of the 33--we object to 33 or 30 of the 55 questions that they ask.

ASSEMBLYMAN CARDINALE: If you would submit to the Committee later--

MS. QUATTROCCHI: I have taken apart the application form.

ASSEMBLYMAN CARDINALE: If you would submit the application with the questions to which you object with, perhaps, a short resume of why you object to each of those questions, if it isn't something is utterly obvious. I'm sure we would take a very good look at it and we would be very glad to have that.

MS. QUATTROCCHI: We have done that. I thought our lawyer would be here today, but he is not. He has our one and only copy, but if you will read over the proposed legislation, I think understand it better.

ASSEMBLYMAN RILEY: Has that been given to us?

MS. QUATTROCCHI: You have one copy.

ASSEMBLYMAN RILEY: I would like to see it for the proposed legislation.

ASSEMBLYMAN CARDINALE: You see, I would like something that goes to a little more than this does. I've glanced at this and I see that your Item B does go to some of the things that you've been talking about. Some of the others deal with your personal rights, where you feel they are being violated. There may be more than one viewpoint toward those things. The thing that I can agree with you wholeheartedly on is that in other capacities that I've served in in government, it's been possible to investigate potential employees for various and sundry things in a relatively short period of time and we've made the comment--two members of the administration--that perhaps some of these in-depth investigations are necessary for those who are applying for a casino license, a license to operate a casino, a key person license, something just short of that, but certainly not for many of the others. Now, you've been sitting here a long time today and you see the attitude of this committee toward making things a little easier for some of the license applicants. That is something that we undoubtedly will do. However, a dealer's license is something that is still considered important and probably is not going to be dealt with the

way a chamber maid's license is going to be dealt with. Therefore, I would like to see from your organization some kinds of direction as to how this should be speeded up. If you can point out to us the snags that have not been pointed out by the various people in the Administration that have appeared before us at other hearings, I would be very appreciative of that and I'm sure Dennis would also.

M I C H A E L P E T T Y: May I say something. We've been told several times, over and over by the Division of Gaming Enforcement that each applicant who submits a number 2 personal history disclosure form goes through four investigations with the FBI, State Police, local police and a credit check. Once that's been done then usually a license is automatically issued and they can easily do that, they say, within three or four months. The only thing is, if there is a hitch in there, if something is wrong, then the application is thrown out of the system and waits around for no telling how long until someone can get to it. When that happens, the applicant is told that the problem is either criminal, financial or something to do with personal integrity. My application was thrown out, but it wasn't for any of those three reasons. It was simply because I hadn't met the residency requirements yet. I submitted my application in April of 1980. They acknowledged receiving it in late May. My four phase investigation was over in July. It was November before anyone bothered picking up my application and it was March 18, 1981, before I was finally granted a license.

ASSEMBLYMAN RILEY: Whereabouts do you live?

MR. PETTY: I live in Nothfield. I did live in California.

MS. QUATTROCCHI: But, Michael's whole family moved here from California, his mother, his father and his sister have all been granted their license some time ago. They all applied at the same time. Michael's mother and father are both dealers in the casino where we are both employed and his sister is an A.B.E. employee. They were all licensed long before Michael.

ASSEMBLYMAN RILEY: What casino?

MS. QUATTROCCHI: Harrah's, although I do not represent Harrah's in any way, shape or form. I represent people looking for a license. I have nothing to do with the casino. I have nothing against the casino industry. It's been good to me. What prompted me to go to the Casino Control Commission that day was the fact that 140 of us were being laid off because we hadn't received our licenses.

MR. PETTY: And there was a comparable number at Golden Nugget.

MS. QUATTROCCHI: Yeah, Golden Nugget also. It was just too much to handle at that point. I had been waiting many, many months and, as a single parent, there wasn't a heck of a whole lot more that I could do at that point. I had no choice but to speak up and, if you have read this over, I do understand what you're saying. We do have taken apart--I'm talking about a personal history disclosure form number 2, not a key license. I don't want to address that subject because I feel that it requires an in-depth investigation and I'm not qualified to go into any defending of that in any way, shape or form. But, as a number 2 applicant, I can tell you that I have been battered and beaten and bruised and survived. I just don't want to see it happen to anyone else.

ASSEMBLYMAN RILEY: Can you get that information to us, though?

MS. QUATTROCCHI: I only have one copy.

ASSEMBLYMAN RILEY: Your comments on the questionnaire. I've seen the questionnaire and I think it's horrendous.

MS. QUATTROCCHI: We have taken it apart and have found objections or changes that may be made.

ASSEMBLYMAN RILEY: Can you submit that to the Committee? That's what I'm saying.

MS. QUATTROCCHI: Yes, I can. I don't have it with me now.

ASSEMBLYMAN CARDINALE: She can submit it to Mr. Bockelman at a later time and make it part of the record of the hearing.

ASSEMBLYMAN RILEY: Thank you very much.

MS. QUATTROCCHI: Thank you very much for your consideration.

ASSEMBLYMAN RILEY: That's the end of the hearing.

(Hearing Concluded)

ASSEMBLYMAN RICHARD J. CODEY (CHAIRMAN): Mr. Robert R. Maxey, Chairman of the Board and Chief Executive Officer of Golden Nugget?

R O B E R T R. M A X E Y: Good morning, ladies and gentlemen.

ASSEMBLYMAN CODEY: This is just the end of the public hearing we had held last week concerning the over-regulation within the casino industry. Mr. Maxey?

MR. MAXEY: First of all, I would like to thank you for the opportunity to come at the tail end of your hearing on this subject. I appreciate the chance to share with you some of the concerns and some ideas that I have.

I really believe that the difficulties which have arisen between the industry and the regulators in the State of New Jersey stem primarily from a communications problem. After all, we have, on one hand, the industry and on the other, the Legislature, the Casino Control Commission, and the Division of Gaming Enforcement with, really, a common goal and that is to have a well controlled, vital, prosperous industry which, in fact, achieves the intent of the Casino Control Act, which is to revitalize Atlantic City. I don't think that there is anything intrinsically different about anyone's desires to do that. The difficulties which have arisen seem to be, to me, oriented toward communication and that is not really surprising. You have an industry which is new to New Jersey. We have people who are basically in positions of responsibility in the industry which is new to New Jersey and the processes by which we are controlled are different. They are very different from those that have been used elsewhere. That's not to say that they are bad or awkward. I think it is important to realize that the industry has come to you with suggestions for revision in 12 areas, not 300 areas or 500 areas, but 12 areas. There are many, many areas that the industry and I personally find very, very refreshing, things that we probably wouldn't have thought of on our own, things that were, because of the research that was done in the drafting of the Act and the regulations, came to the fore. For example, the credit regulations are one of them. That's not to say that we think that each and every effort at creating the statutes and the regulations, which was done somewhat in a vacuum, was unavoidable. There was no industry here and there was no experience base for it. The whole thing seemed like a natural, an obvious mutual benefit. You had a decaying resort in need of billions of capital improvements and an industry, probably the only industry that could provide such capital on a short-term basis, on an immediate basis. Now, the obvious and the simple have run into the stone wall, a seeming stone wall, at times, of the bureaucracy. We find it very difficult to express ourselves and to be understood on the items that we think need change.

You have our shopping list of 12 items that we are requesting for change. I don't intend to go through them, each and every one. That's been done before and they've been submitted to you in writing. But, I would like to discuss with you this communication problem. I know, for example, that it's been suggested to you that our request for change in the area of junkets is not viewed as favorable by the DGE because, I think, the two examples that were cited were the possibility of having fictitious names obtain credit, and then also, that unsavory collection practices might be used. The part from which this adversarial, frustrated atmosphere flows is the fact that we have never asked for relief from any of those things. I happen to believe that the idea of requiring a man to give you his accurate name,

his bank account, being obligated to verify that bank account, having the instrument that he signs be a negotiable instrument at the time that the credit is issued is good. No one is suggesting relief from that and I suggest to you that the possibility of using a fictitious name is, if not eliminated, virtually eliminated by that one instance, by that one requirement.

Collection practices are completely different than are done in Nevada and elsewhere and they're fine. The fact that we don't collect money in foreign offices, the fact that our customer is required to pay, if he does redeem his credit instruments or counter-checks, the fact that he has to redeem them himself, those are good and no one has suggested relief from those.

So, the two major arguments against the prior reporting requirement of name of people who are invited on junkets really have no bearing on the central issue. We have not asked for relief from those regulations and from those statutes. Also, I suggest that we probably will not. It seems to be working very well.

There has sort of been an inference that we are soliciting room in which to operate in this area. That's not true. It is true that it is very difficult to bring people to this adult Disneyland experience, this entertainment activity, that these properties are and have become; it is very difficult to do that with the prior reporting requirements. A subsequent reporting requirement as we have suggested is perfectly acceptable. We report virtually every transaction to the State anyway and would be glad to do so in the future.

Another item which I read from some of the notes that I have because I wasn't able to be here last week when you took the rest of this testimony, but in the information that I was given I don't think an adequate point was made about the access to the casino floor area. I believe that the statute requiring an employee to have a casino license to be on the casino floor is silly. I think it is an oversight. I don't think anyone ever intended it. You realize what we're talking about, a giant room of 40,000 to 80,000 square feet in which gaming is conducted. 80% of that room is accessible to the general public. Any person can walk in off the street and circulate freely in that room. To suggest that a person, because that person might be a hotel cashier who works at the front desk can do less, could not walk across that sanctified space in order to have a transaction at the cage, turn in his or her own bank for the day, I can't believe that was ever intended. I think it sounded like a good idea at the time, but it needs to be changed. No one is suggesting that the areas inside the gaming pits, the areas inside the cage or any other area that is sensitive that there should be unfettered access to that, of course not. But, the wording of the statute is access to the casino room, to the casino area and it has led to the creation of whole departments of people that need not otherwise have existed. For example, we have been forced, at the Golden Nugget, to have a department called The Satellite Bank. Their sole function in life is to be away from the cage, which is the bank, if you will, in a casino and the place where all financial transactions should be consummated. They were forced to relocate to another area not in the casino this banking function. It takes a whole department of people. It takes security to watch it and very frankly, the cage is a very secure area. Any other satellite bank that you create in another part of the building, however carefully guarded, however many security guards you devote to it, is going to be less secure than the cage. The financial transactions need to take place at the cage. I have been explaining this or attempting to explain this to representatives of the DGE, the Casino Control Commission and some members of the Legislature for over a year. I have never heard one objection

to my comments voiced and yet, as we sit here today, there are still whole departments of people who exist merely because an employee of a casino-hotel operation cannot walk on portions of the carpet where the general public is allowed to walk. I think the change would be very simple, to say that access to the casino should be precluded except for those people who have casino licenses, except those areas available to the public. That would take care of it. Once again, I've never heard anyone object to it, but I haven't seen any change either.

You've been told that the State can better determine the business ability of an employee than can management. If you believe that, there's not much I can say to you. I don't believe it and I don't think that any person familiar with the requirements for management of a facility, a \$160 million facility to a \$200 or \$300 million facility in some cases, employing from 3,000 to 4,000 people, the type of management that is involved in those type of operations is far better able to judge the business ability of an employee than any impersonal requirement that can be set down by the State and we believe very strongly and I believe very strongly that we should be allowed to manage our affairs, we should be allowed to select our employees. We should be held fully accountable for our own integrity in such selection and we're certainly willing to be held accountable for it, but we should be able to select our own employees without any view toward an artificial requirement created by the State.

My views on the Casino Control Commission being required by the Act to be enforcer for other State agencies, I think, are well known. They were expressed to you last week by Mr. Downing. I won't belabor that point again except to say to you that I feel that the intent of the Act has been circumvented on many occasions by this arrangement. I think that CAFRA has had an undue influence on casino development in Atlantic City because of that single phrase in the Act which says that we must satisfy CAFRA if we are to go forward and be considered for a casino license. CAFRA has its own remedies, as do the other State agencies. If we do anything improper in the area of environmental control, we should be held accountable for it and I believe that those mechanisms exist without making the Casino Control Commission the watchdog.

Another item that is very critical and is probably the most critical single item that we face is the rules of the games. The rules of the games in a casino are, in fact, the most important marketing tool that we have. It is what allows each casino to develop its own personality. There is absolutely no reason whatsoever that the rules of the game need to be dictated by the State. In Nevada, for example, the rules of the game are not dictated by the State. To my knowledge, there has never been one negative appearance because of that particular latitude or manage prerogative that has not been removed from management's marketing arsenal. We need that ability. To do otherwise is to create and perpetuate this "cookie cutter" look to each establishment. If one establishment wishes to deal Blackjack with surrender and one without, if one establishment wishes to deal the cards face up or face down-- for example, in Nevada, there is a whole gamut. There are establishments, very successful ones, that have much more liberal rules for the player that expose the hole card, that do all of a myriad of things in the interest of marketing, to encourage participation at their establishment. They are more liberal to the players than the standard rules in New Jersey. There are some places that have a more conservative view and, perhaps, that particular establishment's marketing approach is to build a more beautiful place, to cater not to a particular type of gaming patron, but to another type of gaming

patron. Those are very important and, in New Jersey, this management prerogative has been usurped and has led to much confusion in many areas.

The current discussion and conflict is over card-counters. I have to say--I don't like to say, "I told you so," but I did, in this case, tell a committee of the Casino Control Commission several years ago, when they took testimony in this area, that barring card-counters won't work. It will not work. That's not the answer to the problem. Let the establishment determine the rules of the game and the card-counter issue will be dealt with very handily. If a person wishes to count the cards, he may count the cards. If the casino wishes to shuffle the cards, they should be allowed to shuffle the cards and to do otherwise is to ignore the experience of 50 years in an industry which you have invited to come here. You have created an artificial situation which will not work and it will have a negative impact on the industry and on the State as well and I think that that has happened.

The entertainment requirements, both regulatory and statutory, which we have suggested be changed are another typical example of usurping management prerogatives. The system that we have currently does not work. We have a series of "cookie cutter" showrooms, all of which tend to cause us to put on a show which doesn't embarrass us and which somehow complies with the law. We have not converted Atlantic City into the entertainment capital of the East, nor will we ever, as long as we live with this mandated entertainment policy. It is entirely possible that if there were no such policy that some establishment might choose not to have entertainment. Everyone has avoided saying that. I think it is foolish to avoid saying it. Not all of them will. Some of them will decide to exploit that particular aspect of marketing and, undoubtedly, will have extravaganzas the like of which have not yet been seen here. Some places may decide to run entertainment one or two days a week. Some may decide, conceivably, not to have it at all. The point is, once again, to ignore the 50 year experience in Nevada is foolhardy. It is almost sacrilegious to say to, I guess, the way we do it in Nevada. It hasn't been a very popular thing to say. At least, it hasn't engendered very much in the way of response, positive response. But, the facts are that Nevada, Las Vegas is the entertainment capital of the world. It became that without a single dictum from the State of Nevada and so, I say to you that entertainment will prosper and thrive in Atlantic City in the absence of statutory control of it.

To give you an example, there are statutes that govern hotel rooms. We are supposed to have 325 square feet in a hotel room. I wouldn't dream of building a political prisoner room of 325 square feet. That's my particular approach to marketing. I wouldn't dream of it. Our rooms average 425 square feet. They are very generous in size. No one had to tell me that I had to build a 325 square foot room or else I would have built a 250 square foot room. This assumption on the part, in some cases, of the State agencies that we will do those things, that's not true. We will do what makes the industry successful and that is, after all, the common goal that we all have, I believe.

Of course, the industry needs to be controlled. No one has suggested otherwise. This industry can't exist without control. But, it also has to be able to be managed by people who know how to manage it. Otherwise, we will have a series of institutions up and down the block, one looking exactly like the other.

Another item that I wanted to mention to you is in the area of vender licensing. You know, there are two distinct requirements, contract approval and vender licensing. Contract approval, assumedly, a one time contract with a person

or intimate, while vender licensing is an ongoing relationship. I believe that the intent behind these statutes is laudible. I believe that we need it. No one has suggested that we want to be left alone in this environment without the participation of the DGE. I suggest to you, however, that it might very well be possible to merge these two types of functions into one and do the approval or the investigation on a discretionary basis after the fact. That is to say that we would be allowed to enter into contracts with people and we must submit those contracts, whether they be for repetitive or singular services, whether they be for the repair of a broken pidgeon wing to the weekly purchase of 100's of 1,000's of dollars worth of liquor, meat or other products. They should be submitted to the DGE who, at that point, will be allowed or will be required to review them and pursue those investigations and at their own discretion and at their own pace and therefore be allowed to prioritize those investigations. We're not suggesting and never have suggested that we want to eliminate this at all. It is a very good provision, like the credit provisions. The rules governing the the issuance of credit, I think it is an excellent approach. I do think, after the experience that we had, it needs some fine tuning. It doesn't work to treat every contract and every vender the same. Some are important and some aren't. You know, I'm prohibited from, for example, using Pitney-Bowes postage meters in my establishment. I would assume that the State uses Pitney-Bowes. They are the foremost supplier of that equipment in the world, but because they are not willing to subject themselves to the licensing procedure, which they don't understand, and they don't feel that they have to understand, it would allow some discretions. If the DGE decided that Pitney-Bowes or IBM or General Motors or anyone else needs to be investigated, they can investigate them. But, in the meantime, we would be allowed to go forward with our business affairs with those firms.

ASSEMBLYMAN CODEY: Thank you, Mr. Maxey. Any questions from the members of the Committee?

ASSEMBLYMAN RILEY: What savings would come out if you actually had free access like we're talking about?

MR. MAXEY: What savings?

ASSEMBLYMAN RILEY: Yes.

MR. MAXEY: Well, it would be difficult to put together a team of 12 or 14 people. That's a direct savings. On the other hand, there are many other things. For example, we have one bar, one liquor outlet which, because of its location, you must cross the casino floor to get to. You don't have to cross a private area, but you have to cross a public area. I haven't to factor in the necessity to have no non-licensed person transact with that bar, that is bring a case of soda pop or whatever, except, you know, around the outside and through the back door or finding some licensed person to perform those functions. There are many, many examples of that. Now, I must say that it would be unfair to indicate that the Casino Control Commission has not been sympathetic and has granted certain waivers and certain latitude to allow that to occur. But, it really need not exist at all. I don't think anyone ever intended to preclude employees from going where the public can go. It just slipped through.

ASSEMBLYMAN RILEY: As far as the junkets and things, yesterday in the New York Times they reported that 4.5 or 5 times the reported profits of the casinos were spent for freebies. I think the headline of the article was "Big Get Bigger" or something like that and the gist of the thing was that 4.5 or 5 times the reported profits were actually used in giveaways and freebies, drinks, rooms, meals, etc. A, is that even close to being accurate and, B, how much would that increase if it was allowed what you and your Association are seeking?

MR. MAXEY: Well, first of all, it may very well be true for certain properties, for certain operators who choose to operate in that mode. In our case, that certainly is not true, but that's not surprising to those who know the industry, to our peers, at least, because that's not our style. We're fairly tightfisted, as the industry goes, when it comes to complimentary services. That doesn't make us right. That just happens to be our approach. Other people, perhaps, provide much more in complimentary services. So, I would say that that number is very high. Perhaps, if you took the highest in the industry, it might reach those levels. I find that a very extraordinary number, but not impossible. It is certainly not true of the industry on the average and certainly not true of every property. But, the relief that we have sought from the junket reporting requirements is really just relief that would benefit each operator, those who intended to, in fact, spend \$1,000 to bring a valued customer or those who intended to spend \$400 and it would benefit us all in one way or another. It isn't really tied to the dollar amount that's involved.

ASSEMBLYMAN RILEY: Lastly, you say that in Las Vegas that many of the places are more liberal with the rules of the game, etc. It seems that the first thing that you went after, the Casino Association as a whole, as far as liberalization was removal of the \$2.00 and \$5.00 tables. Do you think that this type of trend, if the rules of the game are totally relaxed and allowed to be a management prerogative, do you think that that trend would continue, the elimination of the small-time people in the casinos?

MR. MAXEY: No, I don't think that at all. I think that the cost of doing business in New Jersey is such that the establishment of the minimum wager is a management prerogative that management must have if the industry is to thrive and survive. You cannot allow a person to go into the automobile business and then tell what price he must charge for his cars. It just doesn't work. That requirement, by the way, and I say this to you very directly, did not exist when we made our \$160 million investment. If it had we would not have made that investment and we wouldn't be here today. I am somewhat gratified that this ill-advised regulation has been rescinded. I am all but mortified to understand that the Legislature has considered minimum-maximum or minimum wagers in its own area of authority and I must say to you now, as I said to the Casino Control Commission then, it will not work and you will have tied a knot in the jugular vein of this industry without which these billions of dollars of investment which are needed to revitalize Atlantic City will not be available. The redevelopment of Atlantic City, the unique tool of urban redevelopment, as it is called, has ceased to function. There are no new starts and the reason there are no new starts is because of the mentality that created the minimum wager regulation in the beginning and has created conversation about legislative possibilities of entering into that domain. A person, and I must consider myself an unqualified expert in this area, a person who would consider an investment in this jurisdiction, if he had the remotest idea that that would occur, would be a fool.

ASSEMBLYMAN RILEY: You have, de facto, eliminated \$2.00 and \$5.00 tables.

MR. MAXEY: No. As a matter of fact, I have \$2.00 tables every week at the Golden Nugget and Caesars thinks I'm crazy. So what. They're my competitors and they're entitled to think I'm crazy.

ASSEMBLYMAN RILEY: Specifically on the weekend, weekend evenings, you don't have them. You may have one or two.

MR. MAXEY: We may have none.

ASSEMBLYMAN RILEY: Well, I've never found them, but, in any case, do you envision, if this is continued to be allowed, that this will be eliminated altogether?

MR. MAXEY: No. I visualize that if, just as in Nevada, where there 106 licensees doing business, I visualize that if this industry is allowed to flower and develop, if the train begins to move, if there are some new starts, I visualize that, if there is a demonstrated attitude on the part of the State to allow the industry to manage its affairs--the voters, after all, did not vote for state managed casinos. They voted for privately managed casinos. They specifically, as I understand it, although I wasn't here in those days, voted down the concept of State managed casinos or did not vote for it. So, I believe that this particular item is very, very crucial because it is a barometer of the attitude of the legislative and regulatory process in New Jersey and I do not believe that you will see new investment in Atlantic City in light of that type of thinking. We must be allowed to manage our properties.

ASSEMBLYMAN RILEY: There haven't been any new starts since that was eliminated, have there?

MR. MAXEY: Since it has been eliminated, no, there haven't been, but there are many other areas of relief which have been requested that there's been no action on. Not only that, the fact that the Casino Control Commission, after a gestation period, began to understand the minimum-maximum effect and chose to eliminate it and the fact that the Legislature is now looking at it for some assumed possibility of reducing that to statutory form, I assume that there will be no new starts until that attitude is understood.

There is one other item, if I may, that I wanted to mention to you.

ASSEMBLYMAN CODEY: Mr. Maxey, we have a time problem. So, if you would just continue with any questions. Assemblyman Villane?

ASSEMBLYMAN VILLANE: We've never met before, but just to refresh you and to bring you up to date about the Legislature, when you talk about the mentality of the Legislature to over-regulate, you have to understand that the whole concept of casino gambling didn't come from your industry. It came from the Legislature and we feel a very serious obligation to the people that voted to allow gambling in Atlantic City that gambling be well regulated and restricted. We don't really like comparisons to Las Vegas for a lot of reasons, reasons like the Jolly Trolley and some of the corruption that has gone on in Las Vegas. We don't want that in New Jersey, and if we are a little slow and if we are a little reticent to make changes that favor the business community, it is for those reasons. We understand that some of the regulations are difficult to live with and we're willing to help you with that. But, understand that the Legislature is going to be in this with both feet for a long time. We understand that you have a lot of money invested. You also did a lot of things like crash programs and paid a lot of money to build those things and an express railroad train system. We know that you financed in a difficult time, when it cost a lot of money for money, and you have to get profits out of it for that. But, in light of all those things, just know that the Legislature is going to be in there regulating, we will be in there watching, and we want your cooperation. We want you to make money. We want you to survive and we want other people to come. But, we're not going to sacrifice and do it at the sacrifice of the promise that we made to the electorate.

MR. MAXEY: Do you feel that in these 12 areas where we've asked for change that we have asked the State to sacrifice?

ASSEMBLYMAN VILLANE: In some areas, I think so. I think that we told people that in addition to rebuilding Atlantic City that it would be a recreational facility where people of modest means could maybe go and play a blackjack table. We said that and we said things like, it's not going to be the total responsibility of the State government to watch who you did business with. What you are suggesting is that you do business with whoever you want to and then file with the State and then if we can find anything wrong, then it is our responsibility. I don't like that attitude. I think we're both partners in this thing. You know, Pitney-Bowes may be the best example that you could make for somebody in free enterprise. But, there are a lot of other people and I don't think that the State should go around and look for them after the fact. You can say, "Well, I did business with this particular towel company and now, you find out what's wrong with them." That's not right.

MR. MAXEY: Well, perhaps I should clarify that. I believe that the venter licensing regulation in the statutes is, in fact, well founded. I believe that control of that aspect of our affairs is important. It is important for me; it's important for the State. We're not suggesting that we want a lack of control. We are suggesting that some of these guidelines, drafted before the fact, need some fine tuning. They don't work as well as they could and I, for one, have never suggested elimination of them. There are certain areas, certain types of business relationships that we have where I wish the State was permitted to be more active in. We could use the help.

ASSEMBLYMAN VILLANE: You know, the Attorney General suggested that there be more openness in the construction contract and things prior to you getting a license. We don't do things like that because we don't want anyone putting the muscle on you and you know how that works. It could be from your paper supplier to your meat supplier to your unions that do business in your construction. We don't want the muscle laid on you because, in the long run, it ends up costing you a lot more money. So, we want to work with you, we want to protect you, but we're going to protect the public too.

ASSEMBLYWOMAN KALIK: I just have one question. Have you given any thought to the 2% optional credit for reinvestment rather than the tax?

MR. MAXEY: I've given a lot of thought to it.

ASSEMBLYWOMAN KALIK: Could I hear your thoughts on it?

MR. MAXEY: I believe that the reinvestment requirements, as they were initially conceived, were something that we knew about when we came here. We knew about it when we made our investments and I believe that there isn't anything particularly onerous about it. I think, like many things, when it came to actually implementing it, it becomes very difficult and I don't have any ready remedies for you on that subject except to say that I believe if we reinvest 2% in New Jersey, in South Jersey, in Atlantic County, in Atlantic City, I believe that we should be allowed, for example, if not to make a profit on those investments at least not to donate, if you will, the money. I believe that that money could be used for a number of things, not the least of which might be loans to employees for housing. I don't think the industry--certainly in my own case-- I don't think we fought that original concept. That is something that we knew about. We were kind of waiting to hear from the State as to how it is going to work, but that is something that we knew about from the beginning. There's been no real reticence on our part.

ASSEMBLYWOMAN KALIK: If you had to make that decision today between paying the tax and taking the tax credit for reinvestment, what would you do?

MR. MAXEY: Well, paying the tax has some advantages, obviously. For one thing, it is simple, it is understandable and it is not subject to becoming a football or a plum. It is straightforward. We kind of feel that we're a pingpong ball in this particular area at times. More than one group wants the 2% to go for the things that they're interested in. To that extent, our lives might be simpler if it were relegated to just a straight assessment, as you have suggested. On the other hand, I'm not at odds with the concept that reinvestment of that portion of that amount of money to fully develop the area, I'm not opposed to that either. I do think that no one has come up with a comprehensive plan for doing that and it is really out of that frustration that this other idea has come.

ASSEMBLYWOMAN KALIK: You said that there were several other things that you would like regulated. That's the first time that I've heard the industry, in any way, say that there might be other areas of regulation. Because we really are under terrible time constraints right now, do you think you could make those available to us at some other time?

MR. MAXEY: Sure.

ASSEMBLYWOMAN KALIK: Because, I would be very interested in knowing what areas they are.

MR. MAXEY: Sure, I would be pleased to do that.

ASSEMBLYWOMAN KALIK: And, I would give you the opportunity, but I know we have like six bills here.

MR. MAXEY: Mr. Chairman, if you can indulge me for just thirty seconds, there is one very important item that I left out and I will keep it to that if you allow me.

ASSEMBLYMAN CODEY: Go ahead.

MR. MAXEY: Senate bill 1560, which recently was enacted requiring that all changes in regulations not be effective until review by the Legislature, is it going to be a particular problem to our industry? You are dealing with a still not fully mature industry that has a set of full-time regulators and I believe that, because we have full-time regulators that look at our industry in an in-depth way, I believe that the built-in 90 to 120 day process that that would create is going to be a very severe hardship on this industry and I believe that the Casino Control Commission should be allowed changes in its regulations. Review them at the legislative level and rescind them if you don't like them, but to put a built-in 120 day delay on top of an already cumbersome situation is going to create some serious hardships and I would respectfully suggest that, perhaps, in an agency that does have a very high budget, large staff, full-time involvement with the industry that it is regulating, that perhaps that type of arrangement might be suitable.

ASSEMBLYMAN CODEY: Assemblyman Cardinale?

ASSEMBLYMAN CARDINALE: In the interest of time, if you would just, perhaps, along with what you are sending Barbara, send us the answer to this question, but, first, let me pose the question to you. You have indicated that the regulations relative to entertainment are counter-productive and you point out that in Las Vegas, without regulation, they have become the entertainment capital of the world. It seems to me that you have very minimal regulations in terms of the requirement for entertainment at the present time. I would just like to know how your reasoning went. Several other witnesses said the same thing, but no one spelled it out in terms of how they would see the scenario developing if they didn't have these regulations. I would like to see someone do that.

MR. MAXEY: Okay.

ASSEMBLYMAN CODEY: Mr. Maxey, concerning the rules of the game, isn't it a fact that the rules of the game in New Jersey make it better for the players, as opposed to Las Vegas?

MR. MAXEY: Not in every case.

ASSEMBLYMAN CODEY: I'm talking about a general overview.

MR. MAXEY: I don't know how we could measure that.

ASSEMBLYMAN CODEY: I'm just talking about--my readings of those kind of publications regarding casinos and the play is that the odds are better for the player in New Jersey than they are in Las Vegas or Nevada.

MR. MAXEY: Well, it would take a comprehensive study to determine that because we have many properties in Nevada that deal with an exposed hole card, which changes the game to the players' advantage tremendously, as you probably know, and that is getting to be more and more prevalent there, as a matter of fact. We have other properties which deal in a more conservative game and to say that it is a general rule of thumb that the player has a better advantage, I believe the player here, the average player, has no better advantage on the average. I believe that the super sophisticated player, the card-counter, because of our inability to shuffle the cards and do those things that we need to create an equitable play with such a player, because those regulations exist in New Jersey, I believe that, certainly, New Jersey is more liberal to that player. I'm not at all sure that taken on the average that it is more liberal to the average tourist player who is playing for enjoyment and entertainment.

ASSEMBLYMAN CODEY: Well, unfortunately, we don't have any tourists in Atlantic City.

MR. MAXEY: Look at the slot area. In Nevada, where there are no regulations where slot hold exist, we have machines which return 97% to the player. That's a marketing thing.

ASSEMBLYMAN CODEY: There are some that go below 87% too, which I don't think is too fair to the player at all. But, I don't want to get into a long dissertation on that.

MR. MAXEY: But, my point there is that left to the marketplace forces, there is no evidence that would indicate that the industry intends to make the players' gaming experience unpleasant by an inordinate approach to the rules of the game. It is quite the contrary. In the case of slots, there is every evidence that a more liberal approach might be taken.

ASSEMBLYMAN CODEY: Just in regard to what Assemblyman Riley brought up about minimums--and I said this at the hearing--I think what we respond to is criticism from our constituents who say, "We were down to Atlantic City over the weekend and couldn't find a \$2.00 table. When we voted for casino gambling, it was supposed to allow us to go down there and gamble and we can't gamble on a \$25.00 or \$50.00 table." That's the complaint that Mr. Riley hears and it is the complaint that I hear, and everybody else in the Legislature hears it. I think you have to realize that and you have to respond to it and not come at us with some malarkey about, "Well, let the marketplace set the games and what the minimums and maximums are going to be," because, obviously, when there is none, it is not really set to the marketplace. Those people are shut out of the marketplace, per se, and that's what we've been responding to and we are looking into it. It is not a bad mentality at all, as far as I'm concerned. Well, I appreciate your coming down. Okay, thank you, sir. The hearing is now closed.

(Hearing Concluded)

SUBMITTED BY WILLIAM DOWNEY

RECOMMENDATIONS FOR CHANGES TO THE
CASINO CONTROL ACT

ATLANTIC CITY CASINO HOTEL ASSOCIATION

APRIL 15, 1981

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1. EMPLOYEE LICENSING

STATUTORY RECOMMENDATION

5:12-89. d. Casino Key Licenses

Extend the ability of the Casino Control Commission to issue temporary casino key licenses for an additional 12-month period (now due to expire July 9, 1981).

5:12-91. Casino Hotel Employee Licenses

Eliminate this section and substitute with a "registration" system.

5:12-106. Work Permits

This section should be deleted.

JUSTIFICATION

The need for temporary casino Key Licenses will expire in July of this year. The need to the temporary keys will remain at least until the end of this year given the existing backlog of licensees not yet approved and the opening of three new casino hotels by the end of this year.

The licensing of Casino hotel employees should be eliminated and a "registration" or similar system should be adopted. We would concur with the testimony of the Director of the Division of Gaming Enforcement in his testimony before the Casino Control Commission on this issue. We would also endorse the proposed amendment of the Casino Control Commission to substitute "registration" for licensure of Casino hotel Employees.

The work permits are duplicative and unnecessary. A license or "registration" should be sufficient, reducing the casino hotel owners financial liability as well as reducing the workload of the Casino Control Commission.

2. CASINO HOTEL FACILITIES AND IMPACT OF THE FACILITIES

STATUTORY RECOMMENDATION

5:12-1.b (10)

Delete entire subsection

5:12-1 b (11)

Delete the words "aesthetic and architectural" between the words "law enforcement" and "standards".

5:12-84.e

Delete the phrase "and its proposed location, and that the proposal will not adversely affect casino operations or overall environmental conditions" and the phrase "and an analysis of the effect of the proposal on the overall environment, including, without limitation, economic, social, demographics and competitive conditions, as well as the natural resources of Atlantic City and the State of New Jersey".

JUSTIFICATION

Aesthetic, architectural and environmental considerations in the developmental process are primary concerns of the Atlantic City Planning Board and the Division of Coastal Resources within the State DEP. Other governmental agencies involve themselves in reviewing development plans (depending on varying conditions) such as the Atlantic County Planning Board, State DCA, Corp. of Engineers, State Department of Transportation and divisions within the State Department of Environmental Protection other than Coastal Resources.

This intensive, complex and costly review process eliminates the need for review by another body. The Casino Control Commission should limit its review of architectural and site plans to assure that those plans are suitable by law enforcement standards only.

The issue of competitive conditions is addressed at the time the developer seeks his financing, and must prove to the lender that there is every certainty that the loan will be repaid. The decision on the part of the lender is made with full knowledge of existing and proposed developments and how those developments will affect the profitability of the development under consideration. The marketplace, rather than a governmental agency, should be the determining factor in this area.

3. ACCESS TO CASINO FLOOR

STATUTORY RECOMMENDATION

5:12-7 "Casino Employee"

Modify the definition as follows:

Any natural person employed in the operation of a licensed casino, including, without limitation, boxmen[,]; dealers or croupiers[,]; cage personnel; count room personnel; slot machine and slot booth personnel; floormen [,]; [machine mechanics;] credit and collection personnel; casino surveillance personnel; casino security personnel [employees]; [and bartenders, waiters and waitresses] or other persons whose employment duties are directly related to gaming activity [require or authorize access to the casino] but who are not included in the definition of casino hotel employee[,], or casino key employee, [or principal employee] as hereinafter stated. *

5:12-8 "Casino Hotel Employee"

Modify the definition as follows:

"Casino hotel employee" - Any natural person employed by a casino hotel licensed under this act to perform service, hotel security, secretarial [or], custodial or other duties not directly related to gaming activity, [operations of the casino,] including without limitation, bartenders, waiters, waitresses, hotel security guards, secretaries, maintenance personnel, and kitchen staff. [, but whose employment duties do not require or authorize access to the casino.] *

5:12-11 "Casino security employee"

Modify the definition as follows:

"Casino security employee" - Any natural person employed by a casino licensee or its agent to provide physical security in a casino. [hotel.]*

JUSTIFICATION

The effect of these changes will be to make a clear distinction between gaming related and non-gaming related employees and to allow all employees to have access to the same areas in the casinos as the public does. This would provide a significant savings in licensing fees and time and would allow casino hotels to have less staff.

This would, for example, allow cashiers to utilize the casino cage (although not going into the cage) rather than establishing satellite banks. There are many instances of duplicative services now required, that could be eliminated with no loss of control, by simply allowing all employees access to those same areas the public has access to. Areas that should be excluded would be the interior of the cage, count rooms and surveillance areas.

* Deletions are in brackets []. Additional wording is underlined.

4. HOTEL OR APPROVED HOTEL

STATUTORY RECOMMENDATION

5:12-27

Delete the sentence "In no event shall the main entrance or only access to an approved hotel be through a casino".

This is a design consideration and should not be a statutory prohibition.

5:12-33

There should be an increase in the ratio of allowable casino room square feet to sleeping units and qualifying public space.

The ability to attract additional financial investment to Atlantic City will be dependent on future building and operating costs versus profit potential. The criteria of allowable casino room space will be critical to the decision of whether or not to invest.

5:12-98.b.(3)

This subsection should be deleted. The requirement regarding partitions is a design consideration, not a security concern.

5:12-98.b.(4)

This subsection should be deleted. Licensees should be allowed to use architectural designs that open their facilities to the environment. In order to properly employ innovative design standards, there should be great flexibility in facility criteria, rather than the narrow criteria of "hiding" the casino.

5:12-98.b.(5)

This subsection should be deleted. Encouragement should be given to providing meeting space, entertainment and sports space, no matter where that space is provided. This subsection discourages the provision of that space, in light of building costs and the design restrictions it imposes.

JUSTIFICATION

Now that there are nine open or about to be open casino-hotels, the precedents for good design and the provision of amenities within the facilities have been established.

Design considerations should be the prerogative of the developer and should not, at this point, be legislated. This goes to the issue of entrances to the hotels, dividing of the Casino room by the use of partitions or other architectural devices, and the location of the Casino, as well as the locations of public space.

The goal of assuring that casino-hotels would contain sufficient amenities by arbitrary standards like a minimum amount of public space may have been valid three years ago. It is no longer valid. The legislation need go no further now, than specifying a minimum number of qualifying sleeping units. We would recommend

that there be no requirement for public space since competitive factors can now operate to fulfill the amenity requirement.

As a representative from Hilton-MGM testified at the February 24, 1981 Casino Control Commission Hearing on Regulations, regarding Section 5:12-33, "The architectural criteria enumerated in that section may serve to restrict an operator's ability to design a functionally efficient or economically feasible facility. With today's high construction and financing costs, it may be that the 65,000 square feet of qualifying indoor public space required as a bare minimum for approval of a casino hotel will render new projects unjustifiable from an economic standpoint. Having such criteria locked into a statute may prevent the Commission from approving worthwhile projects, and may also prevent an operator from closing off unused public space, such as restaurants or shops, during a period of low occupancy. The State has every right to expect developers to construct first class casino hotels, but it cannot expect developers to construct costly white elephants as a condition to entering the market here."

5. JUNKET

STATUTORY RECOMMENDATION

5:12-29

The Junket threshold should be removed.

5:12-102

This section should be modified to delete the requirement for any reporting. If reporting is not deleted, the requirement for reporting should be changed to allow for that reporting to be due 30 days after the junket.

JUSTIFICATION

It is clear that the success of the casino hotel industry in Atlantic City in attracting overnight visitors during "off-season" will depend in part on different marketing techniques than are presently being used.

It is also clear that a key marketing technique in this regard is the "Junket".

We recognize law enforcement and Casino Control Commission concerns on this issue and appreciate the Casino Control Commissions efforts to modify slightly the present requirements.

It is our contention that the two cited changes would remove significant impediments to operating effective junket programs.

There is no need to have a maximum threshold except to limit the number of groups and individuals who would be considered to come under the junket provisions.

We would prefer that there be no threshold. If, however, the State determines that some threshold is still necessary for some period of time, it would be our recommendation that the amount be \$1,000.

The reporting requirements act as a further marketing impediment. Since many people availing themselves of junkets determine to participate at the last moment, it is our recommendation that if there is a reporting requirement, it be due 30 days after the junket takes place.

6. ADVERTISING

STATUTORY RECOMMENDATION

5:12-70.o.

Modify entire section as follows:

Governing the advertising of casino licensees, their employees and agents, with the view toward assuring that gaming activity in Atlantic City is not the dominating advertising theme, that gaming is portrayed as an activity for adults conducted in an atmosphere of social graciousness, and that such advertisements are in no way deceptive; provided, however, that such regulations shall not prohibit the advertisement of casino location, hours of operation, or types of games and other amenities offered, but in no circumstance shall permit the advertisement of information about odds, the number of games, or the size of the casino; and provided further, however, that such regulations shall require the words "Bet with your head, not over it" to appear on all billboards, signs, and other on-sight advertising of a casino operation; (retain underlined language)

5:12-70.r.

Modify entire section as follows:

Limiting signs and other on-site advertising, with a view toward minimizing solicitation for gaming purposes from the public thoroughfares, or otherwise dominating or despoiling the architecture or environment of the city. (retain underlined language)

Advertising should be a management prerogative.

JUSTIFICATION

5:12-70.o.

We believe that in order to fully carry out the intention of the legislature - to revive and develop Atlantic City as a major convention and tourist center - that not only should superior hotel casinos be constructed but the means by which the conventioners and tourists can be attracted to this city, through the use of progressive marketing practices, must be provided to the industry.

Present statutory controls governing the ability of the industry to market the attractions of hotel casinos through advertising restrictions hampers the attainment of the objectives of the Act. The way the Act is written not only impedes the industry's ability to describe its services to the public but more important, it

discourages the expression by an individual hotel casino of its particular amenities which might be unique to the industry.

It is our contention that the Act should not preclude hotel casinos through advertising, from promoting equally the sum total of its facilities and services, including those of the casino, as well as those of its hotel, restaurant, and convention facilities.

Certain restrictions contained in 5:12-70.o. which preclude reference to better odds, number of games, progressive jackpots, and the like, rob the hotel casinos of the ability to establish necessary individual identities to demonstrate how one hotel may differ from its competitors. To prohibit a particular hotel from promoting generally its amenities over those of another only tends to encourage anonymity of each hotel; the antitheses of good competitive marketing.

JUSTIFICATION

5:12-70.r.

We do not agree with the Commission's decision not to endorse relaxing the controls on advertising signage in Atlantic County, Atlantic City or on the premises of hotel casino facilities.

We see no need for the Casino Control Commission to be involved in the decisions on architectural domination or despoiling the environment since Atlantic City and the surrounding Communities have sign ordinances which adequately address this issue. As in Hotel Facilities there is no need for another bureaucratic layer in this type of decision.

7. ENTERTAINMENT

STATUTORY RECOMMENDATION

5:12-70.p.
Modify entire section.

Entertainment should be a management prerogative.

JUSTIFICATION

The Casino Control Act mandates that the Casino Control Commission promulgate regulations "governing entertainment presented by casino licensees in accordance with the prevailing community standards as determined by the Commission"; however, it does not require the Commission to regulate the frequency or type of entertainment provided such entertainment is consistent with community standards as determined.

We believe that the marketplace will dictate the amount and kind of entertainment that will be provided in the hotel casinos in Atlantic City and that a satisfactory mix of entertainment will be offered without government imposing, in this case, artificial, costly requirements.

We suggest the following revision of 5:12-70.p. to incorporate the language underlined below;

5:12-70.p. Governing entertainment (presented by casino licensees in accordance with) to assure adherence to (the) prevailing community standards as determined by the Commission.

The effect of this modification would be to clearly delimit the scope of the CCC's responsibility.

We take note of at least one proposed piece of legislation which would require live music to be presented in connection with nightly entertainment. That Bill, S3097 is the opposite position of our industry.

Entertainment is and should be an area of management discretion. In a petition recently filed with the Casino Control Commission, by all 9 open or about to be open Casino Hotels, the following facts are pertinent:

1. "...nightly entertainment in the nature of a live cabaret show, revue or performing arts presentation is economically burdensome and results in a substantial operating loss due to lack of patron attendance.."

2. Total Industry cost for cabaret entertainment, not including depreciation and fixed expenses such as utilities, in 1980 was \$23,350,625. Total revenue was \$12,949,624. The net loss was \$10,400,999.
3. The goal of having Atlantic City as an entertainment center can best be accomplished by allowing the normal forces of the marketplace to determine the type and frequency of entertainment offered.

8. DURATIONAL RESIDENCY

STATUTORY RECOMMENDATIONS

5:12-89 (b) (4)
90 (b) and (c)
91 (b) and (c)

All references to residency requirements should be deleted.

JUSTIFICATION

There is the obvious issue of constitutionality involved in the requirement for minimum time of residency in the State of New Jersey. Beyond that, the major complaint lies with the residency requirement in advance of licensure; a requirement that Casino Key Employees reside in New Jersey while working, but not necessarily before, would be a more equitable standard.

The arbitrary restricting of the available labor pool increases wage rates and unnecessarily restrains managements' ability to move experienced and qualified individuals to fill vacancies. As stated in A Report on the Impact of the New Jersey Casino Control Act and Related Regulations on Harrah's Marina Hotel Casino, "Harrah's and Holiday Inns, Inc., worldwide hotel operators, consider that their greatest strength lies in the depth of their personnel resources and the talent and experience that they can bring to bear in Atlantic City." This statement would apply to many similar companies who have not yet made their decision on investing in New Jersey.

9. MINIMUM TRAINING AND EXPERIENTIAL REQUIREMENTS

STATUTORY RECOMMENDATION

5:12-89. b. (3) and e. (3).

5:12-90. b.

Eliminate reference to sufficient business ability and casino experience.

JUSTIFICATION

The statutory requirements cited above assume that casino-hotels, will, as a matter of course, hire and retain inexperienced or incompetent employees unless they are required by the State to do otherwise.

The experience and ability of employees in the private sector should not and cannot be reduced to a simple set of written criteria. Casino-Hotel Licensees are in the private sector and their profit or loss is as much, if not more of, a concern to each company and its stockholders as it is to the State.

The guidelines employed by the Casino Control Commission based on this section of the Statute unnecessarily tie managements hands in hiring and promotion. It is difficult to quantify the indirect costs for taking away that management prerogative.

In the report prepared by Harrah's (cited on page 11) there are direct costs for using the arbitrary guidelines. They also speak to the indirect, but nonetheless significant costs. In that report they state "Our experience has been that the objective experiential requirements have a significant direct and indirect cost impact disproportionate to the measure of control realized. The direct cost consists of the expense of tracking and recording the hours of "experience" accumulated by each casino employee in a given gaming position. This annual cost of "tracking" is approximately \$26,000 based on two full-time clerical employees, plus related electronic data processing costs estimated to be \$47,500 per annum.

In our judgment, the indirect costs in terms of reduced management flexibility associated with mandated experiential standards are significantly greater than the direct costs. It has been our experience that "artificial" experiential standards based solely on longevity rather than demonstrated ability often result in an unqualified individual being promoted over a qualified individual who lacks only the necessary accumulated hours. Game security can be jeopardized and potential revenue lost whenever an operation is required to promote or lose to a competitor an unqualified individual simply because that individual has accumulated the minimum number of hours of experience according to the State's standards. Because the employment market place is disrupted by the substitution of regulatory standards for management's judgment, wage rates are artificially escalated, thereby increasing the cost of operations."

10. GAMES AND GAMING EQUIPMENT

STATUTORY RECOMMENDATION

5:12-100.g.

The 30%/25% arbitrary requirement for slot areas and the density requirement should be deleted.

5:12-100.h.

Square footage requirements for each table game should be deleted.

5:12-100.j.

The requirement for number of table games per 100 square feet of casino space should be deleted. This is particularly true of Baccarat which demands 1 Baccarat table per 25,000 square feet of casino space. In the case of Baccarat, this requirement should either be deleted or, a provision added to allow for "mini-Baccarat" tables, allowing the potential for additional table games.

JUSTIFICATION

These regulations were promulgated prior to any operating experience and were intended to assure that a gracious playing environment, with a reasonable mix of various table games and slot machines, would be provided and maintained. The effect, however, has been to institutionalize the casino-hotels. Each licensee, in order to comply, has conformed their casino layout to legislated standards, which has effectively hindered the development of an individual casino's personality and marketing plan.

We believe that the intent of providing a gracious playing environment can best be met by the natural forces of the marketplace, since the Industry's experience has proven that the public responds favorably to such an atmosphere.

The specified standards for mix and configuration may have been important when only one or two casinos were operating. With nine casinos expected to be open by the end of 1981, this need no longer exists. We are confident that competition will bring about casinos with the kind of playing environment and mix of games that will prove satisfactory to fulfill the intent of the Casino Control Act, since the licensee who fails to create such an atmosphere will not attract a sufficient quantity or quality of patrons.

11. ALCOHOLIC BEVERAGES ON CASINO HOTEL FACILITIES

STATUTORY RECOMMENDATION

5:12-103

This entire section should be modified to allow for one (1) Alcoholic Beverage License for the entire casino-hotel.

JUSTIFICATION

The existing section is unnecessarily cumbersome, complex and costly.

For example, in the Harrah's report (cited on page 11), Harrah's Marina Hotel Casino is required to have fourteen separate liquor licenses, each requiring a separate application and license fee, at an annual cost of \$70,000. This multiplicity creates needless paperwork and overhead for the State & licensees."

We are in accord with the Casino Control Commissions recommendation, to provide one (1) facility-wide alcoholic beverage license with an adjustment of the Casino Hotel Alcoholic Beverage License fees to a level reflecting the scope of a single facility license.

12. CASINO LICENSEE - Leases and contracts

STATUTORY RECOMMENDATION

5:12-104

Delete or modify the requirement that all contracts, written or oral, be filed with the commission.

JUSTIFICATION

The requirement that all contracts, written and verbal, be presented to the Casino Control Commission is a costly and cumbersome process.

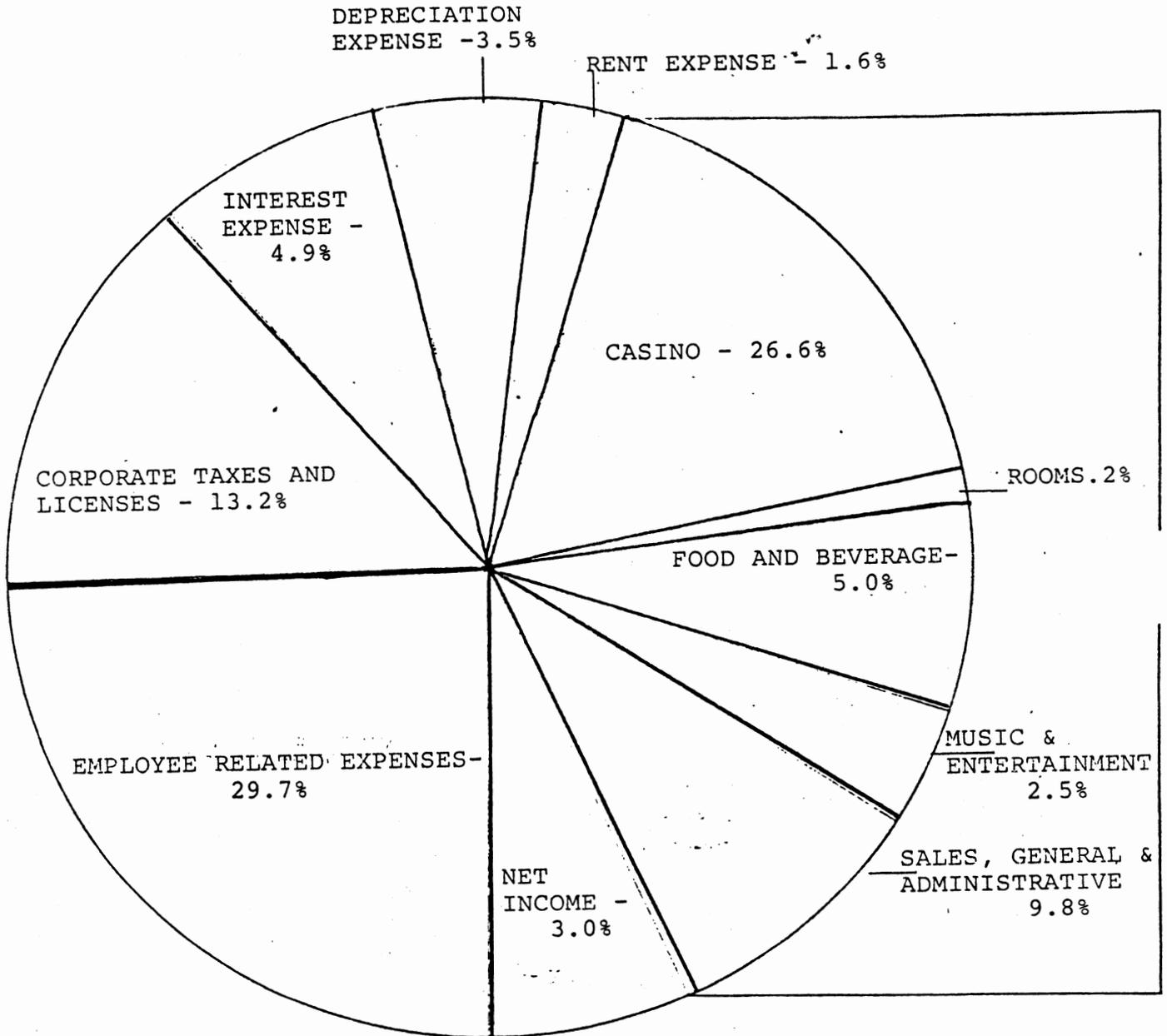
In the Harrah's report, cited on pagell, Harrah's states that abolition of the Contract Approval Forms for licensed casino service industries, and the easing of regulations on the Casino Control Commission vendor approval process would result in a direct cost benefit of \$107,700 per year.

We recognize that the Casino Control Commission is attempting to streamline their vendor licensing and contract submittal procedures. Any regulatory relief would certainly be beneficial.

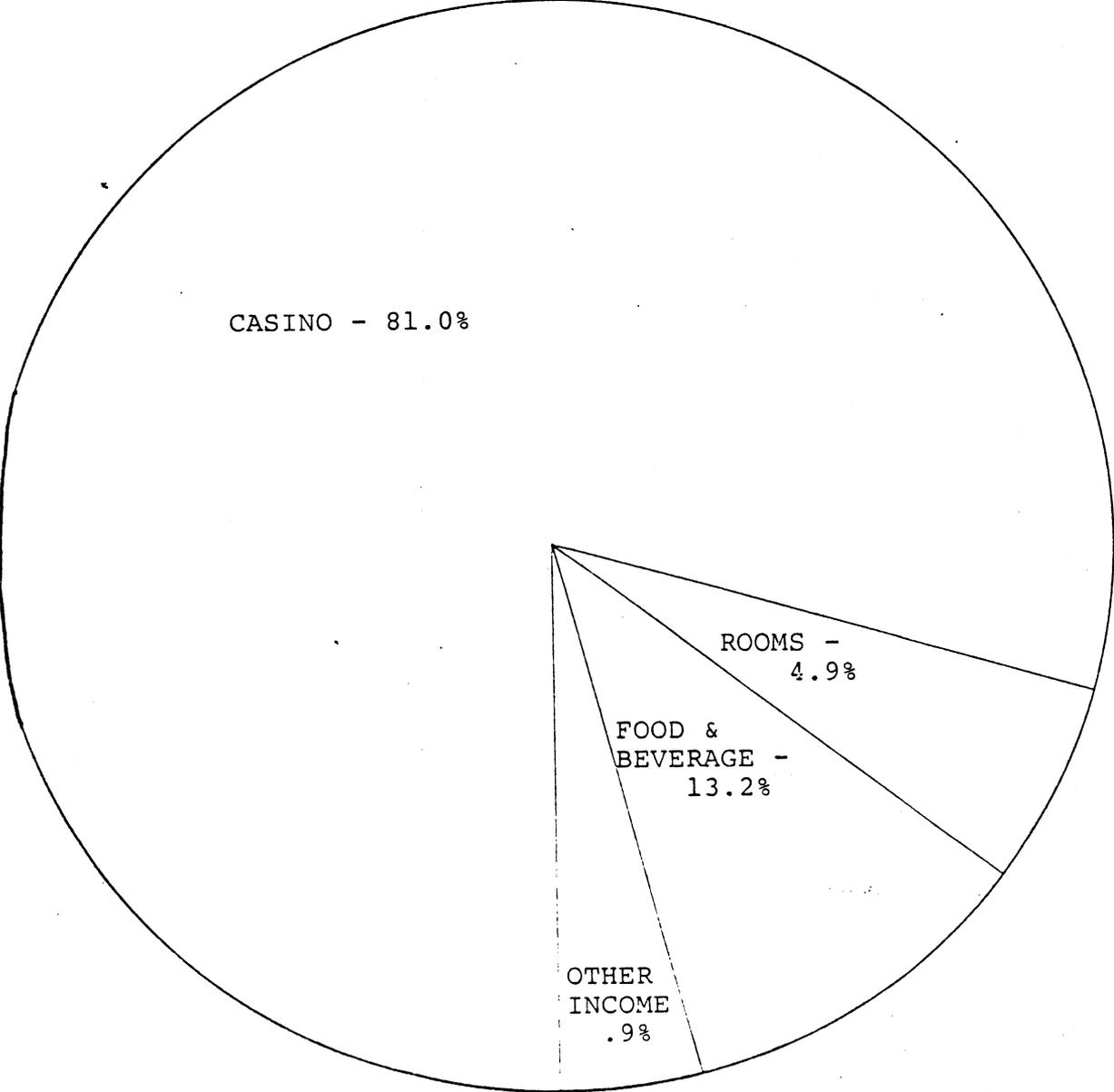
The concept of submittal of all contracts is still, in our opinion unnecessary. All the information on every contract is maintained at the casino hotel and would be readily available to the State.

We see no reason to scrutinize every contract and while we do not have cost figures, we would think that the cost to the Casino Control Commission (which the Industry is responsible for) to reserve, log, read, act on and file every contract is considerable.

We would concur with the approach testified to by Michael Brown, Director to the Division of Gaming Enforcement, at the Casino Caontrol Commission hearing. That approach would be to file on a monthly basis a computer print-out which would delineate every check issued. In that way the division could evaluate the business that is being transacted and review only those contracts that it deems appropriate.



BOARDWALK REGENCY CORPORATION
6 Months Ended January 31, 1981
Revenue Breakout And Analysis



NEW JERSEY COUNCIL OF CHURCHES
Amendments to the Casino Control Act
Assembly State Government Committee April 15, 1981

CONTACT PERSON
Rev. Dudley E. Sarfaty
Associate General Secretary
Assembly Chamber
or 201-675-8600
Testimony Attached

Speaking as a part of the New Jersey Council of Churches Rev. Dudley E. Sarfaty expressed opposition to the intent and detail of the proposals being considered by the State Government Committee, and even to some of the relaxations of standards of performance and law enforcement recommended by the Casino Control Commission.

"In an election year, after all of the promises to have the highest standards law enforcement officials could imagine apply to our state's casinos, it is unconscionable, that the legislature could consider weakening our Casino Control Act and Regulations.

"With the exception of the possibly justified inflation increase of the \$200 junket minimum to four or five hundred dollars, there appear to be few if any justifications for changing the law which are safe for the citizens of our State.

"Streamlining is a nice sounding word, so is simplicity in controls, but the cry of 'Wolf', concerning profits in last December, and the blaming upon the Casino Control Law of bad business judgement which led to unwise financing, cost overruns, and the fear of competition from casino legalization in neighboring states, is no excuse to let an untrusted industry have its own way with the laws which govern it."

Mr. Sarfaty suggested that the industry had yet to prove its good citizenship. "Their behavior in letting Traveller's Aid die in Atlantic City; their advertising Black Jack as a game of skill and then changing the rules when skillful people showed up; their determination to drive away the small bettor from the tables; their lack of devotion to the public housing issues of the poor; their functioning as slumlords in the very shadow of their buildings; their ignoring the problems of compulsive gamblers; their desire to have 24 hour gambling with all its destructive impact; plus questionable credit procedures and the existence of prostitution institutionalized in their casinos.....all of these things lead us not to trust the casinos to operate under any more relaxed restrictions.

"There is a high level of mistrust of this industry amongst the voters of this state; witness their rejection of the last Jai Alai Referendum, and their high perceived level of crime in the industry, not to mention the gang wars of the mob recently documented on the NBC network. This is no time, if ever there was one, to turn this industry loose through "decontrol" of the supposedly "only related to business functions" of New Jersey's Casino Control."

[Testimony attached, herewith. -30-]

CASINO DECONTROL

Testimony of The New Jersey Council of Churches to the Assembly Committee
on State Government, April 15, 1981. Rev. Dudley E. Sarfaty, Asso. Gen. Sect.

Respecting: DECONTROL OF THE CASINO INDUSTRY AND THE ZEITZ REPORT

Ladies and Gentlemen:

By the time I have the opportunity to make my statement the industry will have wept bitter tears over the allegedly heavy task of complying with the regulations and legislation which were promised to them as they pondered coming to Atlantic City to make a financial killing. Commissioners Thomas and Zeitz expressed on February 23 what is our essential concern. And any industry taking from one third to one half of the Attorney's General time should not be set free from the controls the state has placed upon it.

No industry in New Jersey, sweatshop, farm, factory or casino is entitled to "earn maximum profits", and the promises made by an army of public officials in this regard should not be broken or weakened.

We agree with the Division of Gaming Enforcement that we should not allow regulatory controls "be chipped away."

We agree with Mr. Siavage to the extent that he "recommended strongly against changing the regulatory system." And while respecting Mr. Siavage personally we note that his "independent government (al) agency" is taking a more permissive posture toward casinos than it did originally.

We challenge the projections of the losses the casino companies fear without full disclosure of their bookkeeping. We note further that such projections are notoriously inaccurate, including the underestimates of profit done for the Committee to Rebuild Atlantic City and Mr. Crosby's testimony in the first Casino Referendum about what Casinos would mean to Atlantic City. The subjectivity of those who project figures would seem to me highlighted by the marked difference between the analysis of Professor Lawrence Ritter and that of a representative of the N.J. banking industry which has an obvious business potential with the industry of casinos.

The C.C.C. special committee says on page 7 that important items of Casino control should "not be tampered with in haste". With our industry as new as it is, the promises made to the people of New Jersey, and the uncertainty of competition from nearby states, we believe it is way to soon to change the character or the strictness of New Jersey Casino Regulation.

FACILITIES

The requested elimination of such paragraphs as 5:12-84e is far more radical than the word "facilities" might imply. It includes one of the major legal foundations of the industry's legal obligation to the whole of the

impact which its operation has: [and an analysis of the effect of the proposal on the overall environment, including, without limitation, economic, social, demographic and competitive conditions as well as the natural resources of Atlantic City and the State of New Jersey.] Such, and similar "modifications" are vast in their implication and effect. The public would be outraged to find that such great giveaways are part of a set of modifications which have been described by the industry in the press as only keeping governmental interference out of the "purely business" aspects of the industry.

With an industry such as casinos, perhaps there is hardly anything at all which is so "purely business" that it does not effect the total environment of the state.

Of course it is encouraging that the Zeitz Committee left that decision to the Legislature and the Governor. And yet, the very fact, that the industry is pressing for such destruction of the heart of the Casino Control Act, and that the legislature is considering the matter is shocking.

The fact that there is no adequate financially independent full time totally neutral citizen observer should mitigate against any governmental body working such havoc upon such a crucial piece of legislation. Worse than that, the very fact that such a process as this has been entered into by the authorities and loudly called for by the industry casts great suspicion upon even such seemingly innocent decontrol proposals as appear in the rest of the document, or in this morning's testimony from the industry spokespeople. That the authorities have allowed this process to proceed as far as it has raises even a certain doubt about their good judgement in this process.

The elimination of 5:12-84e would, among other things, probably result in relieving the industry for its responsibilities for casino generated housing problems, one of the key concerns of the New Jersey Council of Churches in its recently published policy paper on Atlantic City. The industry has asked to be relieved of its responsibility for ecology and even upon the development of the casino industry itself.

RESIDENCY

That "no other witnesses took a position on this issue" shows how easy it is to break a promise made to the people of New Jersey, no matter how easily ^{VOIDED} that promise of "jobs for Jerseyians" may, in practice be. Although the Zeitz Committee proposes a fair sounding compromise, we cannot, at this time, measure what its impact would be, and do not believe that the laws or regulations should be changed until "it can be determined that the pool of available....."

EMPLOYEE LICENSURE

Since it is admitted that matters and forms are in transition, this is no time to make final decisions. The protective net of licenses to keep pimps,

prostitutes, thieves, burglars, con-operators, and organized crime soldiers etc, out of the casinos and the hotels is certainly in the public interest. And the two page form they are required to file is obviously used by the DGE with discretion when no "tilt" signs appear in the initial investigation. The machinery needs to be there as law enforcement requires it.

If the Commission or the legislature want to improve the licensing procedure they can grant somewhat more generous temporary licenses for the hotel jobs.

If anyone really wants to provide a measure of long sought justice, the legal machinery should direct its attention to the category of Rehabilitated ex-Offenders, whose needs the Council of Churches has long advocated, so that residents of Atlantic City whose brushes with the law do not represent a threat to the integrity of the Casino Industry might find opportunity for needed honest jobs in the city whose rebirth they were promised to share in.

That the Zeitz Committee sees "the dividends paid back (in casino) control "are sparse" when measured against the regulatory investment required only confirms the nature of the casino industry itself in most of its functions, and this costly investment for "sparse" returns was made the law of our land by the passage of the Casino Referendum.

EXPERIENCE

Although the Committee recommendation seems reasoned; it is still too early to make adequate measurements and the wording of the proposal gives the Legislature too much encouragement to do too many uncertain things.

The closing words of their recommendation, that: "relaxation or elimination of these requirements and standards could create an atmosphere in which COLLUSION, FAVORITISM, AND IMPROPER PRESSURES could be employed in determining promotions within the industry" are certainly to be heeded, at a time when promotion of minority persons has fallen from the minimum goal of 2 out of 10, to one out of seven, to a new current recorded low of 6%.

The 'experience' out of which we speak is of a demonstrated failure of the industry, the Commission and the Division to deal forthrightly with the Affirmative Action requirements of the Casino Control Act, wording as unambiguous as that which pertains to outright theft and corruption.

VENDORS, CONTRACT APPROVALS

Since the mob seems to be all over the place, including in personal contact with the discredited heads of the two most recently licensed casinos, Mr. Sciavage and the SCI seem to have made a most modest proposal. Until it is carefully scrutinized by the public, with great deliberateness, even Commissioner Danziger's no doubt well intentioned streamlining proposals must be blocked.

JUNKETS

As one of the most corrupted dimensions of the casino industry, junket control cannot be relaxed. Since "the committee believes junket operations are among the MOST SENSITIVE ASPECTS OF CASINO GAMING" this is no place to make loopholes.

The increase of the \$200 retail value in the 1977 statute might be raised for four or five hundred dollars, but that is a recognition of inflation, not a change of principle.

It seems pointless to have a State Commission of Investigation if its advice in this sort of matter is not to be taken seriously.

Likewise, the,generally unknown to the public, testimony of Director G. Michael Brown of the Division of Gaming Enforcement is unequivocal. As a law enforcement officer he says, "Cost is not always measured in dollars." The very consideration of the easing of junket restrictions implies to the citizens of the state that there is a wolf waiting at the door ready to rush in and devour the Little Red Riding Hood of Casino Control the first time the door is found to be the least bit ajar.

The list of criminals named as junket managers by the Attorney General ought to be published on the front page of every New Jersey Daily newspaper the day before the legislators of New Jersey vote on weakening the junket regulations.

ADVERTISING

Atlantic City was not to be a honky-tonk, Nevada type gambling spa. The proponents of the Referendum said they wanted to develop a family resort and a home for conventions. That is why advertising was controlled.

The industry's arguments that the government advertises its own gambling are not germane. Ipsa facto the government can immediately clean up any of its own advertising by virtue of its immediate control. In fact contracted advertising in a neighboring state has stooped to the poorest of taste and efforts to seduce the poor.

To weaken or remove the advertising limitations would make a bad situation worse. For there is already much subtle and questionable advertising. The Casino uses N.J. Public Television with advance commercials for its telethon; it brings federal military units into town to celebrate its anniversary without appropriate sanction until pressure from the press requires that act be cleaned up; and it is hard for this writer to believe that the existence and publicity given to large slot machine jack pot winnings here, and in Nevada, is not the experience of a new kind of advertising which is allowed even by our present law.

Even the provisions the Zeitz Committee appears willing to part with in Appendix G in 5:12-70.0,R are inappropriate in our view.

It is hard to believe that such language could come out of so hard working and careful a committee, respecting an industry as dangerous as the Attorney General has said as that, "fair advertising laws, standards of community taste, and business judgement will provide self-regulation of hotel casino advertising." This would require that the machinery of other branches of government involve their already overburdened agencies which have other priorities.

Times Square, only a few miles from here, shows ^{WHAT} the limitations of community standards and business judgement actually are when the almighty dollar is the bottom line.

ENTERTAINMENT

Here the industry seems to be trying again to get out from under one of the standards of operation which New Jersey adopted to make its Casino industry's standards acceptable to our state. The cost and the regulation issues here are relatively low, and the question is raised as to why this issue has been raised.

Further, the phrase "to take government out of this area" is susceptible to a dangerous interpretation. It implies that running a casino is a right and not a licensed privilege and that there are corners of the business where the powers of law enforcement and government ought not to intervene even when they perceive it in the public interest to do so. The very admission of this limitation upon government function, with respect to this industry, seems to us at variance with the spirit with which the Referendum was promoted and at variance with the letter and spirit of the Casino Control Act and the short history of the CCC and the DGE.

RULES OF THE GAMES

Though it is not our favorite argument, we point to the incompleting studies again, pointing to the premature character of most of these issues now being considered.

Further, it has not been our tradition that these matters were best left to management, but need to be industry-wide both for law enforcement control purposes and for the public good. In tab "I" of the appendix the industry is trying to destroy the slot machine controls, the very carefully established character of the casinos themselves, and the testimony of Division Director Brown which is probably unknown to the general public, is here appealed to.

STAFFING

We would support the Zeitz Commission recommendation, irrespective of the public meeting of April 1st in Atlantic City.

ALCOHOLIC BEVERAGE LICENSING

We cannot understand that the proposed new regulations would not have to incorporate the same dimension of controls as the present ones. It remains to be seen what would be the new wording and how certainly no weaker than the present alleged cumbersome regulation^{it} might be.

If the Legislature and the Commission want reform, they should abolish drinking at the tables, as Casinos in other parts of the world do; they should abolish the plying with drinks by the pit boss of favored gamblers; and they should eliminate the present tipping system for cocktail waitresses which testimony by the Atlantic Civil Liberties Union reports leads to organized prostitution. There would seem, from our perspective, far more important improvements than the mere alleged decrease of administrative cumbersomeness.

INTERNAL CONTROLS

Since skimming and theft have not been totally absent from Atlantic City, cutting the controls rather than improving them seems a strange approach. Certainly so elaborate a question needs to be faced upon its own merits, and not in the haste of an alleged pressuring of the state by the industry, when threats of non-participation by new casinos are made with the impression that they will stampede the State of New Jersey into granting almost any favor the Casino Industry wants.

24 HOUR GAMING.

Here is another promise to the citizens of New Jersey threatened with being snatched away. Nor is the issue the promise only. Twenty four hour gambling is a curse upon the compulsive gambler and a direct threat to the family style resort which was promised in the Referendum. The appropriate response of the Zeitz Committee may well be that the matter belongs to the Legislature and the Governor, but with all due respect to them, I suggest that the promise was made to the citizens, and that even the government would be breaking faith to change those regulations.

OTHERS

A citizen unfamiliar with the proceedings of legislative committees and/or the industry might think that these were the only deregulations which the industry wants. Potential proposals to allow gambling outside the casino, or anything else some entrepreneur thinks might turn a profit are possible. How many citizens know about the pressure to test computer terminal gambling and the pressure that would create to have terminals in the rooms, and the dangers of vaster white collar crime than any corrupt money handler could ever imagine, with concomitant increased costs and difficulties of crime control?

SUBMITTED BY
COMMISSIONER CARL ZEITZ



State of New Jersey

CASINO CONTROL COMMISSION

375 WEST STATE STREET
TRENTON, NEW JERSEY 08625

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EXECUTIVE SECRETARY
605-292-7730

April 7, 1981

MEMORANDUM TO: MEMBERS OF THE COMMISSION

FROM:  R. Benjamin Cohen
General Counsel

RE: PROPOSED LEGISLATIVE AMENDMENTS

Attached hereto for your consideration at the Commission meeting of April 8, 1981 is a Resolution and Proposed Legislative Amendments to the Casino Control Act. I recommend that at the April 8th meeting the Commission adopt the Resolution which authorizes the following action:

1. refers the proposed amendments to the Legislature and the Governor for their consideration;
2. directs the staff to prepare and submit to the Legislature and Governor a statement of reasons supporting each of the proposed statutory amendments; and
3. designates Commissioner Zeitz to appear before any appropriate legislative committees, along with the staff, to present the position of the Commission.

In the supporting statement of reasons to be prepared under my supervision we will indicate to the Legislature that these recommendations do not constitute an exhaustive list and that the Commission contemplates making additional recommendations for legislative action after the Commission has had an opportunity to carefully evaluate the information presented to it.

ceh

Attachments

cc: Division Directors
Division Deputy Directors
Legal Division Attorneys
Christopher D. Storcella

28X

RESOLUTION OF THE NEW JERSEY CASINO CONTROL
COMMISSION CONCERNING CERTAIN RECOMMENDED
AMENDMENTS TO THE NEW JERSEY CASINO CONTROL ACT.

WHEREAS, Section 72 of the New Jersey Casino Control Act, P.L. 1977, c-110, as amended, provides that the New Jersey Casino Control Commission shall report to the Governor and the Legislature any matters which in its judgment require changes in the laws of this State in order to prevent abuses and evasions of the Casino Control Act or of the regulations promulgated thereunder, or to rectify undesirable conditions in connection with the operation and regulation of casino gaming; and

WHEREAS, the New Jersey Casino Control Commission's Permanent Committee on Regulation and Legislation has on February 23 and 24, 1981 conducted public hearings on matters relating to the operation and regulation of casinos in this jurisdiction; and

WHEREAS, the New Jersey Casino Control Commission has at its public meeting of March 25, 1981, received the report and recommendations of its Permanent Committee on Regulation and Legislation; and

WHEREAS, the New Jersey Casino Control Commission has considered said report and recommendations; and

WHEREAS, the New Jersey Casino Control Commission has also considered additional recommendations of its staff;

NOW, THEREFORE BE IT RESOLVED by the New Jersey Casino Control Commission that:

1. The specific proposed amendments to the New Jersey Casino Control Act which are attached hereto and made a part hereof be referred to the Legislature and the Governor.

2. The staff be directed to prepare a supporting statement of reasons for each of the specific proposed amendments and submit same to the Legislature and the Governor.

3. Commissioner Carl Zeitz be designated to appear before any appropriate committees of the Legislature, along with the staff, to present the position of the New Jersey Casino Control Commission.

91 Registration of Casino Hotel Employees [Licenses].

a. No person may commence employment as a casino hotel employee unless he has registered with the Commission. [is the holder of a valid casino hotel employee license or temporary casino hotel employee license issued pursuant to the provisions of this section]

b. Any applicant for a casino hotel employee [license] registration shall [must prior to the issuance of any such license] produce such information as the Commission may require. [sufficient information, documentation and assurances to meet the qualification criteria, including New Jersey residency, contained in subsections b. (1), b. (2) and b. (4) of section 89 of this act and any additional residency requirement imposed under subsection c. of this section. No casino hotel employee license shall be issued to any person disqualified on the basis of the criteria contained in section 86 of this act].

c. The commission may, by regulation, require that all applicants for casino hotel employee [licenses] registration be residents of this State for a period not to exceed 3 months immediately prior to [the issuance of] such [license] registration but application may be made prior to the expiration of the required period of residency. The commission shall waive the required residency period for an applicant upon a showing that the residency period would cause undue hardship upon the casino licensee which intends to employ said applicant, or upon a showing of other good cause.

[d. Notwithstanding the provisions of subsection b. of this section, no applicant shall be denied a casino hotel employee license on the basis of a conviction of any of the offenses enumerated in this act as disqualification criteria, provided that the applicant has affirmatively demonstrated his rehabilitation. In determining whether the applicant has affirmatively demonstrated his rehabilitation the commission shall consider the following factors:

- (1) The nature and duties of the position applied for;
- (2) The nature and seriousness of the offenses;
- (3) The circumstances under which the offense occurred;
- (4) The date of the offense;
- (5) The age of the applicant when the offense was committed;
- (6) Whether the offense was an isolated or repeated incident;
- (7) Any social conditions which may have contributed to the offense;
- (8) Any evidence of rehabilitation, including good conduct in prison or in the community, counseling or psychiatric treatment received, acquisition of additional academic or vocational schooling, successful participation in correctional work-release programs, or the recommendation of persons who have or have had the applicant under their supervision.

e. The commission may waive any disqualification criteria for a casino hotel employee consistent with the public policy of this act and upon a finding that the interests of justice so require].

5:12-93. Registration of labor organizations

a. Each labor organization, union or affiliate seeking to represent employees licensed or registered under this act and employed by a casino hotel or a casino licensee shall register with the commission annually, and shall disclose such information to the commission as the commission may require, including the names of all affiliated organizations, pension and welfare systems and all officers and agents of such organizations and systems; provided, however, that no labor organization, union, or affiliate shall be required to furnish such information to the extent such information is included in a report filed by any labor organization, union, or affiliate with the Secretary of Labor pursuant to 29 U.S.C. 431 et seq. or 1001 et seq. if a copy of such report, or of the portion thereof containing such information is furnished to the commission pursuant to the aforesaid Federal provisions. The commission may in its discretion exempt any labor organization, union, or affiliate from the registration requirements of this subsection where the commission finds that such organization, union or affiliate is not the certified bargaining representative of any employee licensed or registered under this act, is not involved actively, directly or substantially in the control or direction of the representation of any such employee, and is not seeking to do so.

b. No labor organization, union or affiliate registered or required to be registered pursuant to this section and representing or seeking to represent employees licensed or registered under this

act may receive any dues from any employee licensed under this act and employed by a casino licensee or its agents, or administer any pension or welfare funds, if any officer, agent, or principal employee of the labor organization, union or affiliate is disqualified in accordance with the criteria contained in section 86 of this act. The commission may for the purposes of this subsection waive any disqualification criterion consistent with the public policy of this act and upon a finding that the interests of justice so require.

c. Neither a labor organization, union or affiliate nor its officers and agents not otherwise individually licensed or registered under this act and employed by a casino licensee may hold any financial interest whatsoever in the casino hotel or casino licensee whose employees they represent.

5:12-106. Work permits

a. A casino licensee shall not appoint or employ any person not registered or not possessing a current and valid license permitting such appointment or employment. Prior to the effective date of such appointment or employment, the casino licensee shall apply for a work permit for such employee, which shall be granted by the commission if the employee is registered or is the holder of a current and valid license. The casino licensee shall return such work permit to the commission within five days of the termination or cessation of such appointment or employment for any cause whatsoever. Each work permit shall be renewed annually in accordance with rules and regulations promulgated by the commission.

b. A casino licensee shall, within 24 hours of receipt of written notice thereof, terminate the appointment or employment of any person whose license or registration has been revoked or has expired. A casino licensee shall comply in all respects with any order of the commission imposing limitations or restrictions upon the terms of employment or appointment in the course of any investigation or hearing.

5:12-129. Supplemental sanctions

In addition to any penalty, fine or term of imprisonment authorized by law, the commission shall, after appropriate hearings and factual determinations, have the authority to impose the following sanctions upon any person licensed or registered pursuant to this act:

(1) Revoke the license or registration of any person for the conviction of any criminal offense under this act or for the commission of any other offense or violation of this act which would disqualify such person from holding his license or registration;

(2) Revoke the license or registration of any person for willfully and knowingly violating an order of the commission directed to such person;

(3) Suspend the license or registration of any person pending hearing and determination, in any case in which license or registration revocation could result:

(4) Suspend the operation certificate of any casino for violation of any provisions of this act or regulations promulgated hereunder related to the casino operation, including games, internal and accountancy controls and security;

(5) Assess such civil penalties as may be necessary to punish misconduct and to deter future violations, which penalties may not exceed \$10,000.00 in the case of any individual licensee or registrant, except that in the case of a casino licensee the penalty may not exceed \$50,000.00;

(6) Order restitution of any monies or property unlawfully obtained or retained by a licensee or registrant;

(7) Enter a cease and desist order which specifies the conduct which is to be discontinued, altered or implemented by the licensee or registrant;

(8) Issue letters of reprimand or censure, which letters shall be made a permanent part of the file of each licensee or registrant so sanctioned; or

(9) Impose any or all of the foregoing sanctions in combination with each other.

5:12-130. Imposition of sanctions - standards

In considering appropriate sanctions in a particular case, the commission shall consider:

a. The risk to the public and to the integrity of gaming operations created by the conduct of the licensee or registrant;

b. The seriousness of the conduct of the licensee or registrant, and whether the conduct was purposeful and with knowledge that it was in contravention of the provisions of this act or regulations promulgated hereunder;

c. Any justification or excuse for such conduct by the licensee or registrant;

d. The prior history of the particular licensee or registrant involved with respect to gaming activity;

e. The corrective action taken by the licensee or registrant to prevent future misconduct of a like nature from occurring; and

f. In the case of a monetary penalty, the amount of the penalty in relation to the severity of the misconduct and the financial means of the licensee or registrant. The commission may impose any schedule or terms of payment of such penalty as it may deem appropriate.

g. It shall be no defense to a disciplinary action before the commission that an applicant, licensee, registrant, intermediary company, or holding company inadvertently, unintentionally, or unknowingly violated a provision of this act. Such factors shall only go to the degree of the penalty to be imposed by the commission, and not to a finding of a violation itself.

5:12-141. License fees for other than casino licenses

The commission shall, by regulation, establish annual fees for the issuance and renewal of registrations and licenses other than casino licenses, which fees shall be payable by the licensee.

5:12-103. Alcoholic beverages on casino hotel facilities

a. Notwithstanding any law to the contrary, the authority to grant any license for, or to permit or prohibit the presence of, alcoholic beverages in, on, or about any premises licensed as part of a casino hotel shall exclusively be vested in the commission.

b. Unless otherwise stated, and except where inconsistent with the purpose or intent of this act or the common understanding of usage thereof, definitions contained in Title 33 of the Revised Statutes shall apply to this section. Any definition contained therein shall apply to the same word in any form.

c. Notwithstanding any provision of Title 33 of the Revised Statutes, the rules, regulations and bulletins promulgated by the director of the Division of Alcoholic Beverage Control, or any provision promulgated by any local authority, [including] the authority to issue, renew, transfer, revoke or suspend any Casino Hotel Alcoholic Beverage License or any portion, location, privilege or condition thereof; to fine or penalize any Casino Hotel Alcoholic Beverage Licensee; to enforce all statutes, laws, rulings, or regulations relating to such license; and to collect license fees and establish application standards therefor, shall be, consistent with this act, exclusively vested in the commission or the division.

d. Except as otherwise provided in this section, the provisions of Title 33 of the Revised Statutes and the rules, regulations and bulletins promulgated by the director of the Division of Alcoholic Beverage Control shall apply to any Casino

Hotel and Casino Hotel Alcoholic Beverage Licensee licensed under this act.

e. Notwithstanding any provision to the contrary, the commission may promulgate any regulations and special rulings and findings as may be necessary for the proper enforcement, regulation, and control of alcoholic beverages in casino hotels when the commission finds that the uniqueness of casino operations and the public interest require that such regulations, rulings, and findings are appropriate. Regulations of the commission may include but are not limited to: designation and duties of enforcement personnel; all forms necessary or convenient in the administration of this section; inspections, investigations, searches, seizures; licensing and disciplinary standards; requirements and standards for any hearings or disciplinary or other proceedings that may be required from time to time; the assessment of fines or penalties for violations; hours of sale; sale in original containers; sales on credit; out-of-door sales; limitations of sales; gifts and promotional materials; locations or places for sale; control of signs and other displays; identification of licensees and their employees; employment of aliens and minors; storage, transportation and sanitary requirements; records to be kept by the Casino Hotel Alcoholic Beverage Licensees and availability thereof; practices unduly designed to increase consumption of alcoholic beverages; and such other matters whatsoever as are or may become necessary and consistent with the administration of this act.

f. (1) It shall be unlawful for any casino licensee, or any of its lessees, agents, or employees to expose for sale, solicit or promote the sale of, possess with intent to sell, sell, give, dispense, or otherwise transfer or dispose of alcoholic beverages in, on or about any portion of the premises of a casino hotel, unless said person possesses an appropriate Casino Hotel Alcoholic Beverage License.

(2) It shall be unlawful for any person issued a Casino Hotel Alcoholic Beverage License to expose, possess, sell, give, dispense, transfer, or otherwise dispose of alcoholic beverages, other than within the terms and conditions of the Casino Hotel Alcoholic Beverage License issued, the provisions of Title 33 of the Revised Statutes, the rules and regulations promulgated by the director of the Division of Alcoholic Beverage Control, and, when applicable, the regulations promulgated pursuant to this act.

g. In issuing a Casino Hotel Alcoholic Beverage License the commission shall describe the scope of the particular license and such restrictions and limitations thereon as it deems necessary and reasonable. The Commission may, in a single Casino Hotel Alcoholic Beverage License, permit the holder of such a license to perform any or all of the following activities: [All Casino Hotel Alcoholic Beverage Licenses shall be classified as follows:

Class I: Casino License]

(1) The holder of a Casino Hotel Alcoholic Beverage License [this license] shall be entitled, subject to applicable laws, rules and regulations, to sell any alcoholic beverage by the glass or other open receptacle, but not in an original container,

for on-premises consumption within a casino; provided, however, that no food or alcoholic beverage, other than nonalcoholic beverages or garnishments used in the preparation of alcoholic beverages for consumption by the glass, shall be sold, given or be available for consumption; offered, delivered or otherwise brought to a patron, or consumed at a gaming table unless so requested by the patron.

[Class II: Cabaret - Entertainment Room License]

(2) The holder of a Casino Hotel Alcoholic Beverage License [this license] shall be entitled, subject to applicable laws, rules, and regulations, to sell any alcoholic beverage by the glass or other open receptacle for on-premises consumption within an enclosed cabaret or entertainment room not in a casino[; provided, however, that the Class II licensed room shall regularly and principally be used for the purpose of providing live cabaret, show, revue, or performing arts entertainment available to the public, with or without the availability of food.]

[Class III: Restaurant - Banquet Room License]

(3) The holder of a Casino Hotel Alcoholic Beverage License [this license] shall be entitled, subject to applicable laws, rules and regulations, to sell any alcoholic beverage by the glass or other open receptacle for on-premises consumption within an enclosed restaurant or banquet room or a series of enclosed connected rooms, with or without an adjacent outdoor dining area, not in a casino[; provided, however, that the Class III licensed area shall regularly and principally be used for the purpose of providing meals to the public and has adequate kitchen and dining

area equipped for the preparing, cooking and serving of meals for consumption therein; or that the room or rooms shall regularly and principally be used for the purpose of banquets or conventions into which food may be brought or catered. For the purpose of this section, "meals for consumption" shall be defined as offering of any food other than sandwiches, salads, crackers, chips, nuts or similar snacks; and "rooms regularly and principally used for banquets or conventions" shall be defined as rooms in which any food other than sandwiches, salads, chips, nuts or similar snacks is offered for consumption.].

[Class IV: Pub Area License]

(4) The holder of a Casino Hotel Alcoholic Beverage License [this license] shall be entitled, subject to applicable laws, rules, and regulations, to sell any alcoholic beverage by the glass or other open receptacle for on-premises consumption within a pub room not in a casino, or from one fixed location outside a building or structure containing a casino but on a casino hotel premises[; provided, however, that the regular and principal purpose of such facility shall not be for the consumption of meals by customers or for banquets or conventions.].

[Class V: Package License]

(5) The holder of a Casino Hotel Alcoholic Beverage License[this license] shall be entitled, subject to applicable laws, rules, and regulations, to sell any alcoholic beverage in original containers for consumption outside the [Class V] licensed area from one enclosed package license room not in a casino;

provided, however, that no food shall be made available for consumption in a [Class V] package license room and no direct access to or from a casino may exist in a [Class V] package license room.

[Class VI: Room Service License]

(6) The holder of a Casino Hotel Alcoholic Beverage License [this license] shall be entitled, subject to applicable laws, rules, and regulations, to sell any alcoholic beverage from one fixed room service location within an enclosed room not in a casino; provided, however, that the [Class VI] licensed room service room has no direct access to or from a casino and any sale of alcoholic beverages is delivered only to a sleeping unit room and to a registered guest of the casino hotel. [and not in or on any area, room or location licensed under Class I, II, III, IV, or V.]

[Class VII: Storage License]

(7) The holder of [any] a Casino Hotel Alcoholic Beverage License shall be entitled, subject to applicable laws, rules, and regulations, to possess or to store alcoholic beverages intended but not actually exposed for sale in an area, room or location so licensed. The holder of a storage license shall be entitled, subject to applicable laws, rules, and regulations, to store any alcoholic beverage intended for sale at a fixed enclosed location on a casino hotel premises, not in a casino, and not otherwise licensed under this section; [Class I, II, III IV, V, or VI;] and to transfer or deliver such alcoholic beverages only to a licensed location for which

such licensee is licensed; provided, however, that no access to or from a [Class VII] licensed storage location shall be permitted except during the normal course of business by employees or agents of the [Class VII] storage licensee, or by licensed employees or agents or wholesalers or distributors licensed pursuant to Title 33 of the Revised Statutes and any applicable rules and regulations[.] ; and further provided that no provision of this section shall be construed to prohibit a Casino Hotel Alcoholic Beverage Licensee from obtaining an off-site storage license from the Division of Alcoholic Beverage Control.

h. (1) No [Class I] Casino Hotel Alcoholic Beverage License which authorizes the sale of alcoholic beverages within a casino room pursuant to subsection g(1) shall issue to any applicant who does not hold a casino license issued pursuant to this act.

(2) No [Class II, III, IV, V, VI or VII] Casino Hotel Alcoholic Beverage License which authorizes the possession, sale or storage of alcoholic beverages pursuant to subsection g(2), (3), (4), (5), (6) or (7) shall issue to any applicant who would not qualify under the standards of licensure of a casino employee as defined under this act, except that such applicant need not be an employee of the casino licensee.

(3) No [Class VII] Casino Hotel Alcoholic Beverage License which authorizes the possession or storage of alcoholic beverages pursuant to subsection g(7) shall issue to any applicant who does not hold a [Class I, II, III, IV, V, or VI] Casino Hotel Alcoholic Beverage License[.] issued pursuant to subsection g(1), (2), (3), (4), (5) or (6).

i. The commission may revoke, suspend, refuse to renew or refuse to transfer any Casino Hotel Alcoholic Beverage License, or fine or penalize any Casino Hotel Alcoholic Beverage Licensee for

violations of any provision of Title 33 of the Revised Statutes, the rules and regulations promulgated by the director of the Division of Alcoholic Beverage Control, and the regulations promulgated by the commission.

j. Jurisdiction over all alcoholic beverage licenses previously issued with respect to the casino hotel facility is hereby vested in the commission, which in its discretion may, by regulation, provide for the conversion thereof into Casino Hotel Alcoholic Beverage Licenses as provided in this section.

5:12-70. Required regulations

The commission shall, without limitation on the powers conferred in the preceding section, include within its regulations the following specific provisions in accordance with the provisions of this act:

a. Prescribing the methods and forms of application which any applicant shall follow and complete prior to consideration of his application by the commission;

b. Prescribing the methods, procedures and form for delivery of information concerning any person's family, habits, character, associates, criminal record, business activities and financial affairs;

c. Prescribing procedures for the fingerprinting of an applicant, employee of a licensee, or registrant, or other methods of identification which may be necessary in the judgement of the commission to accomplish effective enforcement of restrictions on access to the casino floor and other restricted areas of the casino hotel complex;

d. Prescribing the manner and procedure of all hearings conducted by the commission or any hearing examiner, including special rules of evidence applicable thereto and notice thereof;

e. Prescribing the manner and method of collection of payments of taxes, fees, and penalties;

f. Defining and limiting the areas of operation, the rules of authorized games, odds, and devices permitted, and the method of operation of such games and devices;

g. Regulating the practice and procedures for negotiable transactions involving patrons, including limitations on the circumstances and amounts of such transactions, and the establishment of forms and procedures for negotiable instrument transactions, redemptions, and consolidations;

h. Prescribing grounds and procedures for the revocation or suspension of operation certificates and licenses;

i. Governing the manufacture, distribution, sale, and servicing of gaming devices and equipment;

j. Prescribing the procedures, forms and methods of management controls, including employee and supervisory tables of organization and responsibility, and minimum security standards, including security personnel structure, alarm and other electrical or visual security measures;

k. Prescribing the qualifications of, and the conditions pursuant to which, engineers, accountants, and others shall be permitted to practice before the commission or to submit materials on behalf of any applicant or licensee; provided, however, that no member of the Legislature, nor any firm with which said member is associated, shall be permitted to appear or practice or act in any capacity whatsoever before the commission or division regarding any matter whatsoever, nor shall any member of the family of the Governor or of a member of the Legislature be permitted to so practice or appear in any capacity whatsoever before the commission or division regarding any matter whatsoever;

l. Prescribing minimum procedures for the exercise of effective control over the internal fiscal affairs of a licensee,

including provisions for the safe-guarding of assets and revenues, the recording of cash and evidence of indebtedness, and the maintenance of reliable records, accounts, and reports of transactions, operations and events, including reports to the commission;

m. Providing for a minimum uniform standard of accountancy methods, procedures and forms; a uniform code of accounts and accounting classifications; and such other standard operating procedures, including those controls listed in section 99a. hereof, as may be necessary to assure consistency, comparability, and effective disclosure of all financial information, including calculations of percentages of profit by game, table, gaming device and slot machines;

n. Requiring periodic financial reports and the form thereof, including an annual audit prepared by a certified public accountant licensed to do business in this State attesting to the financial condition of a licensee and disclosing whether the accounts, records and control procedures examined are maintained by the licensee as required by this act and the regulations promulgated hereunder;

o. Governing the advertising of casino licensees, their employees and agents, with the view toward assuring [that gaming activity in Atlantic City is not the dominating advertising theme, that gaming is portrayed as an activity for adults conducted in an atmosphere of social graciousness, and] that such advertisements are in no way deceptive; provided, however, that such regulations shall not prohibit the advertisement of casino location, hours of operation, or types of games and other amenities offered, but in no circumstance shall permit the advertisement of information about odds, the number of games, or the size of the casino; and provided further, however, that such regulations shall require the words "Bet with your head, not over it" to appear on all billboards, signs, and other [on-sight] on-site advertising of a casino operation;

p. Governing entertainment presented by casino licensees in accordance with the prevailing community standards as determined by the commission;

g. Concerning the distribution and consumption of alcoholic beverages on the premises of the licensee, which regulations shall be insofar as possible consistent with Title 33 of the Revised Statutes, and shall deviate only insofar as necessary because of the unique character of the hotel casino premises and operations; and

r. Limiting signs and other on-site advertising, with a view toward minimizing solicitation for gaming purposes from the public thoroughfares or otherwise dominating or despoiling the architecture or environment of the city.

5:12-7. "Casino employee"

Any natural person employed in the operation of a licensed casino, including, without limitation, boxmen[,]; dealers or croupiers[,]; cage personnel; count room personnel; slot machine and slot booth personnel; floormen[,]; [machine mechanics;] credit and collection personnel; casino surveillance personnel; casino security personnel [employees]; [and bartenders, waiters and waitresses] or other persons whose employment duties are directly related to gaming activity [require or authorize access to the casino] but who are not included in the definition of casino hotel employee[,], or casino key employee, [or principal employee] as hereinafter stated.

5-12-8

"Casino hotel employee" - Any natural person employed by a casino hotel licensed under this act to perform service, hotel security, secretarial [or], custodial or other duties not directly related to gaming activity, [operations of the casino,] including without limitation, bartenders, waiters, waitresses, hotel security guards, secretaries, maintenance personnel, and kitchen staff. [, but whose employment duties do not require or authorize access to the casino.]

5:12-11 "Casino security employee" - Any natural person employed by a casino licensee or its agent to provide physical security in a casino. [hotel.]

5:12-90 Licensing of casino employees

a. No person may commence employment as a casino employee unless he is the holder of a valid casino employee license issued by the commission.

5:12-73. Meetings and quorum

a. Meetings of the commission will be held at the discretion of the chairman at such times and places as he may deem necessary and convenient, or at the call of three members of the commission.

b. The commission shall in all respects comply with the provisions of the "Open Public Meetings Act" (P. L. 1975, c. 231; C. 10:4-6 et. seq.)[.] ; provided, however, that a gathering of the members of the commission for the purpose of discussing the administration of commission business shall not be considered a meeting within the meaning of the "Open Public Meetings Act"; and further provided that deliberations of the commission occurring after a public hearing on a license application may be conducted at a meeting from which the public is excluded.

c. Any other law, rule or regulation to the contrary notwithstanding, the commission shall take all necessary steps to ensure that all interested persons are given adequate notice of commission meetings, and the agenda of such meetings, through the utilization of all media engaged in the dissemination of information.

d. A majority of the full commission shall determine any action of the commission, except that no casino license may be issued without the approval of 4 members. In the event that a vacancy has existed on the commission for more than 60 days, a majority of the full commission may act with respect to any matter, including the issuance of a casino license.

5:12-26. "Holding company"

Any [corporation, association, firm, partnership, trust or other form of business organization] person not a natural person which, directly or indirectly, [owns,] has a significant ownership interest in, has the power or right to control, or has the power to vote any significant part of the outstanding voting securities of a [corporation] person not a natural person, which holds or applies for a casino license.

SUBMITTED BY JACK DAVIS

STATEMENT BEFORE ASSEMBLY COMMITTEE
ON CASINO LEGISLATION

My name is Jack Davis and I am the President and Chief Operating Officer of Resorts International, Inc., which owns and operates Resorts International Hotel, Inc., the casino licensee in Atlantic City. I want to thank the Committee for offering me an opportunity to share my thoughts regarding the regulation of the casino hotel industry.

As we all know, the subject of casino regulations has been a topic of some interest lately. Concerns have been raised in the media, among labor unions in Atlantic City and even among the Casino Control Commission and the Division of Gaming Enforcement that the casino industry as a whole is vastly over regulated and that this pervasive regulation has had an effect that is contrary to the purposes of the Casino Control Act and the interest of the people of New Jersey. One need go no further than the streets of Atlantic City to see that the expansion and construction boom in our city that was created after passage of the Casino Control Act has now come to a screeching halt. Skeletal structures of reconstruction or new construction that was begun and halted in mid-phase are a constant reminder that the revitalization of Atlantic City has ceased.

We need not look far to find the causes of this cessation of activity. As widely reported in yesterday's newspaper, profits in Atlantic City casinos are well below what they were last year and well below what is considered an acceptable level to attract additional new investment. Resorts posted the highest profit level at 12.5%, Caesars Boardwalk only 5.6%, Bally - 1.2%. Three casinos, Brighton, Harrah's and Golden Nugget actually lost money, a total of approximately 30 million dollars in losses were posted by those casinos during the year.

Much of these losses can be directly attributable to the regulatory and statutory system established in New Jersey. If the casino industry is to continue to grow and if the citizens in New Jersey are to reap the benefits of legalized casino gambling, it is imperative that the legislature remove the regulatory burdens from the casinos shoulders.

I hasten to add that no casino operator that I have talked to and certainly not Resorts, is asking that the people in New Jersey in any way lessen those regulations that touch upon the integrity of casino gaming. We must maintain the integrity of casino gaming and we as an industry welcome the State's interest in that area. We do not, however, welcome the State's interest in areas that are typically areas of management prerogative in other industries and which do not affect casino integrity.

I would today address some of those areas that could greatly affect the profitability of casinos, while in no way reduce the level of confidence in the control of casino gambling.

A minor example, but a quite costly one, is in the areas of Alcoholic Beverage licenses. The statute as presently written, requires all casino hotels to obtain separate licensure for each area that serves alcoholic beverages. Prior to the adoption of this statute, the historic Haddon Hall which Resorts purchased had operated under a State class C Plenary Consumption License. That license permitted alcoholic beverages to be served throughout the hotel for a fee of several hundred dollars per year. Since adoption of the

Casino Control Act, Resorts must now pay a fee for alcoholic beverages in excess of \$115,000.00 annually, since the Haddon Hall is composed of several small rooms which must be individually licensed. Not only is this a significant expense, but it also results in casino hotels reducing services to patrons in order to economize on the amount of alcoholic beverage licenses issued.

For example, Resorts desired to serve alcoholic beverages at its pool deck on its North Tower. This is an open pool deck that is in operation for approximately three months of each year. When the North Tower operated under a Class C State License, approximately \$50.00 worth of alcoholic beverages were served daily at the pool. Obviously those sales did not pay the salary of the bartender whom we placed at the pool. However, we absorbed the loss to provide the service to our guests.

When the Casino Control Commission took jurisdiction of the North Tower, we were required to purchase a liquor license at a fee of \$5,000.00 for this three-month period. Clearly, it makes no economic sense for our organization to pay \$5,000.00 for a license for three months to lose money on the alcoholic beverage operations. Thus, the result was that we ceased serving beverages at the pool.

I urge this committee to adopt a change in the present policy that will permit one license for the entire hotel casino. The recommendation of the Commission in this area is excellent.

The single most serious problem that has effected casino operations in Atlantic City, is the licensure of employees. For example, to this day there are not sufficiently licensed craps dealers in

Atlantic City to fulfill the demand; nor are there enough Pit Bosses to meet the needs of the casinos.

I believe that this problem stems from the interpretation given the Casino Control Act that all persons from a Pit Boss above in the casino must have a casino key employee license.

A Pit Boss in the casino can be likened to a foreman in a factory. He is the general second line supervisor responsible for the control and operation of his pit. It seems to me to be no good reason for that supervisor to have a key employee license. This is especially true when shift supervisors, Assistant Casino Managers, Casino Managers, and Vice President of Casino Operations are present to supervise and control the Pit Boss.

As this committee may know, it requires a minimum of one year for any person to receive a key employee license. I would suggest that this Commission clarify the act to make it clear that key licensure applies only to those persons above the level of Pit Boss in the casino. This would make the operation of the casino hotel much more efficient.

The licensure of hotel employees is another serious problem. I understand that the Division of Gaming Enforcement has taken the position that hotel employees need not be licensed and I applaud that position. The time, expense and trouble necessary to license employees who in no way involve themselves in the operation of casino gaming is a waste of everyone's resources.

Finally, the issue of licensure becomes most important in the area presently called junkets in New Jersey. You have heard testimony today on the industry's position regarding junkets. It seems perfectly evident to me that when the Casino Control Act was adopted and the work junket was inserted, persons had in mind the evils that have been associated with junkets in Nevada; that is, junketeers using improper methods of granting credit and thereby defrauding casinos, or junketeers using improper means of collecting casino debts. As you know, the Casino Control Act addressed both the area of credit and collection in Section 101 of the Act. Under the Act no person, other than a licensed casino key employee, can involve himself in credit or collection. Thus, we believe that the term junket should be removed from the Casino Control Act and be substituted with the term "casino tour representative." In this way it will be clear to all parties that New Jersey does not engage in the typical Nevada-type junkets that have in the past caused difficulties for patrons and for law enforcement officials.

With that change in mind, I urge this Committee to consider licensing a casino tour representative to the standard of a hotel employee, only if there is a licensed key employee who is responsible for the organization, operation and control of the casino tour. With the licensure and registration of casino tour representatives as suggested in the statutory handout we have provided this Committee, the Casino Control Commission and the Division of Gaming Enforcement can maintain total control of all tours coming into Atlantic City.

On the other hand, the casino hotels will be able to fulfill the purpose of the Casino Control Act which was quite clearly to bring visitors to Atlantic City from out of state. Under the present licensing requirements and those requirements of §92(a), it has become virtually impossible to bring any tour into Atlantic City. Change in this area is most critical if the casinos are to economically survive during the winter months when the normal tour business from the State of New Jersey falls off significantly. I, therefore, urge that this Committee adopt the amendments suggested by the Casino Hotel Association.

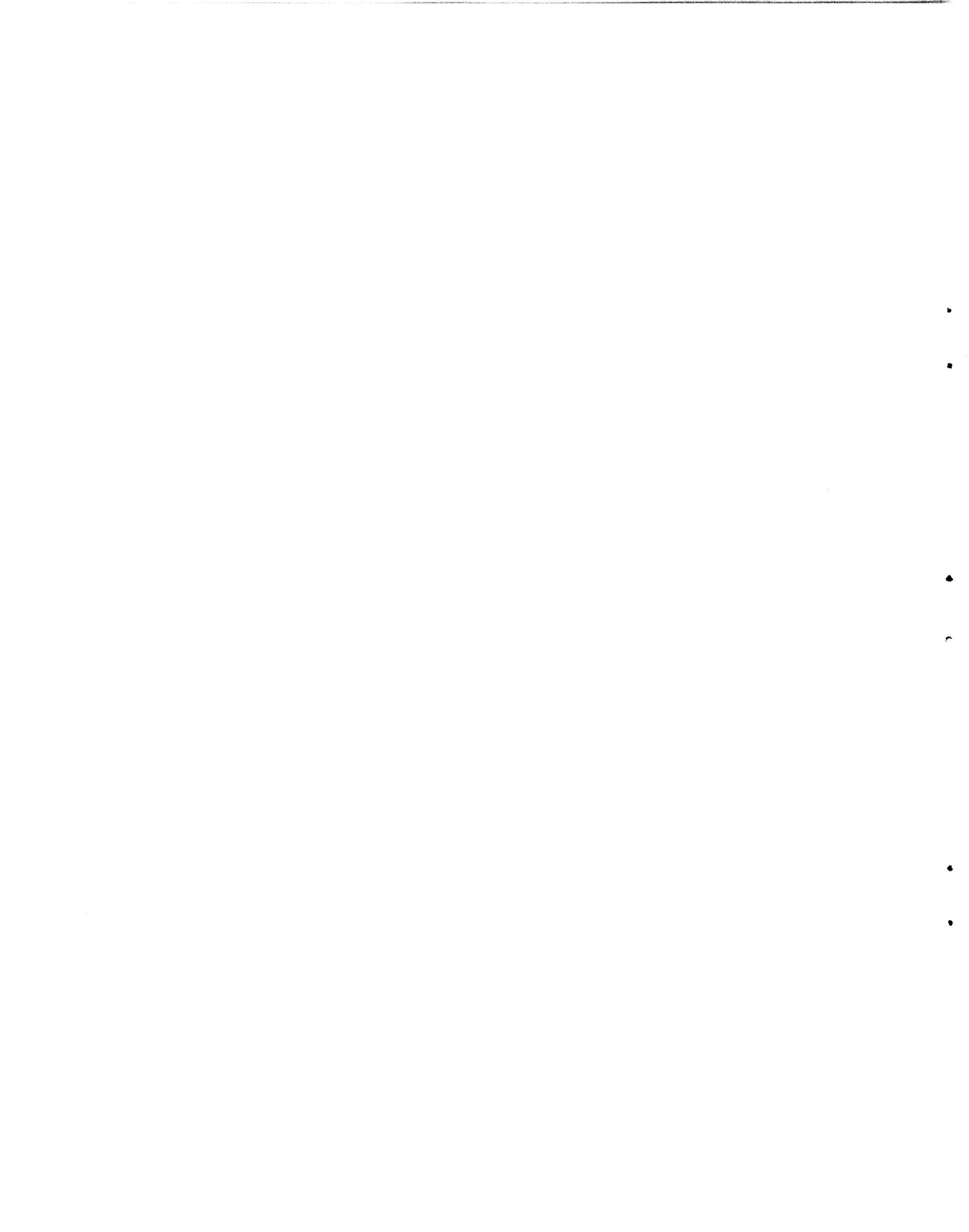
Another vexing problem with the statute is found in Section 100 (i) that section provides for a minimum square feet of area for each gaming table. For example, §100 (i) provides that there must be 300 square feet for a baccarat table. Last summer Resorts attempted to introduce the game of mini-baccarat to New Jersey. Mini-baccarat is essentially the game of baccarat played on a smaller, crap size table. We attempted to do this because we found that the New Jersey patrons were not familiar with the game of baccarat and felt uncomfortable setting at the larger intimidating table. When we attempted to introduce mini-baccarat the Division of Gaming Enforcement objected to our petition because Resorts would not have 300 square feet of space surrounding its mini-baccarat table. It seems evident to me that this legislature adopted the minimum square foot requirement

to maintain a feeling of graciousness in the casino. Thus, 300 square feet to surround a full size baccarat table may be appropriate as a minimum to maintain a gracious atmosphere; surely that same standard, 300 square feet, should not apply to a mini-baccarat table which is less than half the size of a regular baccarat table. Yet that is how the Act has been interpreted. I would ask that this Committee consider amending Section 100 (i) to make it clear that the Casino Control Commission has the authority to deviate from the square footage requirements if casino graciousness is maintained.

The areas that I have touched on are those that are of specific concern to Resorts. Without question, the most significant is that in the area of casino tours. We must have relief from the current statutory scheme if Atlantic City is to become anything more than a seasonal town. This winter saw every casino hotel in Atlantic City instituting lay-offs during the non-seasonal months, a long-standing practice prior to the advent of casino gambling. Laying off people during the winter Resorts, creates tremendous financial difficulties on our employees and results in a drain on the State revenues for unemployment compensation. I believe that with a rethinking of the casino tour section of the Casino Control Act, the casinos can create a full-time, year-round resort area in Atlantic City without the seasonal fluctuations and with absolutely no lessening of the amount of control over the integrity of the game and the image of Atlantic City. This in turn will allow Atlantic City to grow and to continue to provide to the people of New Jersey all of those benefits that it has produced since the advent of gaming in 1978.

I greatly appreciate the opportunity to present my comments and I am free to answer any questions that you might have.

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