

TESTIMONY FOR THE GAMING OVERSIGHT COMMITTEE
CONCERNING HOUSE BILL 2121 – MAY 15, 2008
By Robert J. DeSalvio, President Sands Bethworks Gaming LLC

Good morning Mr. Chairman and Members of the Gaming Oversight Committee.

Thank you for allowing me the opportunity to testify before your Committee to discuss House Bill 2121 and why it is important for the Commonwealth of Pennsylvania to approve legislation that will allow licensed gaming operators the ability to provide table games at a fair tax rate.

I am Robert DeSalvio, President of Sands Bethworks Gaming LLC. I have been employed by Sands Bethworks since November of 2006. Prior to the Sands, I was Executive Vice President of Marketing at Foxwoods Resort Casino in Connecticut for nine years and spent the prior 18 years in executive capacities at the Sands, Bally's and Caesars Atlantic City. I am a graduate of the University of Denver, School of Hotel, Restaurant and Tourism Management.

The Sands Bethlehem is a mixed use integrated resort development including gaming, dining, retail, hotel and conference components located on 124 acres of land that was once the heart of the Bethlehem Steel plant. The site has been vacant for over 10 years. We were awarded a Category Two License in December of 2006 and have been under construction and preparing for our 2009 opening. When completed, the Sands Bethlehem will be the largest gaming venue in the Commonwealth, representing a total investment of \$800 million, providing an estimated 1825 permanent and 1200 construction jobs. Our integrated resort development will be the largest Brownfield redevelopment in the country and will be one of the largest private commercial construction projects in Pennsylvania history.

The Sands Bethlehem is a Las Vegas Sands Corp Development. Las Vegas Sands Corp is the largest integrated mixed use development company in the world. Our company currently owns and operates the Venetian, Palazzo, and Sands Expo Center in Las Vegas and the Sands and Venetian Macao. We are currently developing the Cotai Strip, Asia's Las Vegas, in Macao and Marina Bay Sands in Singapore.

The Sands Bethlehem will draw the majority of its customers from northern New Jersey, New York metro and Lehigh Valley markets. We will be directly competing against the Atlantic City, New Jersey casinos along with Foxwoods and Mohegan Sun, both in Connecticut. All of these destinations can differentiate themselves from the Sands Bethlehem because they can provide table game options for their customers and their State Tax Rates on Gaming are very favorable. The New Jersey Tax Rate on table games and slots is 9.25%. In Connecticut the Tax Rate is 25% for slots and zero on table games.

The 2007 Report of the Video Lottery Advisory Council in the State of Delaware recommends that the State begin the process of authorizing table games at the three existing video lottery facilities. The State of New York is considering several different proposals to expand gaming and Maryland has been talking for a number of years about approving slots at their race tracks. If any of these States approve new gaming legislation, we will have new competitors that will attempt to draw customers away from the Commonwealth.

In today's highly competitive, regional gaming marketplace, our customers will demand full amenity gaming which includes table games. If Pennsylvania is going to maximize a successful gaming industry that provides significant tax relief for its citizens, sufficient tax revenue for the State Government, and generate new jobs and economic development, the Pennsylvania General Assembly needs to approve legislation that will allow us to provide table game options to our customers at a fair tax rate.

If we are allowed to provide table games at a fair tax rate, we are prepared to add up to 200 table games. 200 table games would translate into approximately 800 additional full-time employees; all employed at excellent wages. Please understand that we train all of these positions, so that almost all of these employees will be hired from the local community. In addition to these full-time employees, Las Vegas Sands Corp will significantly increase its \$800 million investment, already the largest in Pennsylvania, in order to build new facilities to accommodate table games.

New capital investment for table games would lead to additional investment on other parts of the integrated resort site to meet increased consumer demand. It is likely other non-gaming amenities, such as additional restaurants, guest rooms, meeting space, and retail will be

developed alongside the table games offering to accommodate the additional visits and different demographics of the table game player. Approval of table games at a fair tax rate will result in a multiplier effect by having a positive local economic impact, not only through the creation of construction jobs to build infrastructure on our 124 acre site, but additional revenue generated by local suppliers and vendors to support this new development. This multiplier effect is more significant for a table games operation since team member wages are relatively higher and the patron demographics for table games, on average, have a higher disposable income than slot players.

If table games are approved, Pennsylvania will be more competitive in the regional gaming marketplace, and will provide a significant source of additional tax revenue. It is important to note, however, that when considering the implementation of table games, because of the labor-intensive nature of these games along with other operating costs, it is simply not feasible to operate profitably with substantial tax rates such as those imposed for slot revenues. In our view, a significant but reasonable tax rate for table games would be 15% of revenue. A tax rate beyond 15% will clearly impact the table game offering, the magnitude of capital investment made to accommodate these new games, and our ability to compete with lower tax rate jurisdictions such as New Jersey which we will be competing with for the valuable New York Metro and Northern New Jersey customer. It is important to note that due to salaries, benefit costs, employment taxes, marketing and other expenses; it costs over three times more to operate a table game than a slot machine on a per seat basis.

Using a 15% tax rate model, there will be significant tax revenues generated for the Commonwealth of Pennsylvania. Assuming a conservative win per unit of \$2500 for 1200 table games in 12 Category One and Category Two casinos throughout the State, incremental taxes generated from table games alone would be over \$164 million dollars annually. It is also important to note that additional tax revenues will be generated from increased slot play through the introduction of table game offerings. A significant number of people from our potential trading area make visits to other gaming jurisdictions simply because we do not offer table games as an option. The addition of table games will provide an opportunity for the Pennsylvania casinos to have a full-service product offering. Any group of potential customers where some prefer table games and some prefer slots will likely choose a casino in Atlantic

City over one in Pennsylvania simply because they can enjoy their own preferences. The best example of the table/slot synergistic effect is in the State of Iowa which had the experience of adding table games after operating slot only racetracks. With the three tracks operating table games the percentage of slot growth increased substantially. From December 2006 to June 2007, there was an increase of over 16% in slot revenue compared to a growth rate of 1.7% prior to the introduction of table games. We also understand that the introduction of table games in West Virginia is expected to provide positive slot revenue results in that jurisdiction. We firmly believe the introduction of table games in Pennsylvania will positively impact slot revenue and the corresponding tax revenue for the Commonwealth.

In summary, we urge the members of this Committee to support the approval of Table Games in Pennsylvania at a fair tax rate. Your decision to approve table games will be a great benefit to Pennsylvania's emerging gaming industry, allowing our properties to be more competitive in the region, increase jobs in the Commonwealth, inject new capital in the host and surrounding communities, and generate additional tax revenue for the Commonwealth.

I would like to thank the members of the Committee for allowing me to testify and will now gladly answer your questions.