

Harrah's Philadelphia Senate Testimony – June 10, 2015

In 2007 we made a promise to the Commonwealth to develop an abandoned 65 acre brownfield site in the struggling City of Chester. We have kept that promise, invested over \$400M and today Harrah's Philadelphia Casino and Racetrack is a 200,000 sq. ft. full service gaming and entertainment establishment that offers several amenities that include a convention center, diverse restaurant options, and a world class harness race track.

We kept our promise and are proud of our major accomplishments:

- We have grown our initial investment of \$400M to almost a half a billion and we are considering significant capital in 2015/16 contingent upon continued stability in the market.
- Over \$2.7B in Gross Gaming Revenue (as of April 2015)
- Over 34 million visitors (as of April 2015)
- We have successfully provided over 1,400 families with sustaining jobs to improve their quality of life.
- We are proud to employ the Most Diverse Casino Workforce in the Commonwealth (As of the FY 2013/14 PGCB Diversity Report)

We have generated over \$1.5 Billion in Taxes since opening!

- We are the Economic Driver for the City of Chester contributing over \$104M in taxes and fees (as of April 2015)
- We now fund almost 25% of the "financially distressed" City of Chester's Budget
- We are a major source of tax revenue to Delaware County contributing over \$103M (as of April 2015)

We delivered on our promise to the Commonwealth by creating a world class track from the ground up and adding significant value to Harness Racing Community:

- \$268M to the PA Horse Racing Development Funding (as of April 2015)
- \$18M to the PA Horse Harness Association Fees (as of April 2015)
- \$5M to the PA Pari-mutuel Taxes (as of April 2015)

We have kept our promise to have a substantial impact to the community through giving back beyond mandated taxes:

- Harrah's Philadelphia is a large purchaser of local and PA products
- \$27.4M In-State Spend in 2014 and over \$8.5M in Delaware County in 2014
- 18% of our spend was to minority owned businesses (during the FY 13/14)

The economic impact of our 1,400 great teammates:

- We have paid \$371M in Total Salaries & Wages, and Benefits (as of April 2015)
- \$38M in Total Payroll Tax Dollars (as of April 2015)

We have demonstrated an unwavering commitment to diversity and inclusion in our workforce and are extremely proud that we employ the most diverse Casino workforce in PA. As of today

- 53 % of our employees are minorities
- 43 % of our employees are female
- 39 % of our Supervisors and above are minorities

- 38 % of our Professional positions are held by females
- 40 % of our Team are Union Affiliated
- As a result of our table games funding, Chester residents receive a 50% discount on college tuition at Delaware County Community College. Through our partnership and support of education to the Chester community, DCCC increased its enrollment from Chester residents by 50% for High School Grads and 77% for returning adults.

We have kept our promise to the Commonwealth and our local community!

Now we ask our Legislators to keep their promise and ensure our property, our team members, and our industry remain vibrant and competitive. We ask that our Legislators protect the Commonwealth's existing casinos from further unhealthy competition and over saturation in the South Eastern region of Pennsylvania.

Today our biggest challenge is the market saturation:

- There are 5 casinos within 30 miles: 4 in PA and 1 DE and more coming in PA
- There are 20 casinos within 1.5 hour drive and 23 casinos in a 100-mile radius, and more coming
- When we opened in 2007 there were 4800 slots in our market. By the end of this year, the South Eastern region of PA will have 8900 slots, and that is not counting the second Philly License
- Despite a spike in gross slot machine revenues in the first full year of VF operations, the market has experienced significant year over year contractions since leading to a loss of approximately \$45M over that period, and has returned almost to the GTR levels pre-VF.
- The local market is saturated, and additionally we are facing significant competition from our border states.

How can the Commonwealth ensure we remain a stable, viable, and growing industry? What actions can the General Assembly take that will protect the Commonwealth's Casinos from further unhealthy competition and increase the attractiveness of the Commonwealth's Casinos?

1. **The singular most important benefit the Commonwealth can deliver is to establish stability and certainty for the industry to allow it to grow and continue living up to the commitments made to date. The threat of further slot expansion at bars, taverns, and potentially OTW's, increased costs or taxes, or material changes to existing conditions (e.g. Category 3 expansion, smoking) creates uncertainty, slows casino hiring, stalls capital investment, and prevents casinos from diversifying into hospitality assets.**
 - a. We oppose the expansion of slots/VGT's at bars and taverns.
 - i. Illinois history has proven this has been cannibalistic to existing casinos and has reduced good paying family sustaining jobs in casinos. Our projections suggest that approximately 4000 PA jobs would be lost due to the cannibalization that will result from such a measure.
 - ii. Lastly the Commonwealth legacy and tradition of unbridled RG commitment and compliance will be destroyed. Bars and taverns will have no trained security officers to protect against underage gaming, no Responsible Gaming protocols to ensure prohibited players are not playing, and no real ability to deliver the world class responsible gaming programs and protocols we all have in place.
 - b. We oppose the expansion or relaxation of Category 3 licensee's (restrictions) conditions:

- i. Not fair to change rules of the game after we and others committed significant capital
- ii. As history tells us, this will not increase tax revenues only cannibalize existing slot revenues
- c. We are skeptical that our already saturated market can bear the weight of additional slot product implied by allowing slot machines at OTWs.
 - i. We recognize that with an appropriately tailored radius restriction, the OTW option is a proposition that may provide some value
 - ii. We remain open to the proposition subject to seeing what restrictions are proposed.
- iii. In summary all of these various proposals to expand gaming in our back yard will adversely and disproportionately impact the most diverse casino employee base in the Commonwealth and adversely impact the diverse community of Chester as it struggles to attain economic and social revitalization. It constitutes a redistribution of revenues away from a community in need. .

We ask the Legislature to reject all such proposals in favor of a path of stability and regulatory predictability.

2. Secondly we ask the Legislature to enact legislation or give the Gaming board the authority to open new sources of revenue that will not be cannibalistic, are accretive and available to all operators and that do not negatively impact or benefit a chosen few.

- a. We ask the Legislature to consider and approve Internet Gaming
 - i. Avoid the fate of other industries that have ignored the Internet (record industry, book stores)
 - ii. Based on experiences to date in regulated U.S. jurisdictions, online gaming is likely to increase – not cannibalize – overall revenues and taxes.
 - iii. Online gaming will create cross marketing opportunities for licensees and improve distribution channels for operators to all customer segments
- b. We ask you to consider and approve skill based slots and games just as Nevada did recently.

3. Thirdly we ask the Legislature to Create Capital Investment Incentives for non-gaming type investments.

- a. Via the redirection of existing taxes
- b. Eliminating the restrictions on gaming facilities from participating in current state programs.

4. Finally, we ask for Regulatory and Policy reforms that enhances our Operational Agility and Efficiency

- a. Reduce our Regulatory cost burden
- b. Revise casino staffing requirements to match other jurisdictions
- c. Allow for greater staffing flexibility during off peak times

- d. Overhaul the employee and vendor licensing requirements and process

We have submitted for the record additional information on Internet gaming and suggested language regarding policy and regulatory reform with regards to staffing and licensing.

We would like to thank the members of the committee for taking the time today to meet with us, listen and understand our concerns and also our opportunities. In the end I think we all have the same goal: to take actions that will protect the Commonwealth's Casinos from further unhealthy competition and increase the attractiveness of the Commonwealth's Casinos. Harrah's Philadelphia has delivered on the promises made to the Commonwealth by providing significant local revenue streams, educational opportunities and family sustaining jobs that have allowed the City of Chester and county of Delaware to begin their journey toward economic and social revitalization. We ask that you keep that same promise and commitment.