

Publication Abstracts

Gaming Industry: The Good News Keeps on Coming. (Special Section). Henry Eason, Ellan Eason, Jackie Flaum, and Stevel Quickel. *Institutional Investor*. February 1994, 28 (2), pp. 1-32.

The financial performance of gaming stocks during the past year has been good to excellent and occasionally spectacular. As a group, the gaming stocks rose 49.9 percent. Major industry players with strong cash flows, nationally known franchises, and depth of management are positioned best to continue to increase in value as they expand into new locations, particular locations close to large population centers. Gaming is predicted to be a \$48 billion industry by the year 2000, implying a 7 percent growth rate for the decade. In the late 1980's and early 1990's the gaming industry has rapidly expanded into nearly every state in the country. At the heart of the expansion is the change of the public's view to see gaming as an acceptable form of entertainment, the poor financial condition of most states, and the "domino effect." The domino effect occurs when adjacent states approve gaming because they are concerned that they are losing potential tax revenue across the state line.

Atlantic City Seeks to Lure Non-Gamblers: Casinos Feeling Threat of Rivals in Region. Jon Nordheimer. *New York Times*. April 10, 1994, Vol. 143, p. 37,44

Atlantic City is betting that it can reinvent itself as a convention center and seaside tourist attraction. The city is building a \$234 million convention center, scheduled for completion in late 1996, and there are plans for a \$500 million redevelopment of the central corridor that would include an entertainment complex, retail shopping, restaurants, and other attractions. Atlantic City is facing increased competition from neighboring states. Casinos in Connecticut, New York, possibly Pennsylvania. Visitor counts have decreased to 30.2 million last year compared to 33.1 million in 1988. Market research indicates that the 30.2 visits represents 7 million people who visit Atlantic City and average of 4.5 times a year, spending only 7 hours on each trip.

The Tax Mirage. Phillip Longman. *Florida Trend*. June 1994, 37 (2), pp. 62-67.

The revenue needs of the Florida state government are one driving force behind the voter referendum this fall. The Proposition for County Choice Gaming will earmark all casino taxes for crime prevention, education, and senior citizens. But these gaming tax revenues may cannibalize other streams of revenue. Florida Lottery Secretary Marcia Mann states that spread of casino gambling throughout the country is depressing lottery receipts wherever it is occurring. This has negative consequences for the state's coffers because the Florida State Lottery returns 38 percent for every dollar wagered. Casinos, on average, pay 7.5 percent in state and local taxes on every dollar they win. Casinos impose other social costs to communities as well. New Jersey, for example, has experienced higher crime, reduced property values, increased compulsive gamblers, and the expense of running the Casino Control Commission and Division of Gaming Regulation.

This section publishes an annotated abstract of published articles on gaming industry developments and related issues.

Big Losses in Gambling Stock Prices: Missouri Voters Reject Some Games of Chance. Barry Meier. *New York Times*. April 7, 1994, Vol. 143, p. 5.

Share prices of many gaming stocks decreased sharply after Missouri voters rejected a gaming referendum. The referendum would have allowed slot machines and other games of chance on riverboat casinos. The voter referendum was required because the Missouri Supreme Court ruled that although the legislature approved games of skill such as blackjack or poker, other games such as slot machines need to be approved separately. Gaming stocks that fell sharply include President Riverboats, Station Casinos, Argosy Gaming, and Players international.

Hurwitz Rolls the Dice. Christopher Palmeri. *Forbes*. May 9, 1994, 153 (10), p. 20.

Maxxam Corporation's Charles Hurwitz and Mirage Resort's CEO Steve Wynn are preparing for the day when legalized casino gaming comes to Texas. Hurwitz and Wynn have formed a joint venture to tear down the Houston Coliseum and build a temporary outdoor amphitheater on the site. When legalized gaming is approved, they would move the amphitheater and build a \$250 million dollar casino complex in its place. Hurwitz and Wynn have guaranteed the city of Houston a minimum of \$15 million a year from potential casino revenues. The Texas legislature is expected to vote on a casino bill next year. Hurwitz recently opened the Sam Houston Race Park, an \$85 million dollar house track in Houston.

Comptroller's Report Questions Benefits From Casino Gambling. James Dao. *New York Times*. April 3, 1994, Vol. 143, p. 24.

There is an emerging debate in the New York State Legislature over whether to legalize casino gaming, which would require amending the state constitution. In a report to address this issue New York State Comptroller, H. Carl McCall, states that legalized casinos will not substantially raise state tax revenues but will hurt the horse racing industry and create many new compulsive gamblers. He estimates that casinos with slot machines would add \$412 million a year to state coffers and casinos without slot machines would add only \$64 million. McCall states that casino gambling is not the financial panacea that many casino industry proponents would lead us to believe.

Fool's Gold in Black Hawk? Carroll Bogert. *Newsweek*. March 28, 1994, 123 (13), pp. 22-24.

Black Hawk, Colorado, is similar to other cities in America in that its tax-shy politicians have turned to gambling as a solution to its fiscal and social problems. As many as 8,000 people visit the city everyday, most of them on day trips from nearby Denver. The gambling boom has provided jobs, lower taxes, and money to fix up many of the historic homes and buildings in the town. The city budget grew from \$165,000 in 1990 to \$8 million in 1993, but the gambling has generated as many crises as it solves. The town is now plagued by crime and traffic congestion.

America's Gambling Craze: The Casino Boom is Growing Daily. James Popkin and Katia Hetter. *U.S. News & World Report*. March 14, 1994, 116 (10), pp. 42-46.

It took six decades for gambling to become America's past time. In 1930, there was no legalized gambling in the country. In 1992 there was \$330 billion wagered on legalized gambling, and in 1994 there is legal gaming in every state except Utah and Hawaii. The acceptance of gaming has been helped by the gradual creation of 37 state lotteries. Corporate ownership of casinos by trusted companies such as Hilton and MGM has helped remove the stigma of shady casino operators. But casinos may not guarantee the tax revenues that many politicians expect. According to a two year study by Robert Goodman, professor of urban planning, newly opened casinos "suck money out of the local economy," away from existing movie theaters, car dealerships, retail shops, and sports arenas. Whittier Law School professor, I. Nelson Rose, reports that legalized gambling in America has running on a 70 year boom and bust cycle, since the days of the colonists. Rose predicts a gaming crash in 35 years.

Tricks of the Trade: The Many Modern Ways Casinos Try to Part Bettors from Their Cash. James Popkin. *U.S. News & World Report*. March 14, 1994, 116 (10), pp. 48-52.

Casinos are using special scents, lighting, colors, and psychology to get gamblers to gamble longer. In Nevada and Atlantic City, five casinos pump a secret scent into the slot pits 24 hours a day. The scent, developed by a Chicago neurologist, subtly influences gamblers to wager more. Harrah's Casinos is developing technology that lights only the felt on blackjack tables. According to Harrah's president, Phil Sarte, the rationale is that by lighting only the felt, they are keeping light off of a customer's forehead, and light on the forehead tends to drain customers of energy. Casinos also use color to influence patrons to gamble. Research shows deep colors like black, red, purple, and blue trigger a strong response in slot players. Casino consultants report that slot players are especially drawn to bright red machines. Casino operators have integrated the psychology of B. F. Skinner for their purposes. Modern slot machines reward players with frequent, small payoffs that entice gamblers to keep chasing their dream.

Las Vegas: Fifty Ways to Lose Your Wallet. *Economist*. March 26, 1994, 330 (7856), p. 31.

Las Vegas, as the fastest growing metropolitan area in the country, is struggling to handle its growth. The casino-led expansion is straining the city's infrastructure. Schools can barely be built fast enough for all the new students. The number of welfare recipients is rising at twice the national rate. Automobile traffic chokes many of the city's main streets. In addition to internal problems, Las Vegas could face external threats. California, home to one-third of Las Vegas visitors, is waiting for clearance to allow more gambling on its Indian Reservations. One Indian Reservation will be near Palm Springs, California, which is only 2 hours away from Los Angeles.

Administration Folds on Proposed Gaming Tax. Robert A. Nozar. *Hotel & Motel Management*. June 20, 1994, 209 (11), pp. 3, 39.

The Clinton Administration has decided against using the casino industry to finance welfare reform. The gaming tax would have levied a 4 percent excise tax on gaming. The administration came to its decision following widespread opposition to the plan by industry groups and state governors. Thirty one governors signed a letter to the White House affirming their opposition to the tax. The American Hotel and Motel Association called the proposal "grossly unfair." Its board of directors passed a resolution, opposing the tax. The resolution had been sponsored by the state hotel associations of Nevada and New Jersey.

The Entertainment Economy. Michael J. Mandel, Mark Landler, and Ronald Grover. *Business Week*. March 14, 1994, (3362), pp. 58-64.

Entertainment is the growth industry of the 1990s. The Bureau of Labor Statistics reports that entertainment and recreation industries added 200,000 workers in 1993, 12 percent of all net new employment. This increase is fueled by increased in consumer spending. Since 1991, consumers have boosted their outlays on entertainment and recreation by 13 percent, which is more than twice the growth rate of overall consumer spending. The fastest growing part of the industry is gambling, which until recently was restricted to only New Jersey and Nevada. Casinos took in about \$13 billion in revenues in 1993. According to gambling experts, casino revenue should double by the year 2000. When lotteries, offtrack betting, and other forms of gambling, are added to casino gambling, Americans spent \$27 billion last year.

Resorts Probe Ideas for Profit. Jill Jusko. *Hotel & Motel Management*. February 22, 1994, 209 (3), pp. 3, 7.

Experts at the Resort Forum IV held in Las Vegas recommend gaming, time share, and all-inclusive pricing as the emerging trends that provide the best opportunities for improving profitability. Gaming development is expected to grow 10 percent per annum during the 1990s. Chase Burrit of Kenneth Leventhal & Co. states that resorts that need to focus their attention on meeting the needs of families, fitness and health conscious vacationers, international travelers, eco-tourism, and vacations that offer adventure type experiences.

High Rollers Seek Gaming Companies. Stephen Taub. *Financial World*. September 13, 1994, pp. 10-12.

A takeover frenzy is about to breakout in the gaming industry. Likely takeover targets include Caesars World, Grand Casinos, Players International, Casino America, Casino Magic, and President Riverboat. The typical gaming stock is down around 32 percent this year, and down more than 42 percent from its 52 week high. Buyers might include Promus Corp., Mirage Resorts, MGM Grand, and Hilton Hotels. These companies like to use a casino in one area to promote their casinos in other jurisdictions. The two most interesting companies to watch are Bally and United Gaming. Bally and its chairman

Arthur Goldberg, may attempt to a hostile takeover, but its large debt load will prevent it from securing financing for the deal. United Gaming has several key players who are capable of doing a major deal. United Gaming CEO Steve Greathouse, is a 20 year veteran of the casino industry. Chairman, Joel Kirschbaum, spent 13 years at Goldman Sachs heading up its Capital Markets Division.

Las Vegas Investing \$63 million into Downtown Area's New Look. Larry Oppen. *Amusement Business*. September 12, 1994, 106 (37), pp. 33-36.

Eight casinos and hotels in downtown Las Vegas have banded together to form "The Fremont Street Experience." The Fremont Street Experience is an attempt to increase tourism and increase new business investments by constructing a 1500 foot long, 100 foot high, climate controlled mall dedicated to entertainment. The project will cost \$63 million which is being financed by both private and public funds. The eight casino hotel operators, Four Queens, Fremont, Golden Gate, Golden Nugget, Binion's Horseshoe, Fitzgeralds, Las Vegas Club, and The Plaza will contribute \$18 million. The city's Redevelopment Authority will provide \$22.4 million and the rest of the funds will come from a hotel room tax (\$13 million), a voter passed street improvement bond (\$5.2 million) and a grant from the Las Vegas Convention and Visitors Authority.

