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# Economic Impacts

From proposed Pocono Manor  
casino/hotel complex

Prepared for Matzel and Associates  
Acquisition LLC

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## Executive summary

A licensed casino at Pocono Manor – with 3,000 slots in its first year of operation – would be an economic engine for the entire Pocono region, driving economic growth for numerous private businesses and government agencies in a multi-county region.

We project that a casino hotel on the site of Pocono Manor would do the following:

- Generate up to \$358.6 million in annual gaming revenue.
- Employ more than 4,000 individuals in the casino, hotel, retail, dining and entertainment facilities.
- Increase in state income tax.
- Create opportunities for up to 2,000 people to work in other area jobs.
- Quickly become the largest employer in Monroe County.
- Spend up to \$60 million annually on the purchases of goods and services from other Pennsylvania businesses.
- Generate a direct casino-hotel payroll of about \$36 million.
- Generate up to \$113 million in annual compensation from all sources, not including construction.
- Create up to 5,361 construction jobs with an annual payroll of up to \$189.6 million.
- Generate up to \$398 million in local spending – not counting gaming revenue – by attendees at meetings and conventions.
- Generate as much as \$158 million in retail, dining and entertainment sales. Sales tax.
- Increase direct visitor spending and total sales generated by traveler spending by 40 percent.
- Generate \$800,000 in marketing fees that would be used by the Pocono Mountains Vacation Bureau to promote the entire region.



The developers of Pocono Manor intend to build a full-service entertainment destination in which gaming would be an important component, but would serve as one of many attractions at the property.

Such a plan ensures that Pocono Manor would accomplish two very crucial public-policy goals for the state of Pennsylvania, as well as for the region and the local community. A full-service destination would:

- Maximize the revenue coming from out-of-state.
- Help the entire region become more competitive with other local destinations in the Northeast.

Pocono Manor will help raise the bar for the entire Pocono Mountain area. Businesses that seek to benefit must invest in their own infrastructure, retool their own marketing efforts and develop cooperative relationships with each other, and with centralized institutions such as the Pocono Mountains Visitors Bureau.

## Introduction

When projecting the economic impact of a casino operation on a local community, we look for certain factors to be in place:

- Is the proposed casino well-capitalized?
- Does the area have an existing tourism infrastructure?
- Will the casino work with the existing tourism industry to promote visitation throughout the region?
- Are the interests of the public and private sectors aligned to ensure that both work to the benefit of the other, with resultant economic improvements to the entire region?

The prospect of a full-service casino hotel at Pocono Manor—complete with gaming, hotel, spa, retail and other attendant amenities—would clearly meet all four criteria.

Spectrum Gaming Group developed these four criteria as a result of nearly 30 years observing the impact of gaming on communities, with a particular focus on the Northeast. The common thread among all these criteria is that they collectively allow a region—and the tourism businesses that operate within that region—to target and attract visitors from outside the local communities.



Tourism and hospitality industries in general—regardless of whether they are lodging, restaurants, amusements or other attractions—better serve the public policy purposes of their community when they attract dollars from outside the local economy. By doing so, such businesses maximize tax revenue, employment and capital investment.

Capital investment is the lynchpin of this tourism model. With it, a development, along with the surrounding businesses and community, can function as a magnet for adults seeking a quality experience. Absent sufficient capital investment, a business can only depend on the convenience-driven market to generate revenues.

We respectfully suggest that the state of Pennsylvania needs to consider these criteria in selecting the locations for Category II gaming licenses. As we will detail later in the report, entertainment destinations that meet these criteria are best equipped to serve several public policies, from maximizing tax revenue to generating employment to attracting additional capital investment for other businesses as well as for the public sector. Capital investment can allow gaming operations to move beyond convenience markets into genuine destinations, thus minimizing – and perhaps entirely eliminating – their vulnerability to competition from other states.

Tourism is a longstanding mainstay of the Pocono region of Pennsylvania. Pocono Manor, with 3,500 acres, sits at a prime location within that region, with easy access to the major feeder markets of New York, New Jersey and Pennsylvania.

The Poconos, as a region, will compete with other destinations in the Northeast that have, or will have, casinos as an important amenity. These destinations include Atlantic City, the Catskills in New York, and race tracks throughout the Northeast.

The presence of gaming in a region will help ensure that a region remains competitive, and serves other purposes as well. It would help ensure that a region offers a sufficient variety of attractions to reach as many visitors as possible. It would also allow a gaming operator to price other amenities such as rooms, food and beverage and entertainment competitively, since an operator would know that at least some of those visitors will spend additional money at the casino. More important, state-sanctioned gaming – within a stable regulatory environment – can help lower the cost of capital for private developers and local



government agencies, since capital markets would have a higher level of assurance that a steady stream of revenues would be available.

We strongly believe that the scale and breadth of the attractions planned for Pocono Manor – ranging from a wide variety of high-end retail and dining to golf, nightlife and vacation homes – will ensure that the project achieves certain results that are desirable to the community and state:

- It will maximize additional employment.
- It will generate visitation from other areas that will spill over throughout the Pocono region.
- It will maximize the benefit of gaming taxes for the state by attracting visitors from other states.
- It will generate new sales and income tax revenues to the state.
- It will improve the image of the Poconos and help other businesses attract capital investment as well.

The importance of that last point needs to be underscored. With a 750-room hotel, Pocono Manor can be expected to be operating at or near full capacity year-round. Casino visitors also enjoy visiting other attractions, including retail and dining. This presents clear opportunities for other businesses, including lodging, to grab spillover business, including convention business and day-trip gamblers.

The importance of an entertainment destination as a magnet for out-of-state visitors has been proven again and again in market after market.

The following tables illustrates this phenomenon in New England, where two of the largest, most successful casinos in the world -- Foxwoods and Mohegan Sun, both situated within a few miles of each other in Connecticut -- draw particularly strongly from Massachusetts, as compared with the more austere, relatively undercapitalized racino properties in Rhode Island, Newport and Lincoln Park:

The first tables show what Rhode Island residents spend per visit at each of the four casino properties:



	Food	Lodging	Retail	Other	Gambling
Foxwoods	\$25.63	\$6.44	\$8.98	\$7.81	\$161.69
Mohegan	\$28.45	\$4.01	\$16.78	\$9.40	\$198.23
Lincoln Park	\$10.13	\$0.00	\$0.14	\$0.40	\$140.23
Newport	\$6.36	\$0.00	\$0.31	\$0.45	\$87.21

Source: University of Massachusetts, Center for Policy Analysis 2004

Note that Rhode Island residents spend significantly more out-of-state at Connecticut properties, largely because these two large casino hotels are well-capitalized with a variety of attractions.

The same phenomenon holds true for Massachusetts residents:

	Food	Lodging	Retail	Other	Gambling
Foxwoods	\$32.83	\$16.03	\$9.67	\$6.02	\$170.00
Mohegan	\$43.66	\$14.78	\$7.57	\$5.32	\$200.00
Lincoln Park	\$19.34	\$0.53	\$0.02	\$0.00	\$168.95
Newport	\$11.17	\$0.78	\$0.13	\$0.79	\$130.56

Source: University of Massachusetts, Center for Policy Analysis 2004

Interestingly, the amount spent on gaming by Massachusetts at these four out-of-state casinos is similar. However, the amount spent on non-gaming, such as lodging and retail is significantly higher in Connecticut, and is almost non-existent at the Rhode Island properties.

We suggest that a well-conceived casino hotel complex at Pocono Manor, with retail and other attractions, would also perform well, generating significant tax revenue and employment for the region and state.

## Employment impacts

Various factors can influence the number of jobs that would be created by a casino operation, including:

- How many additional amenities, such as hotel rooms, restaurants and retail space will be included in a project.
- Whether the project would be slots-only, or could include table games, which are more labor intensive.



- Whether a casino is a stand-alone property, or if it shares common management with another property in the same or a nearby market.

Still, even with such factors in mind, we can project a relative range of employment based on the experience of casino operations in different states. One important factor is the projected number of gaming positions – a slot machine is considered to have one gaming position, while an average table game is considered to have six positions. The following table shows the ratio in different markets:

	<i>Est. employment</i>	<i>Gaming positions</i>	<i>Ratio of jobs to positions</i>
Mohegan Sun	10,000	6,916	1.45
Las Vegas Strip, larger properties	88,801	63,692	1.39
Turning Stone	4,200	3,018	1.39
Las Vegas Strip, smaller properties	72,375	63,692	1.14
Foxwoods	11,000	9,728	1.13
Atlantic City	46,159	50,598	0.91
Indian Gaming estimate	240,000	264,346	0.91
Illinois	9,094	11,314	0.80
Seneca Niagara	2,141	2,931	0.73
Mississippi	34,907	48,463	0.72
<b>Total</b>	<b>518,677</b>	<b>524,698</b>	<b>0.99</b>
<i>Source: "Seneca Niagara Casino: Fiscal &amp; Economic Impact on Niagara Falls, NY," Oneida Indian Nation, Foxwoods, Mohegan Sun</i>			

The ratios vary, largely because of the level of amenities available, and the presence of table games.

We also drilled down further into these numbers to look at specific properties within the Atlantic City market:

<b>Number of employees, 2005</b>	<i>August</i>	<i>July</i>	<i>June</i>	<i>May</i>	<i>April</i>	<i>March</i>	<i>February</i>	<i>January</i>	<i>Average</i>
<i>AC Hilton</i>	2,921	2,924	2,955	2,970	2,986	2,934	2,949	2,956	2,949
<i>Bally's</i>	6,590	6,676	6,772	6,730	6,663	6,757	6,793	6,811	6,724
<i>Borgata</i>	6,300	6,362	6,280	6,011	5,933	5,895	5,705	5,570	6,007
<i>Caesars</i>	4,264	4,355	4,400	4,272	4,158	4,162	4,123	4,163	4,237





<b>Number of employees, 2005</b>	<i>August</i>	<i>July</i>	<i>June</i>	<i>May</i>	<i>April</i>	<i>March</i>	<i>February</i>	<i>January</i>	<i>Average</i>
<i>Harrah's</i>	3,093	3,127	3,035	2,920	2,904	2,854	2,931	2,929	2,974
<i>Resorts</i>	3,186	3,189	3,126	2,975	2,893	2,801	2,778	2,778	2,966
<i>Sands</i>	2,193	2,215	2,207	2,165	2,139	2,081	2,055	2,038	2,137
<i>Showboat</i>	2,947	3,022	2,959	2,696	2,625	2,600	2,631	2,661	2,768
<i>Tropicana</i>	5,414	5,425	5,281	5,354	5,382	5,147	4,985	4,933	5,240
<i>Trump Marina</i>	2,644	2,659	2,681	2,582	2,581	2,524	2,524	2,544	2,592
<i>Trump Plaza</i>	3,008	3,006	2,996	2,957	2,903	2,881	2,920	2,897	2,946
<i>Trump Taj Mahal</i>	4,885	4,968	5,032	4,846	4,778	4,678	4,793	4,677	4,832
<b>Industry</b>	47,445	47,928	47,724	46,478	45,945	45,314	45,187	44,957	46,372

We then applied this data to the number of gaming positions:

<b>Ratio Of Jobs To Gaming Positions</b>	<i>August</i>	<i>July</i>	<i>June</i>	<i>May</i>	<i>April</i>	<i>March</i>	<i>February</i>	<i>January</i>	<i>Average</i>
<i>AC Hilton</i>	1.14	1.15	1.16	1.17	1.18	1.15	1.11	1.15	<b>1.15</b>
<i>Bally's</i>	0.94	0.95	0.98	0.98	0.97	0.98	0.98	0.97	<b>0.97</b>
<i>Borgata</i>	1.45	1.46	1.43	1.37	1.35	1.35	1.30	1.27	<b>1.37</b>
<i>Caesars</i>	1.05	1.07	1.13	1.08	1.06	1.05	1.05	1.01	<b>1.06</b>
<i>Harrah's</i>	0.68	0.69	0.68	0.66	0.65	0.64	0.67	0.69	<b>0.67</b>
<i>Resorts</i>	0.91	0.91	0.94	0.89	0.86	0.83	0.82	0.82	<b>0.87</b>
<i>Sands</i>	0.86	0.87	0.85	0.84	0.83	0.81	0.79	0.79	<b>0.83</b>



<b>Ratio Of Jobs To Gaming Positions</b>	<i>August</i>	<i>July</i>	<i>June</i>	<i>May</i>	<i>April</i>	<i>March</i>	<i>February</i>	<i>January</i>	<i>Average</i>
<i>Showboat</i>	0.68	0.70	0.74	0.66	0.64	0.61	0.61	0.62	<b>0.66</b>
<i>Tropicana</i>	1.05	1.05	1.03	1.05	1.05	1.01	0.98	0.95	<b>1.02</b>
<i>Trump Marina</i>	0.89	0.89	0.91	0.86	0.86	0.84	0.84	0.85	<b>0.87</b>
<i>Trump Plaza</i>	0.88	0.88	0.94	0.93	0.92	0.86	0.86	0.86	<b>0.89</b>
<i>Trump Taj Mahal</i>	0.94	0.96	0.98	0.94	0.93	0.95	0.93	0.90	<b>0.94</b>
<b>Industry</b>	0.96	0.97	0.98	0.96	0.94	0.93	0.92	0.91	<b>0.95</b>

The two methodologies dovetail with each other, indicating that a method of applying a ratio of 0.95 of employment to gaming positions is relatively reliable.

We note that there are certain caveats in that methodology. Such a formula does not automatically address the issue of economies of scale. For example, if a casino increases its number of gaming positions from 3,000 to 5,000, it will not automatically hire 2,000 additional employees, particularly if it is simply adding slot machines.

Also, we note that this formula makes no distinction between full-time and part-time employment. Although the vast majorities of positions in casinos are full-time, an increased number of part-time positions can potentially distort the data.

In most gaming markets, data that distinguishes between full-time and part-time employment is not available, but it is in Atlantic City. Spectrum Gaming Group has developed a formula to determine the level of full-time-equivalent employees. We assume part-time employees represent 0.5 full-time employees. “Other” employees – including seasonal and temporary workers – represent 0.33 full-time employees. With that in mind, we examined the most recently available data to determine an estimated level of full-time-equivalents, or FTEs:



	No. of full-time employees	No. of part-time employees	No. of other employees	Est. FTEs
AC Hilton	2,447	243	231	2,646
Bally's	5,265	596	729	5,806
Borgata	5,184	1,116	-	5,742
Caesars	3,291	319	654	3,669
Harrah's	2,530	151	412	2,743
Resorts	2,449	344	393	2,752
Sands	1,703	187	303	1,898
Showboat	2,122	207	618	2,432
Tropicana	4,131	719	564	4,679
Trump Marina	2,054	306	284	2,302
Trump Plaza	2,418	226	364	2,652
Trump Taj Mahal	3,816	586	483	4,270
Industry	37,410	5,000	5,035	41,588

Source: New Jersey Casino Control Commission, Spectrum Gaming Group estimates

By estimating FTEs rather than total employment, the ratio of jobs to gaming positions declines. In our model, the Atlantic City ratio drops to 0.84 jobs per gaming position.

### Factors that impact labor requirements

One critical risk factor in using existing casino data to project employment is the presence (or absence) of table games. Tables are the most labor-intensive area of a casino hotel. One blackjack table, for example, requires 1.3 dealers per shift, while one craps table requires 4.5, since each dealer gets a 20-minute break per hour. Supervisory staffing levels can vary, depending on regulatory requirements, but the addition of box people at craps, floor people, pit clerks, shift managers and supportive positions can also add body counts.

By our estimate, table games can account for between 25 and 40 percent of a property's labor positions, depending on the ratio of tables, the number of hotel rooms and other factors.

For example, the Seneca Niagara Casino opened on December 31, 2002 in the converted Niagara Falls Convention Center. In mid 2004, the property included the following amenities<sup>1</sup>:

<sup>1</sup> Seneca Niagara Casino Fiscal & Economic Impact On Niagara Falls, NY, Kent Gardner, PhD



- 3,238 slot machines
- 97 table games
- 16 poker tables
- Keno lounge & bar
- Thunder Falls Buffet (410 seats)
- Morrie's Place (179 seat full service restaurant)
- Western Door (175 seat steakhouse & 75 seat bar)
- Bear's Den (468 seat theater)
- Club 101 (casino bar)
- Two snack bars
- 2,400 space parking garage
- Surface parking for 550 vehicles

Note that the property did not include a hotel. Here is a breakdown of the employment levels at the time:

<i>Department</i>	<i>No. of employees</i>	<i>Pct. of total</i>
Table games	651	30.40%
Slots	161	7.50%
Finance	235	11.00%
Marketing	112	5.20%
Administration	51	2.40%
Information technology	18	0.80%
Food and beverage	528	24.70%
Retail	35	1.60%
Property	124	5.80%
Transportation	77	3.60%
Security	149	7.00%
Total	2,141	100.00%
Part time	375	17.50%
Full time	1,766	82.50%

Source: Seneca Niagara Casino Fiscal & Economic Impact on Niagara Falls, NY

Another important factor is the use of voucher technology—or ticket-in/ticket-out—to operate slot machines. This eliminates the need for coin, which



can account for numerous handling, counting and storage costs. A hard-count room, and the concomitant hard-count team, which collects coin, transports it and counts it, are also not necessary. At the same time, hopper fills are not needed, and security requirements are minimized as well. The number of hand-paid jackpots is minimized, as is the need for security guards to accompany many transactions and to be present during the collection and counting of coin.

A completely coin-free slot floor can also significantly reduce the need for slot attendants, cage cashiers and other positions. Additionally, a newly constructed property would allow efficiencies to be built in from the outset, including an optimal food-and-beverage operation, and in various other areas, from surveillance to information systems. Based on these mitigating factors, we suggest that a ratio of 0.45 to 0.50 FTEs to gaming positions would be appropriate in projecting employment levels at Pocono Manor.

### **Building an employment model**

We constructed a model based on 3,000 slots, 750 hotel rooms, 1,500 seat theater and five in-house food outlets, including the employee dining room. The model assumes the slot devices will be voucher based and all customer rewards will be paperless and redeemable via the customer’s loyalty card at either the slot device or other designated point of contact. The model also assumes a non-union environment, which would allow management to hold labor positions to minimum without creating duplication of tasks and function. The FTE numbers below represent a summary by major department locations:

<b>Department/ Location</b>	<b>Fulltime Equivalents</b>
Gaming	240
Hotel	394
Food & Beverage	536
Facilities	52
Entertainment	47
Convention Services	14
Retail	10
Marketing	72
Financial Accounting	20
Information Technology	24
Internal Audit	5
Human Resources	20
Surveillance	23
Executive	14
<b>Total labor positions</b>	<b>1,471</b>



Note that, from management's standpoint, the concept of FTEs is appropriate to determine staffing levels. From the standpoint of the local community, however, we note that not all positions will be full-time. About 20 percent or more of the positions will be part-time and/or seasonal in nature.

This means that about 2,000 individuals would actually work for Pocono Manor. Part-time work is beneficial to numerous groups, from retirees or homemakers who only seek part-time employment, to others who simply seek to supplement their income earned elsewhere. It also benefits management to some degree, by allowing more flexibility to schedule labor to more easily meet periods of peak demand.

### **Cross-check using alternate methodology**

We checked this model by using another methodology to determine the level of direct employment is to estimate the number of jobs in relation to projected gaming revenue.

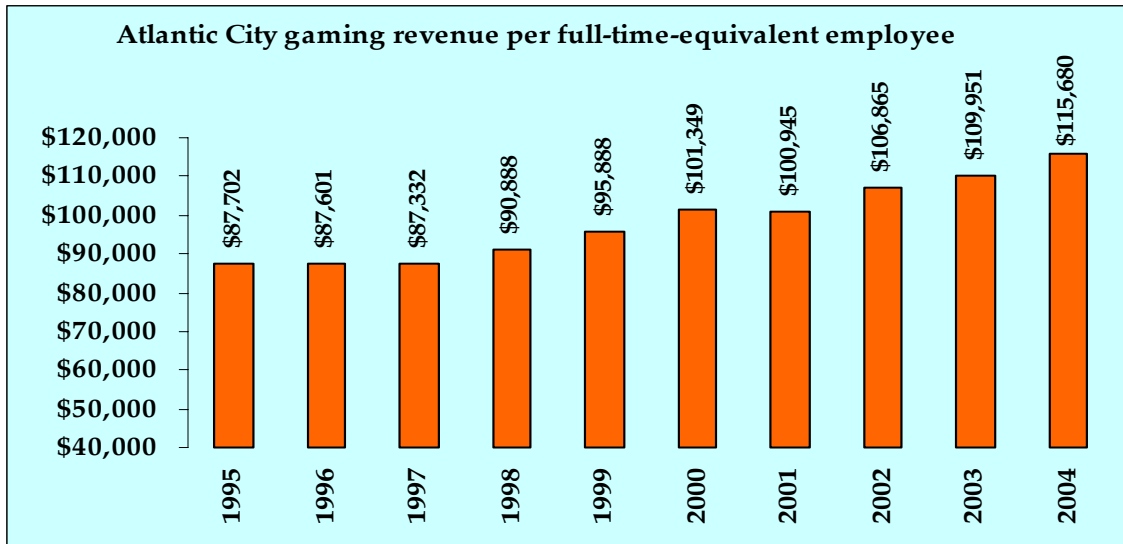
A nationwide study of the casino industry by Arthur Andersen in 1996 found that 13 direct jobs and even more indirect jobs were created for every \$1 million in revenue.<sup>2</sup> Our experience in tracking employment and revenue trends in various gaming markets bears similar results. The following chart shows a long-term trend in the ratio of casino revenue toward the number of estimated labor positions in the Atlantic City market.<sup>3</sup>

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<sup>2</sup> Arthur Andersen, LLP, "Economic Impacts of Casino Gaming in the United States, Volume I: Macro Study, December 1996

<sup>3</sup> The chart reflects our own proprietary formula for determining FTEs, as noted earlier in the report. We assume part-time employees represent 0.5 full-time employees. "Other" employees – including seasonal and temporary workers – represent 0.33 full-time employees.





The growth in revenue per labor position over the past decade is the result of various factors. Casino operators have generally become more efficient, relying on technology, improved yield management in their hotels, and more efficient tables of organization, among other factors. Also, casinos have consolidated in Atlantic City, allowing for some elimination of positions that might have been duplicated at sister properties. More important, however, the increase also reflects the growing trend toward slot machines as the dominant source of gaming revenue. Slots, as indicated earlier, are significantly less labor intensive than tables.

Still, to get a broader picture of the relationship between revenues and labor positions, we researched Dover Downs Casino Hotel & Conference Center in Delaware, which has a 232-room hotel and a slots-only casino with about 2,500 units.

Dover Downs has about 900 FTEs, and about 1,200 employees.<sup>4</sup> We note, however, that Dover Downs has a hotel, but has cut back significantly on convention marketing and some other areas, which would give it a relatively lower FTE count.

We project that Dover Downs will likely generate \$200 million in gross gaming revenue in 2005, which would give it a ratio of \$220,000 per FTE, a ratio higher than Atlantic City, but reasonable in light of the slots-only factor.

<sup>4</sup> Interview with Dover Downs management on Sept. 23, 2005.



## Alternate estimate for Pocono Manor

With this alternate methodology in mind, we project that Pocono Manor would have a higher level of employment than Dover Downs, given its emphasis on nongaming revenues, including convention services, retail and fine dining. Therefore, we feel comfortable using a projection of \$210,000 in gross gaming revenue per FTE.

The following table lists our gaming revenue estimates for Pocono Manor, with 3,000 units and a 750-room hotel:

	Worst-case scenario	Moderate-case scenario	Best-case scenario
<b>Expected daily win per unit</b>	\$ 213	\$ 286	\$ 327
<b>Total gaming revenue</b>	\$ 233,758,512	\$ 313,388,310	\$ 358,592,186

Using the model above, this projected level of revenue would translate into the following:

	Worst-case scenario	Moderate-case scenario	Best-case scenario
<b>Est. no. of full-time equivalent employees</b>	1,113	1,492	1,708

Note that the moderate-range estimate correlates very closely with the estimates in the first methodology.

### Construction employment

We operate with a longstanding model that assumes that \$1 million of capital investment in construction yields between 10 and 15 construction jobs<sup>5</sup>. This methodology looks strictly at construction work on site. It does not, for example, take into account employment at distant slot manufacturing facilities or other off-site locations.

For the casino hotel itself, the proposed capital budget is \$410.5 million. That number, however, includes the purchase of slot machines and related technology. The true construction cost for that is \$357.4 million. This would result in between 3,574 and 5,361 construction jobs.

<sup>5</sup> "Economic Impacts of Casino Gambling in the United States," Arthur Andersen, December 1996, p. 30





The average blended labor rate for construction trades in the Scranton-Wilkes-Barre MSA is \$17 per hour, or annual wages of \$35,360<sup>6</sup>. The construction of a casino hotel takes 18 months to two years. We can assume that all the incremental construction jobs will be in place during Year 1.

This creates a total construction payroll in Year 1 of between \$126.4 million and \$189.6 million.

### **Retail, dining and entertainment employment**

Pocono Manor will include a significant investment in retail, dining and entertainment, which will go a long way toward ensuring that the project becomes a regional entertainment destination.

We expect -- and have performed a separate analysis to determine this -- that the project could expect at least 275,000 square feet of retail, dining and entertainment space. This RDE -- developed as an attractive "lifestyle center" -- will become an attraction in its own right, and would effectively complement and enhance the gaming component.

In turn, having gaming on site would make the RDE elements more attractive as well.

The following table shows the projected employment that would be generated by the various tenants that would comprise the RDE:

Pocono Manor							
Job Creation Model - Retail, Dining and Entertainment Uses							
		Projected	Sales /	Sales /	Total	adjustment	Total
	method	Sales	FTE	Sales / Employee	FTE's	factor	Employees
Dining		\$46,180,000					
	A)		\$41,582		1,111	1.2	1,310
	B)						1,241
Entertainment		\$9,400,000		\$69,118	113	1.2	136

<sup>6</sup> U.S. Department of Labor, May 2004 Occupational Employment and Wage Estimates



Pocono Manor							
Job Creation Model - Retail, Dining and Entertainment Uses							
		Projected	Sales /	Sales /	Total	adjustment	Total
	method	Sales	FTE	Sales / Employee	FTE's	factor	Employees
	Retail	\$102,645,000					
	A)		\$161,648		635	1.2	762
	B)		\$143,935		713	1.2	856
	C)					n/a	1,188
	<b>Total</b>	\$158,225,000					
	<b>Range</b>						
	Low				<b>1,859</b>		<b>2,139</b>
	Medium						<b>2,301</b>
	High				<b>1,937</b>		<b>2,634</b>

Note that we have focused on the number of people employed, rather than the number of positions created. The nature of employment in these areas is such that a significant number of people will work part-time, particularly in the summer.

## Methodology

Vibrant Development Group based its range of job creation estimates on a number of approaches; two for the dining related employment and three for retail. Specifically:

### Dining

The main method for approximating anticipated job creation for dining uses was based on a custom model that was created. The model overlaid the anticipated dining program for Pocono Manor over the most recent data generated for FTE's by various restaurant categories produced by the National Restaurant Association / Deloitte Touche; Restaurant Industry Operations Report 2004.

Vibrant weighted the job generation associated with four distinct restaurant categories:

- a. full service restaurants with an average check of less than \$15;
- b. full service restaurants with avg. check of between \$15 and \$24.99;



- c. full service restaurants with avg. check greater than \$25.00;
- d. limited service / fast food restaurants.

Within each category, Vibrant created sub categories based on the anticipated sales of the venues anticipated for the preliminary Pocono Manor program and attributed a weight to each associated with it's percentage of the overall program.

The number of FTE's for each of the categories by sales was then rolled up into a total weighted average, which when applied against total anticipated sales, yielded a gross number of FTE's associated with the dining uses. Again, based on NRA/DT data, a weighted factor was generated that then translated the number of FTE's to total employment.

As an additional check to this methodology, Vibrant looked at actual total employment data from 8 illustrative restaurants and created an index based on restaurant size to total employees. This factor was then applied against the total dining square footage within the Pocono Manor and is the source of the second estimate of dining employees.

## **Retail**

The first approach was based on data provided by the International Council of Shopping Centers; Scope US 2005, which took gross retail sales for the State of Pennsylvania relative to total employment. The ratio was then applied to the anticipated retail sales to be generated for the Pocono Manor retail program. The ICSC data relating to the ratio between total scale of retail space relative to employment was also applied to the Pocono Manor retail program.

Per ICSC's definition: "Shopping-center-related employment is developed from NAICS-based U.S. Department of Labor Bureau of Labor Statistics' establishment data for all employees. This series represents the number of jobs (not workers) and includes both full-time and part-time employment. The selection of industries that make up this related series is based on retail and leasing activities that would be associated with the shopping center industry."

The second approach took data from the National Retail Federation relating to sales per full time equivalent employees. Vibrant took 7 retail categories that best matched the anticipated program for Pocono Manor and, similar to the approach with the dining analysis, created a weighted average based upon the preliminary mix of anticipated tenants within the project. The



weighted average of sales/FTE was applied to anticipated sales to yield a gross number of FTE's.

The national Retail Federation data relating to the average number of employees per retail venue was also used to create a weighted average based on the anticipated mix and applied against the number of anticipated venues within the Pocono Manor program to yield the third check on anticipated job creation.

### Entertainment

Vibrant generated its projections for the entertainment venues from direct discussions with operators of venues similar to the ones anticipated for the Pocono Manor program.

### Retail salaries and wages

The next table shows the projected wages and employment tax that would be paid by the people working in the Lifestyle Center.

Pocono Manor RDE Wages and tax generated						
	Projected Sales	Salaries & Wages as % of Sales	Salaries & Wages average per FTE	Mid FTE's	Total	PA Empl Tax 3.07%
Dining	\$46,180,000	33.2%			\$15,331,760	\$470,685
Entertainment	\$9,400,000	25.0%			\$2,350,000	\$72,145
Retail	\$102,645,000		\$27,412	713	\$19,548,440	\$600,137
<b>Total</b>	<b>\$158,225,000</b>				<b>\$37,230,200</b>	<b>\$1,142,967</b>

We fully anticipate that the RDE components would employ as many as 1,100 people. We base this on experience elsewhere, and have interviewed executives at the Tropicana in Atlantic City, which hosts The Quarter, a 200,000 square foot RDE complex that employs between 1,000 and 1,100 individuals.

The prevailing wage rates for retail in the area average \$10.37 per hour, or \$21,570 in annual compensation. Vibrant Group projects a significantly higher compensation level of \$27,412, or a total compensation from retail of \$37.2 million.

### Indirect, induced employment

The employment level at Pocono Manor will create both an "indirect" and an "induced" effect on employment in the immediate region. The indirect jobs



will comprise those resulting from goods and services purchased by the casino hotels in areas that range from construction to regulation to the supply of food products, linen services, etc. The “induced” effect refers to the impact on employment generated by the spending of casino employees.

That spending creates various employment needs, ranging from home construction contractors to salespeople at retail stores to teachers and civil servants to meet the demands of a growing population base.

In New Jersey, we estimate that every three jobs in the casino industry help create another four jobs in other industries. This methodology is supported by other studies.

For example, a 1996 study by Arthur Andersen for the American Gaming Association noted that, while the industry employs 300,000 individuals in the United States with an annual payroll of \$10 billion, “approximately 400,000 indirect jobs and \$12.5 billion in wages are supported by casino gaming industry spending.”<sup>7</sup>

Rutgers University applied a multiplier of 1.66 to the casinos in Atlantic City,<sup>8</sup> but that focused on a wider region than a single county. So, we are using a relatively conservative estimate that, for every position created by the gaming industry, an additional 0.5 jobs will be created in other industries in and around a gaming operation in Pennsylvania. This implies a multiplier effect of 1.5. Such a ratio is supported by methodologies used in similar surveys. A 2003 report issued by the Rhode Island Secretary of State notes:

“The multiplier effect of any new casino, as with the substitution effect will depend on the type and placement of the casino. (Adam Rose & Associates) notes that the economic backdrop ‘is the same whether a casino or a new auto parts plant is placed in its midst ...’

“Describing the number of times a dollar of initial investment moves through the local or regional economy: ‘There are some rules of thumb on multiplier effects: small cities or groups of rural counties are not likely to have multipliers exceeding 1.5, medium-sized to large cities multipliers

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<sup>7</sup> “Economic Impacts of Casino Gaming in the United States,” Arthur Andersen, December 1996, p. 40.

<sup>8</sup> “The Future Impact of Gaming on Atlantic City: 2003 – 2008”, Rutgers School of Business, Camden, April 2003, p. 8.



would not exceed 2.0 and very large cities or state multipliers would not exceed 2.5.”<sup>9</sup>

The U.S. Department of Commerce, which developed the Regional Input-Output Modeling System (RIMS II), generally offers an employment multiplier of 2.17 for the industry category that includes casinos. In relatively rural areas, that number declines significantly. The following table shows multiplier in gaming markets in Louisiana.

<i>State Planning District</i>	<i>Multiplier</i>
Lake Charles	1.63
New Orleans	1.31
Shreveport	1.75
Baton Rouge	1.23
Lafayette/Houma	1.02
Alexandria	1.38

Source: University of New Orleans<sup>10</sup>

The following table relies on RIMS II estimates for tribal gaming in Wisconsin.

<b>Total direct, indirect increase in employment from Indian gaming industry in Wisconsin</b>	<b>Direct</b>	<b>Multiplier</b>	<b>Total</b>
	Number of workers employed at casinos	7,843	1.40
Number of workers employed at ancillary facilities	1,905	1.41	2,686
<i>Total</i>	9,748	1.402	13,666

Source: Evans Carroll & Associates<sup>11</sup>

An Omaha study, relying on a different methodology known as IMPLAN, assumes an employment multiplier of 1.819.<sup>12</sup>

No methodology or estimate by itself can claim perfection. However, we feel comfortable – after examining several methodologies and estimates in various geographic areas – that a multiplier effect of 1.5 is reasonable for a casino

<sup>9</sup> Adam Rose and Associates *The Regional Impacts of Casino Gambling: Assessment of the Literature and Establishment of a Research Agenda*, pp. 9-11, as cited by report to Rhode Island Secretary of State on economic impacts of casino gambling.

<sup>10</sup> “The Economic Impact of Casino Gambling in Louisiana, University of New Orleans, February 1999.

<sup>11</sup> “The Economic Impact of the Indian Gaming Industry in Wisconsin and Potential Impact of Modified Compact Terms,” By Michael K. Evans, Ph. D., Evans, Carroll & Associates. March 2002.

<sup>12</sup> “The Economic Impact of An Omaha, Nebraska Casino,” by Ernest Goss, Ph.D., August 12, 2002.



operation in a non-rural region in the eastern United States and could be higher when examining a wider area that encompasses several counties.

Based on our earlier estimates of direct employment, the full employment effect would be as follows:

<b>3,000 gaming positions</b>	<b>Direct employment</b>	<b>Indirect and induced</b>	<b>Total</b>
Number of labor positions	1,471	736	2,207

Adding in the retail employment, we would estimate the following:

<b>Casino hotel, plus Retail, dining and entertainment</b>	<b>Direct employment</b>	<b>Indirect and induced</b>	<b>Total</b>
Low estimate	3,330	1,665	4,995
High estimate	3,408	1704	5,112

We note that many of the positions listed here will be filled by more than one position. We can reasonably project that the number of individuals employed would be around 6,000, since many of the positions will be filled by part-timers.

### Salaries and wages

We have examined the available data on salaries and wages for casino operations in various markets, and the results are remarkably similar.

For example, Seneca Niagara in New York presently employs about 2,241 people, and its direct wages are approximately \$60 million<sup>13</sup>. This equates to an average salary of \$26,773.

Turning Stone Casino Resort in New York employed more than 4,200 individuals as of last March, and reported a payroll – including benefits – of more than \$109 million<sup>14</sup>. This equates to an average salary of \$25,860.

<sup>13</sup> “Seneca Niagara Casino Fiscal & Economic Impact On Niagara Falls, NY,” by Kent Gardner, CGR, June 2005, Seneca Territory Gaming Corp. Form 424B3 filed Sept. 2, 2004

<sup>14</sup> “Let The Games Begin: The Economic Impact Of Indian Gaming.” *Indian Country Today*, March 9, 2005.



Other gaming markets in the east have similar average compensation levels.

	<b>Full-time</b>	<b>Part-time</b>	<b>Other</b>	<b>Estimated full-time equivalents</b>	<b>Payroll (in thousands)</b>	<b>Est. average salary per FTE</b>
1995	40,170	3,940	3,207	43,209	\$1,019,481	\$23,594
1996	41,058	4,180	3,718	44,387	\$1,043,249	\$23,503
1997	41,323	3,863	3,937	44,567	\$1,060,671	\$23,799
1998	40,843	3,710	3,943	44,012	\$1,075,592	\$24,439
1999	39,329	3,719	4,318	42,628	\$1,081,376	\$25,368
2000	39,174	3,962	4,290	42,585	\$1,106,761	\$25,989
2001	37,912	3,682	3,998	41,086	\$1,097,626	\$26,715
2002	37,540	3,452	3,828	40,542	\$1,097,718	\$27,076
2003	38,964	3,486	3,758	41,960	\$1,106,720	\$26,376
2004	37,874	4,266	3,361	41,127	\$1,124,271	\$27,336

The following table lists average hourly and annual salaries and wages for a sampling of jobs in the casino industry in Atlantic City.

<b>Sample compensation, gaming-specific Atlantic City jobs<sup>15</sup></b>	<b>Hourly rate</b>	<b>Annual salary</b>
<b>Gaming surveillance officers and gaming investigators</b>	<b>\$ 14.85</b>	<b>\$ 30,880</b>
<b>Security guards</b>	<b>\$ 11.45</b>	<b>\$ 23,810</b>
<b>Gaming supervisors</b>	<b>\$ 22.76</b>	<b>\$ 47,350</b>
<b>Slot key persons</b>	<b>\$ 13.13</b>	<b>\$ 27,310</b>
<b>Gaming dealers*</b>	<b>\$ 7.25</b>	<b>\$ 15,090</b>
<b>Gaming and sports book writers and runners</b>	<b>\$ 9.94</b>	<b>\$ 20,680</b>
<b>Gaming change persons and booth cashiers</b>	<b>\$ 10.68</b>	<b>\$ 22,210</b>
<b>Gaming cage workers</b>	<b>\$ 11.73</b>	<b>\$ 24,390</b>

*\*Dealers also receive tips, which are not reflected here.*

The above salaries generally hug the mean salary for the industry. We also looked at jobs that are more prevalent, but are entry-level with generally lower compensation levels.

<sup>15</sup> U.S. Department of Labor, May 2004 Occupational Employment and Wage Estimates





Sample compensation, gaming-specific Atlantic City jobs	Hourly rate	Annual salary
Cooks, short order	\$ 11.21	\$ 23,320
Counter attendants, cafeteria, food concession, and coffee shop	\$ 7.73	\$ 16,070
Waiters and waitresses	\$ 8.14	\$ 16,930
Food servers, non-restaurant	\$ 9.71	\$ 20,190
Dining room and cafeteria attendants and bartender helpers	\$ 8.55	\$ 17,780
Dishwashers	\$ 8.81	\$ 18,330
Hosts and hostesses, restaurant, lounge, and coffee shop	\$ 9.21	\$ 19,160

While we note that many of these jobs also generate tip income, not included here in or in our salary estimates, these are all jobs that tend to be below the mean.

We then looked at positions that exist in both Atlantic City and in the Pocono Manor area. The data rely on the general Scranton-Wilkes-Barre-Hazleton metropolitan statistical area.

	Poconos hourly rate	Poconos annual compensation	Atlantic City hourly rate	Atlantic City annual compensation	Atlantic City pct. increase (decrease)
Bartenders	\$ 6.70	\$ 13,930	\$ 11.37	\$ 23,660	70%
Combined food preparation and serving workers, including fast food	\$ 6.65	\$ 13,830	\$ 7.92	\$ 16,480	19%
Counter attendants, cafeteria, food concession, and coffee shop	\$ 6.39	\$ 13,290	\$ 7.73	\$ 16,070	21%
Waiters and waitresses	\$ 6.81	\$ 14,170	\$ 8.14	\$ 16,930	19%
Food servers, non-restaurant	\$ 8.23	\$ 17,120	\$ 9.71	\$ 20,190	18%
Dining room and cafeteria attendants and bartender helpers	\$ 6.74	\$ 14,020	\$ 8.55	\$ 17,780	27%
Dishwashers	\$ 6.57	\$ 13,660	\$ 8.81	\$ 18,330	34%
Hosts and hostesses, restaurant, lounge, and coffee shop	\$ 7.62	\$ 15,860	\$ 9.21	\$ 19,160	21%
Food preparation and serving related workers, all other	\$ 7.50	\$ 15,590	\$ 9.79	\$ 20,360	31%



	Poconos hourly rate	Poconos annual compensation	Atlantic City hourly rate	Atlantic City annual compensation	Atlantic City pct. increase (decrease)
Maids and housekeeping cleaners	\$ 7.96	\$ 16,550	\$ 9.41	\$ 19,580	18%
Janitors and cleaners, except maids and housekeeping cleaners	\$ 8.83	\$ 18,370	\$ 11.16	\$ 23,210	26%

Clearly, the compensation levels in Atlantic City are significantly higher for such positions, and the reasons for that could vary, based on factors from the general cost of living to the level of unemployment to the presence of unions.

Our experience, however, suggests that a key factor is that casinos in such markets tend to have their pick of the best employees and tend to pay higher compensation. This could have the effect of raising compensation costs for other employers in the region, particularly those most vulnerable to losing employees to Pocono Manor. This would include other hotels in the area, but could extend to everything from public-sector jobs and small retailers, among others.

We view this as a clear positive for the region. In general, compensation levels would rise, which would generate more disposable income within the region. Couple that with a significant increase in employment, and it could prove to be a boon for numerous small and large businesses in the area that target discretionary income, ranging from restaurants to taverns to movie theaters and general retailers.

We do not suggest that Pocono Manor will be forced to pay wage rates at Atlantic City levels, and we believe that the average compensation level will be approximately \$25,000 for the average position created within the casino hotel. This comports with similar properties, and also conforms to our projected labor expenses in our income statement estimates.

## Total compensation

Adding the various payroll elements together, we conclude the following (which does not include the cost of providing benefits):

- The casino hotel annual payroll will be \$36.8 million.
- The retail, dining and entertainment will generate salaries and wages of \$37.2 million (a number that includes tips, which are not provided by the employer).



- The construction of the property will generate annual compensation of up to \$189.6 million.
- The indirect and induced employment would create an annual payroll of \$39 million.
- The resultant combined annual compensation for the region, not including construction, would reach \$113 million.

## Impact on unemployment

Even areas with relatively high unemployment cannot assume that the indigenous adult population will be the primary beneficiaries. While many of the available openings are entry level that require minimal skills, others are relatively specialized and often require some level of training or experience.

Communities that seek to maximize the benefit for their existing constituencies should establish training programs for the various skills that will be in demand, and officials at area institutions such as Northampton Community College – working with their counterparts in established gaming communities – are often well-equipped to address that need. The Borgata Hotel Casino & Spa, for example, created the Atlantic City Jobs and Opportunities Program in advance of its July 2003 opening. The program – designed to assist Atlantic City residents with employment opportunities through training and job placement – trained more than 1,400 residents, half of whom gained employment directly with Borgata<sup>16</sup>. Other Atlantic City casinos recruit employees from the program as well.

At the same time, however, communities must recognize that unemployed or under-employed adults can often be highly mobile, willing to relocate or travel greater distances to secure employment.

One notable example can be found in Mississippi, which legalized casinos in 1990. Tunica County, the poorest county in what was then the poorest state, opened its first casinos in 1992, and within three years had nearly a dozen gaming operations.

By 1996, unemployment shrank to 4.9 percent, its lowest point in nearly 20 years, while the welfare rolls were cut by a third, and the percentage of people receiving food stamps also declined<sup>17</sup>. At the same time, however, it was noted

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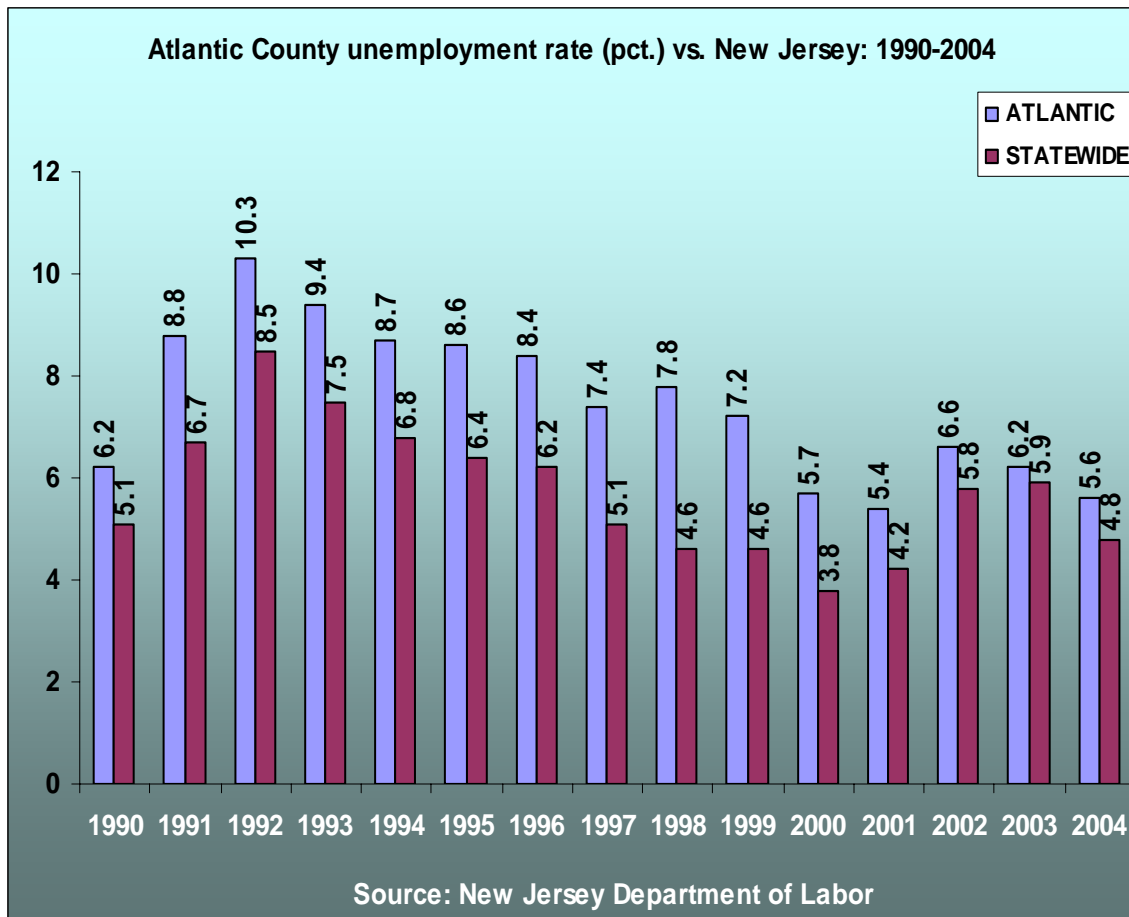
<sup>16</sup> Interview conducted by Spectrum Gaming Group with Program Director Eric Reynolds, Sept. 8, 2005.

<sup>17</sup> “Gambling in California,” by Roger Dunstan, California Research Bureau, January 1997



that many of the industry's jobs had gone to workers in nearby Memphis, a community in a different state that was an easy commute for workers while it also serves as Tunica's largest feeder market for customers<sup>18</sup>.

It is likely that some of these new arrivals in search of work will not find a job, and they will add to a region's unemployment rate. This phenomenon explains, for example, why the unemployment rate in Atlantic County – home to 90 percent of all 40,000-plus casino-industry jobs – remains relatively high:



Note that, while the unemployment rate in Atlantic County has declined over the past decade, it actually rose from its recent low point in 2001 despite the opening of a new casino hotel, Borgata, as well as several other significant expansions in the gaming industry that collectively created thousands of new jobs. This clearly represents the phenomenon in which the prospect of additional employment generates increased activity from a growing number of job-seekers.

<sup>18</sup> "Mississippi Monte Carlo: Gambling Industry in Tunica County," *The Atlantic Monthly*, January 1996



We note the same phenomenon in other states. The following table shows the growth in casino employment in Minnesota – home to 18 tribal casinos with an estimated \$1 billion in revenue at the time of this study – relative to overall state employment<sup>19</sup>:

<b>Employment Growth in Minnesota and Minnesota Casinos</b>		
<b>Percent change of employment from previous year:</b>		
	<b>Casino</b>	<b>State</b>
1991	151.1%	0.4%
1992	182.1%	2.3%
1993	86.9%	2.6%
1994	3.4%	3.2%
1995	3.9%	3.3%
1996	0.8%	2.3%
1997	19.2%	2.5%
1998	3.1%	2.8%
1999	4.6%	2.3%
2000	7.1%	2.2%
<b>1990-2000</b>	<b>1874.5%</b>	<b>26.5%</b>

*Source: Minnesota Department of Economic Security, Hillman & Tietna*

The next table shows unemployment rates for the same time period:

<b>Unemployment Rates on Minnesota Reservations, 1990 - 2000</b>		
	<b>Unemployment Rates:</b>	
	<b>1990</b>	<b>2000</b>
<b>State</b>	<b>4.9%</b>	<b>3.3%</b>
<b>All Counties with Casinos</b>	<b>7.5%</b>	<b>5.5%</b>
<b>All Counties without Casinos</b>	<b>6.0%</b>	<b>4.5%</b>
<b>Rural Counties with Casinos</b>	<b>7.8%</b>	<b>5.8%</b>
<b>Rural Counties without Casinos</b>	<b>5.5%</b>	<b>4.3%</b>

*Counties located in Metropolitan Statistical Areas (MSAs) have been excluded.*  
*Source: Minnesota Department of Economic Security, Local Area Unemployment Statistics (LAUS), 2002, Hillman & Tietna*

The data show that, even in the face of astounding growth in casino employment, unemployment does not disappear. Again, the factors that largely drive that phenomenon include an upsurge in the number of people seeking employment, including adults who might have earlier been discouraged from

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“Casino Gaming in Minnesota— A Winning Job Generator,” by Rachel Hillman & Annie Tietma, Minnesota Economic Trends, July/August 2002, Minnesota Department of Employment and Economic Development.



entering the job market. Clearly, job seekers also move to an area that promises new employment, and that has been demonstrated in casino markets.

The National Gambling Impact Study Commission revealed the results of a Dec. 1997 poll of adults who were then working in Atlantic City: The poll reported, among other things, that nearly half of those surveyed (49 percent) moved to the Atlantic City area because there were jobs available in the casino industry<sup>20</sup>.

### Employment levels in Pocono Manor region

As the following table shows, Pocono Manor would overnight become the largest employer in Monroe County. Adding in the casino hotel employees, plus those working in the retail, dining and entertainment area would add more than 4,000 jobs to the local economy:

Company Name	# of employees	Business Type
Tobyhanna Army Depot	3,200	Armed Forces/Electronics
Aventis Pasteur	1,600	Vaccine manufacturing
Wal-Mart Distribution Center 6080	1,200	Warehouse Distribution
Pocono Mountain School District	1,170	Public school
Pocono Medical Center	1,122	Hospital
Roadway Express	900	Trucking
East Stroudsburg School District	880	Public school
East Stroudsburg University	825	University
Weis Markets Inc.	800	Grocery stores
Pleasant Valley School District	710	Public school
Walmart Associates Inc.	650	Discount department stores
County of Monroe	640	County government
Stroudsburg Area School District	620	Public school
Commonwealth of Pennsylvania	600	State government
Liz Claiborne Inc.	584	Clothing warehouse & distribution
Weiler Corporation	550	Brushes & industrial abrasives manufacturing
Laird Technologies	500	electronic shielding
Shawnee Inn	450	Resort
Camelback Ski Corporation	340	Ski area, water park & attractions
United Steel Products	270	Steel pallet racks

<sup>20</sup> Expanded Legalized Gaming In Massachusetts: A Presentation of Gaming Regulation, Economic Development Impact, Fiscal Impact and Social and Cultural Impact, by The Commission to Study the Potential Expansion of Legalized Gaming, Essex County District Attorney Kevin M. Burke, Chairman



Creating an employer of that size in the region offers all sorts of potential implications as to where the labor force will be drawn from, and which other industries might be impacted by this new employer.

We looked at the existing employment landscape throughout the region. The following analysis is from the Pocono Counties Workforce Investment Area, which covers Carbon, Pike, Wayne and Monroe counties:

“Although the area’s unemployment rate is low from a historical perspective, it is still higher than many of the surrounding metropolitan areas. This has made it possible to meet most of the labor needs of the local business sectors that are expanding. However, the current surplus labor pool is lower than at any time in recent history, and is spread out over a large 4 county area. The current number of unemployed workers in the region is estimated to be 5,900, a relatively small number in a labor force of approximately 120,000. Increased labor demands from the larger urban areas surrounding our region, such as the Lehigh Valley and Northern New Jersey, are already impacting on our ability to meet the demands of our local employers. Tight labor markets surrounding our region have lead to an increase in the wage differential between our region and these urban centers. Local employers who cannot keep pace with the surrounding area’s wage scale are starting to experience difficulty in attracting and retaining workers in some skill areas<sup>21</sup>.”

The following table lists some demographic and economic data for the three closest counties:

<b>EMPLOYMENT STATUS</b>	Luzerne		Carbon		Monroe	
<b>Population 16 years and over</b>	<b>260,412</b>		<b>47,244</b>		<b>105,937</b>	
In labor force	151,869	58.3%	28,020	59.3%	68,132	64.3%
Civilian labor force	151,748	58.3%	27,994	59.3%	68,065	64.3%
Employed	143,492	55.1%	26,458	56.0%	63,598	60.0%
Unemployed	8,256	<b>3.2%</b>	1,536	<b>3.3%</b>	4,467	<b>4.2%</b>
Percent of civilian labor force	5.4		5.5		6.6	
Armed Forces	121	0.0%	26	0.1%	67	0.1%
Not in labor force	108,543	41.7%	19,224	40.7%	37,805	35.7%

<sup>21</sup> Pocono Counties Workforce Investment Area, Three-Year Strategic Plan: July 1, 2001-June 30, 2004



EMPLOYMENT STATUS	Pike		Wayne		Total	
<b>Population 16 years and over</b>	<b>35,354</b>		<b>37,677</b>		<b>486,624</b>	
In labor force	21,490	60.79%	20,779	55.15%	<b>290,290</b>	59.65%
Civilian labor force	21,448	60.67%	20,756	55.09%	<b>290,011</b>	59.60%
Employed	20,222	57.20%	19,639	52.12%	<b>273,409</b>	56.18%
Unemployed	1,226	3.47%	1,117	2.96%	<b>16,602</b>	3.41%
Percent of civilian labor force	5.7		5.4		<b>5.7</b>	
Armed Forces	42	0.12%	23	0.06%	<b>279</b>	0.06%
Not in labor force	<b>16187</b>		<b>14575</b>		<b>196,334</b>	40.35%

As the table shows, unemployment in the core region is quite low, indicating that much of the workforce for Pocono Manor will be imported from other regions. We also looked at the commuting distance of the employed labor force in this target area:

COMMUTING TO WORK	Luzerne		Carbon		Monroe	
<b>Workers 16 years and over</b>	<b>141,168</b>		<b>25,868</b>		<b>62,270</b>	
Car, truck, or van -- drove alone	115,629	81.9%	21,156	81.8%	48,289	77.5%
Car, truck, or van – carpooled	15,712	11.1%	3,085	11.9%	8,100	13.0%
Public transportation (including taxicab)	1,462	1.0%	191	0.7%	2,091	3.4%
Walked	4,577	3.2%	839	3.2%	1,362	2.2%
Other means	885	0.6%	167	0.6%	402	0.6%
Worked at home	2,903	2.1%	430	1.7%	2,026	3.3%
Mean travel time to work (minutes)	<b>21.2</b>		<b>29.2</b>		<b>36.7</b>	
COMMUTING TO WORK	Pike		Wayne		Total	
<b>Workers 16 years and over</b>	<b>19,302</b>		<b>19,909</b>		<b>268,517</b>	
Car, truck, or van -- drove alone	15,183	78.66%	15,943	80.08%	<b>216,200</b>	80.52%
Car, truck, or van – carpooled	2,472	12.81%	2,064	10.37%	<b>31,433</b>	11.71%
Public transportation (including taxicab)	563	2.92%	191	0.96%	<b>4,498</b>	1.68%
Walked	321	1.66%	705	3.54%	<b>7,804</b>	2.91%
Other means	104	0.54%	177	0.89%	<b>1,735</b>	0.65%
Worked at home	659	3.41%	829	4.16%	<b>6,847</b>	2.55%
Mean travel time to work (minutes)	<b>46</b>		<b>26.3</b>			





We then examined the compensation levels within these core counties:

Household income	Luzerne		Carbon		Monroe	
<b>Households</b>	<b>130,703</b>		<b>23,729</b>		<b>49,508</b>	
Less than \$10,000	15,516	11.9%	2,350	9.9%	3,285	6.6%
\$10,000 to \$14,999	12,112	9.3%	1,938	8.2%	2,843	5.7%
\$15,000 to \$24,999	20,934	16.0%	3,641	15.3%	6,123	12.4%
\$25,000 to \$34,999	18,678	14.3%	3,892	16.4%	6,118	12.4%
\$35,000 to \$49,999	22,649	17.3%	4,575	19.3%	8,355	16.9%
\$50,000 to \$74,999	23,024	17.6%	4,648	19.6%	11,277	22.8%
\$75,000 to \$99,999	9,828	7.5%	1,686	7.1%	6,135	12.4%
\$100,000 to \$149,999	5,457	4.2%	741	3.1%	4,037	8.2%
\$150,000 to \$199,999	1,220	0.9%	136	0.6%	725	1.5%
\$200,000 or more	1,285	1.0%	122	0.5%	610	1.2%

Household income	Pike County		Wayne County		Total	
<b>Households</b>	<b>17,447</b>		<b>18,300</b>		<b>239,687</b>	
Less than \$10,000	1,016	5.8%	1,849	10.1%	24,016	10.0%
\$10,000 to \$14,999	1,123	6.4%	1,594	8.7%	19,610	8.2%
\$15,000 to \$24,999	2,134	12.2%	3,159	17.3%	35,991	15.0%
\$25,000 to \$34,999	2,221	12.7%	2,772	15.1%	33,681	14.1%
\$35,000 to \$49,999	3,288	18.8%	3,579	19.6%	42,446	17.7%
\$50,000 to \$74,999	4,106	23.5%	3,243	17.7%	46,298	19.3%
\$75,000 to \$99,999	1,957	11.2%	1,107	6.0%	20,713	8.6%
\$100,000 to \$149,999	1,154	6.6%	638	3.5%	12,027	5.0%
\$150,000 to \$199,999	263	1.5%	148	0.8%	2,492	1.0%
\$200,000 or more	185	1.1%	211	1.2%	2,413	1.0%

The following summarizes some critical demographic data about the area that would service the employment needs of Pocono Manor, starting with the existing employment base:



## Occupation and Employment Summary Report

Employment by Industry			Occupation	
Accommodation and food services	6.50%		Aircraft and traffic control occupations	0.10%
Administrative and support and waste management service	3.30%		Architects surveyors cartographers and engineers	1.20%
Agriculture forestry fishing and hunting	0.50%		Arts design entertainment sports and media occupation	1.40%
Arts entertainment and recreation	1.20%		Building & grounds cleaning & maintenance occupation	3.50%
Construction	7.00%		Business operations specialists	1.70%
Educational services	8.80%		Community and social services occupations	1.60%
Finance and insurance	4.40%		Computer and mathematical occupations	1.80%
Health care and social assistance	12.80%		Construction trades workers	5.00%
Information	2.70%		Drafters engineering and mapping technicians	0.70%
Management of companies and enterprises	0.10%		Education training and library occupations	5.30%
Manufacturing	16.60%		Extraction workers	0.10%
Mining	0.40%		Farmers and farm managers	0.20%



## Occupation and Employment Summary Report

Employment by Industry			Occupation	
Other services (except public administration)	4.70%		Farming fishing and forestry occupations	0.30%
Professional scientific and technical services	4.00%		Financial specialists	1.60%
Public administration	3.90%		Fire fighting prevention and law enforcement workers	1.10%
Real estate and rental and leasing	1.40%		Food preparation and serving related occupations	5.30%
Retail trade	12.70%		Health diagnosing and treating practitioners and tech	3.60%
Transportation and warehousing	4.90%		Health technologists and technicians	1.90%
Utilities	1.10%		Healthcare support occupations	2.50%
Wholesale trade	3.20%		Installation maintenance and repair occupations	4.60%
			Personal care and service occupations	2.50%
			Legal occupations	0.60%
			Life physical and social science occupations	0.80%
			Management occupations except farmers and farm manage	7.10%



## Occupation and Employment Summary Report

Employment by Industry			Occupation	
			Material moving workers	3.50%
			Motor vehicle operators	3.70%
			Office and administrative support occupations	15.50%
			Production	9.90%
			Protective Service Occupations	0.70%
			Rail water and other transportation occupations	0.40%
			Sales and related occupations	11.00%
			Supervisors construction and extraction workers	0.70%
			Supervisors transportation and material moving worker	0.20%

The next table looks at the overall demographic base, painting a portrait of the existing population:

			Percent Change		Percent Change
	1980	1990	1980 to 1990	2000	1990 to 2000
Population	554,132	590,639	6.60%	663,458	12.30%
Percent Female	51.60%	51.50%	6.30%	51.10%	11.60%
Percent Male	48.40%	48.50%	6.90%	48.90%	13.10%
Total Households	196,984	219,682	11.50%	252,661	15.00%
Average Household Size	2.74	2.6	-5.00%	2.53	-2.60%
Family Population	486,021	494,418	1.70%	548,638	11.00%
Group Quarters Population	15,040	19,796	31.60%	23,995	21.20%
<b>Household Income</b>					
Median Household Income	\$16,747	\$28,467	70.00%	\$40,237	41.30%
Average Household	\$19,051	\$34,292	80.00%	\$50,080	46.00%



			Percent Change		Percent Change
	1980	1990	1980 to 1990	2000	1990 to 2000
<b>Income</b>					
Per Capita Income	\$6,833	\$12,927	89.20%	\$19,072	47.50%
\$ 0 - \$9,999	56,168	32,161	-42.70%	21,316	-33.70%
\$ 10,000 - \$14,999	31,058	21,236	-31.60%	18,399	-13.40%
\$ 15,000 - \$19,999	30,761	21,371	-30.50%	17,485	-18.20%
\$ 20,000 - \$29,999	27,752	40,488	45.90%	35,618	-12.00%
\$ 30,000 - \$39,999	31,977	34,908	9.20%	32,783	-6.10%
\$ 40,000 - \$49,999	6,801	26,281	286.40%	28,505	8.50%
\$ 50,000 - \$74,999	6,936	30,170	335.00%	51,859	71.90%
\$ 75,000 +	5,567	12,991	133.40%	46,695	259.40%
\$ 75,000 - \$99,999	4,085	7,607	86.20%	24,940	227.90%
\$100,000 +	1,482	5,384	263.30%	21,755	304.10%
\$100,000 - \$124,999		2,549		11,306	343.50%
\$125,000 - \$149,999		1,042		4,276	310.40%
\$150,000 +		1,793		6,173	244.30%
<b>Race and Ethnicity</b>					
American Indian, Eskimo, Aleut	253	541	113.80%	1,045	93.20%
Asian	1,777	4,061	128.50%	6,423	58.20%
Other	3,417	6,985	104.40%	12,691	81.70%
Black	8,432	11,103	31.70%	21,931	97.50%
White	540,024	567,947	5.20%	612,796	7.90%
Hispanic Ethnicity	9,177	15,784	72.00%	31,588	100.10%
<b>Housing Units</b>					
Owner Occupied Housing	144,882	164,167	13.30%	191,774	16.80%
Renter Occupied Housing	52,098	55,522	6.60%	60,887	9.70%

Within these counties, the percentage of households with incomes below the expected mean for casino compensation ranges between one-fourth and one-third of the households. Clearly, these households would be most likely to include adults seeking employment at Pocono Manor.

What sort of wage rate would inspire those in the “underemployed” category to change jobs? A study performed for Sullivan County, New York – about a one-hour drive from Pocono Manor – offers some clues. The Pathfinders, a corporate site-selection consultant, prepared a Workforce Report for the Sullivan County area, dated August, 2003, which defined a “labor-shed” consisting of Sullivan County and at least portions of its six neighboring counties in New York, Pennsylvania and New Jersey. Within this labor-shed area, Pathfinders identified a total of 67,400 people who were classified as “underemployed” and potentially ready to change jobs for higher wages and/or better benefits when the casinos open. In addition, they identified 14,000



unemployed persons and estimated that as many as another 14,400 persons could re-enter the workforce if good jobs became available.<sup>22</sup>

The Pathfinders concluded that 10 percent would change jobs for under \$9.83 per hour. Wages of up to \$12.96 per hour would be enough for 33 1/3 percent to seek another job, and up to \$16.38 would cause a full 50 percent from this population to apply for another job.

We project the following in terms of compensation level for Pocono Manor:

Hourly wage	Percentage of casino jobs exceeding that level	No. of jobs exceeding that level	Pct. of underemployed who would seek jobs
\$ 9.83	70%	1,030	10%
\$ 12.96	50%	736	33%
\$ 16.38	30%	441	50%

If we define “underemployed” as those presently earning less than the average projected wage at Pocono Manor, we can expect that approximately 40,000 people will apply for the available jobs at Pocono Manor, just in the casino hotel itself. This is a quite reasonable projection Consider that the Borgata Hotel Casino & Spa received 60,000 applications to fill an estimated 5,000 positions that were required for its opening in July 2003.<sup>23</sup>

Gaming industry employment at most entry-level positions does not require a command of the English language, and if the demand for employees exceeds what the local labor force or “labor shed”<sup>24</sup> is able to supply, then one should expect an influx of employees from eastern Europe, Asia and nearby Spanish speaking countries. That was certainly the experience in Atlantic City.

*The Press of Atlantic City* reported on Dec. 28, 2003:

“In 1990, only one in 10 Atlantic City residents was born in a foreign country. A decade later, one in four residents is an immigrant, according to 2000 Census estimates.

<sup>22</sup> “Sullivan County, New York Area Workforce Report, August, 2003, compiled by The Pathfinders, p6. This Report was made available through the Sullivan County Partnership for Economic Development.

<sup>23</sup> Kevin Sullivan, Borgata President, 2/19/04

<sup>24</sup> “Labor Shed” is defined as the multi-county Pocono region with a supply of underemployed workers who are most likely to seek employment with the casinos.



“Thousands of immigrants have moved to the resort, allowing Atlantic City to reverse its decades-long population decline. The city's Hispanic population rose from 5,800 in 1990 to 10,100 in 2000, comprising a quarter of the city's residents. Its Asian population nearly tripled to 4,200. While the totals are much lower in Ventnor, its neighborhoods bordering Atlantic City also have swelled with new Hispanic and Asian residents. “New Jersey has long been a destination for foreigners. The census found immigrants made up as much as 18 percent of its population, third highest in the nation.

“What sets Atlantic City apart is the jambalaya quality of its population mix. A surprising number of cultures are present in a city of only 40,000.

“USA Today developed a novel way to characterize racial and ethnic diversity. The newspaper's "diversity index" measures the chance of two randomly selected people being of a different race or ethnicity.

“New Jersey's diversity index is 53 percent, higher than the national average of 49 percent. But Atlantic City's diversity index is 77 percent. The resort ranks 37th among more than 4,500 U.S. municipalities with at least 10,000 residents.

“Among small to mid-size cities with populations between 10,000 and 50,000, it ranks 17th. In the continental United States, Atlantic City is the sixth most diverse small to mid-size city.

“The signs are everywhere. In the Brighton Avenue School, flags from every country represented in the student population line the main hallway. There are 28.”

Other gaming markets have experienced similar phenomena. It should be noted that not all immigrants to casino jobs are unskilled. Rather, many have skills or degrees in areas where work is harder to find, or it is simply that casino jobs pay more. At Mohegan Sun in Connecticut, “As many as 10 percent of immigrant entry-level workers -- in housekeeping, the kitchen and environmental services -- are highly educated, Heng Suan Tan, employee counselor there, estimates.”<sup>25</sup>

While casino jobs might be magnets for foreign-born workers, governments often find that an influx of immigrants increases the demand for their services. The Center for Immigration Studies in Washington reports that

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<sup>25</sup> “Hope keeps professionals at casino jobs,” Norwich Bulletin, June 22, 2003.



immigrants rely on one or more welfare programs at a rate 50 percent higher than non-immigrants.<sup>26</sup>

Still, as the following research shows, the likelihood is greater that casinos will reduce dependence throughout the region on various government programs.

The National Opinion Research Center (NORC), at the request of the National Gambling Impact Study Commission, developed a database of social and economic indicators and estimated gaming-related spending in a random sample of 100 communities that had a population base in excess of 10,000.

The NORC<sup>27</sup> reported that proximity to a casino was a key factor in various markets, resulting in, among other things: lower unemployment and increased earnings in such key industries as lodging, recreation and construction. Some of the findings are summarized here:

<b>Economic Impact Area</b>	<b>Percent change</b>
<b>Income Maintenance (Welfare) Payments</b>	<b>-13 Percent</b>
<b>Unemployment Insurance</b>	<b>-17 Percent</b>
<b>Other Transfer Payments</b>	<b>-3 Percent</b>
<b>Per Capita Construction Earnings</b>	<b>+18 Percent</b>
<b>Hotel and Lodging Earnings</b>	<b>+44 percent</b>
<b>Recreation &amp; Amusement Industries</b>	<b>+22 Percent</b>

Those are significant changes that have been supported by other reports, including some anecdotal findings. For example, the University of Connecticut’s Center for Economic Analysis, issued a report in 2000 that found Foxwoods had created 41,000 jobs in the state since its 1992 opening, and contributed about \$1.2 billion a year to the state’s economy. Foxwoods was also given credit for a \$1.9 billion increase in personal income.<sup>28</sup>

These findings support what long-time observers can intuitively discern from the economic effects of casino gaming: Gaming creates a number of

<sup>26</sup> “Imagining a Nation Without its Illegal Immigrants,” New York Times, Jan. 11, 2004.

<sup>27</sup> NGISC

<sup>28</sup> “Study Finds Pequot Businesses Lift Connecticut’s Economy,” New York Times, November 29, 2000





positions that offer benefits while requiring minimal skills, while at the same time, creating an opportunity for promotions and for individuals to build careers. This would clearly help individuals and families improve their standard of living, while reducing dependence on social-welfare programs.

### **Benefits, employee attitudes**

We expect that most of the positions to be filled at Pocono Manor will be full-time, and will likely include benefits. We project benefit costs at about 25.7 percent of salaries. This comports with other markets, including Atlantic City.

This would add about \$6 million in benefits, or about \$4,000 per FTE. We also assume an employer payroll contribution of about \$2.8 million. The Burke Commission in Massachusetts,<sup>29</sup> citing a 1997 poll of casino workers, found that:

- 50% of those polled thought their benefits were better than average; and
- 48% stated they would be unable to pay for any medical insurance if it were not provided by the casino.

The Burke report also noted:

“Workers shared the following impressions of the effect of gambling on their standard of living:

- 64% reported improvement in their wages since they began working in the industry;
- 61% reported improvement in their medical benefits; and
- 36% reported improvement in their job security.

The poll found:

- 20% of the members reported their jobs helped them buy their first homes;
- 18% reported their jobs assisted them in moving to a better home; and
- 8% reported their jobs contributed to paying for their own education.”

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<sup>29</sup> Expanded Legalized Gaming In Massachusetts: A Presentation of Gaming Regulation, Economic Development Impact, Fiscal Impact and Social and Cultural Impact, by The Commission to Study the Potential Expansion of Legalized Gaming, Essex County District Attorney Kevin M. Burke, Chairman



# Spending on goods and services

The total amount that gaming properties spend on goods and services can vary greatly, depending on the state and the type of gaming available. The percentage of goods and services that are purchased from in-state or in-county businesses also can vary substantially. In Iowa, for example, the 13 gaming properties purchased more than \$148 million in goods and services from Iowa-based businesses in 2002, an estimated 15.4 percent of gaming revenue.<sup>30</sup> Louisiana riverboats spent more than \$454 million on goods and services in 2002, with more than 70 percent of that total being spent in-state.<sup>31</sup> That equates to about 17.4 percent of gaming revenue being spent in-state.

Full-service casino hotels, particularly of a larger scale, will spend a higher proportion on outside goods and services, since such operations would require significantly larger amounts of food services, linen services and other functions, from entertainment to cleaning services.

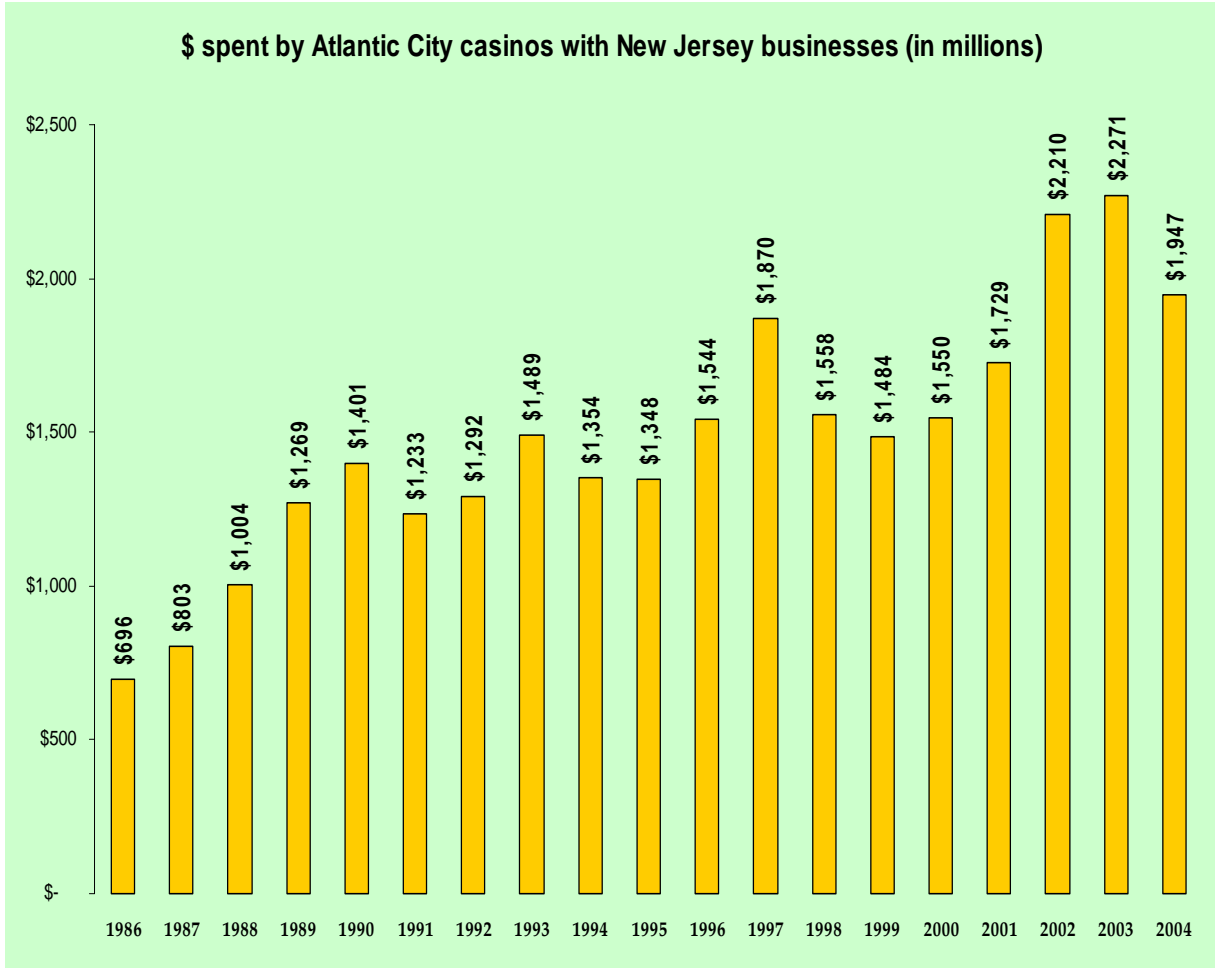
In examining Atlantic City's business trends, we first looked at the dollars spent with New Jersey businesses to help determine how much a gaming property would spend locally. This is not necessarily an indication of what a Pennsylvania property would spend in-state. The actual amount would vary depending on such factors as whether a supply infrastructure exists in-state to meet the needs of a casino operation.:

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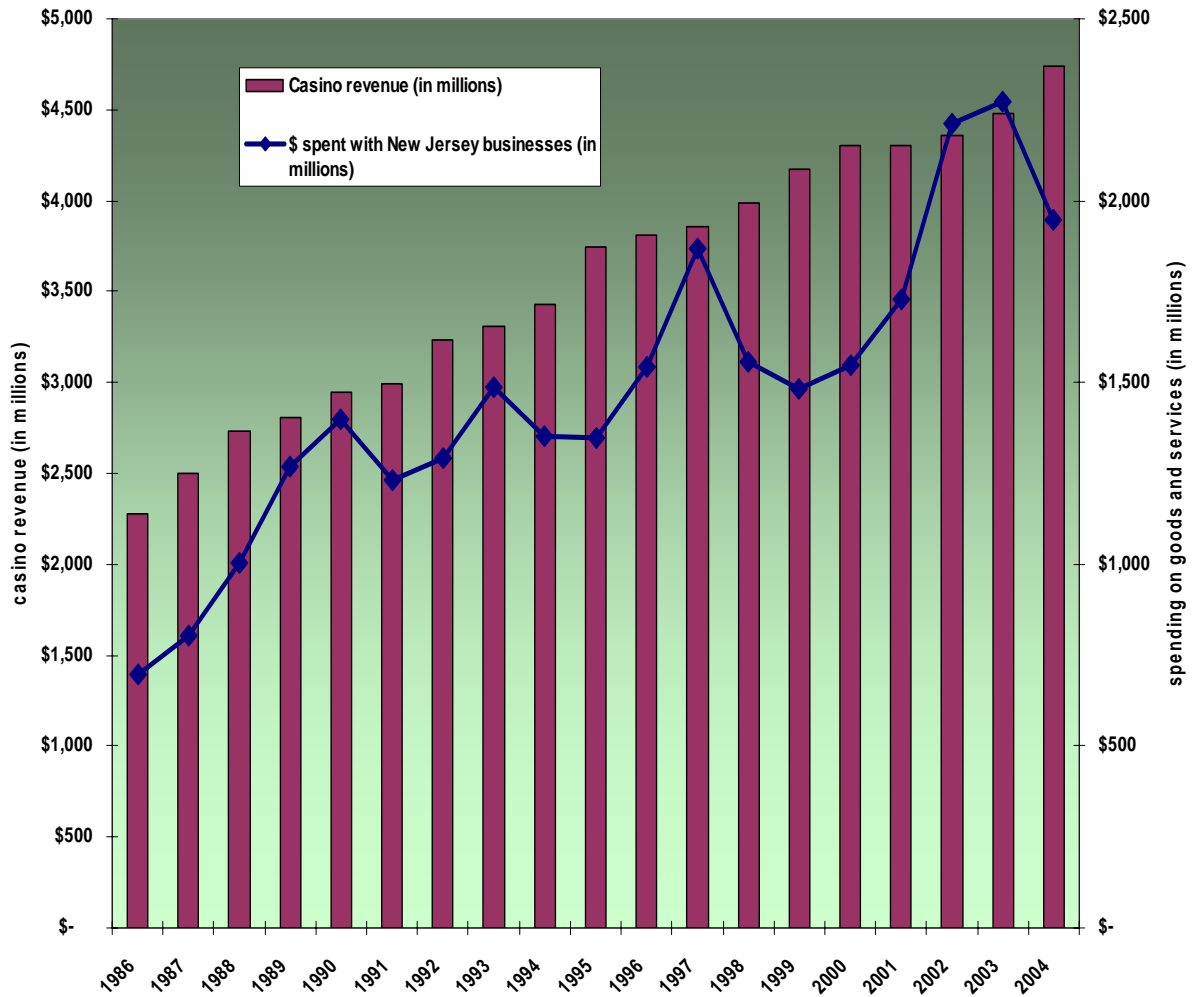
<sup>30</sup> Iowa Gaming Association.

<sup>31</sup> The Casino Association of Louisiana.





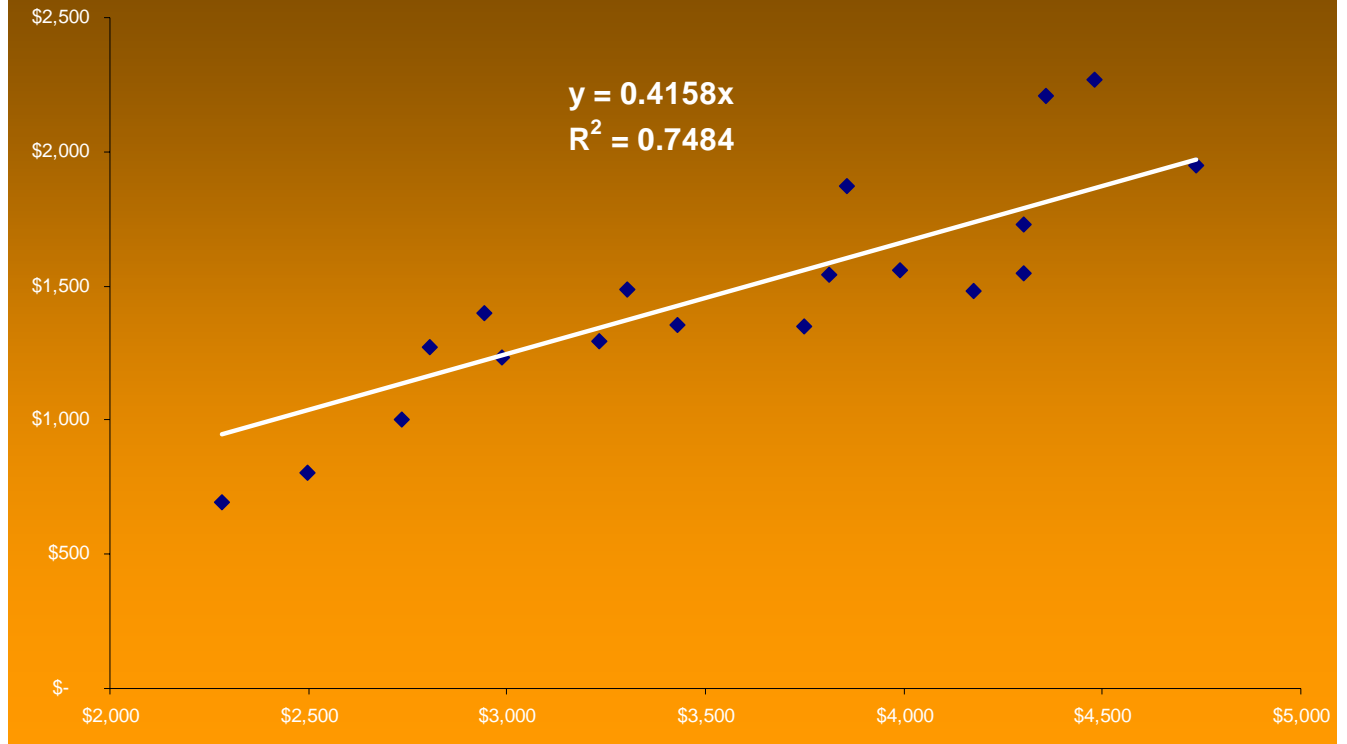
We then looked at the same data in relation to gaming revenues.



The red bars in the above chart show annual gaming revenue, while the blue line measures spending on goods and services with in-state businesses, and the combined data indicate a relatively strong correlation.

We then looked at the data another way, by performing a regression analysis to examine the relationship between casino revenue and spending with New Jersey businesses, and to determine whether a correlation exists. The result is as follows:

### Regression analysis: spending on in-state goods and services vs. casino revenue



The x-axis in this chart measures changes in gaming revenue, while the y-axis measures changes in spending with New Jersey businesses. The R-square measures the correlation between the two variables. An R-square of .7484 falls short of a perfect correlation, but is highly reliable. It essentially means that about 25 percent of the change in spending on goods and services with New Jersey businesses is due to factors other than changes in revenue.

A closer correlation would not be a reasonable expectation. Many factors could potentially impact the level of spending on goods and services, such as consolidation within the industry, increased efficiencies, competition from businesses outside New Jersey, as well as changes in the quality of visitor.

A destination that caters to bus and day-trip visitors would spend less on goods and services than would a casino hotel with a large contingent of overnight guests. Overnight visitors would eat more meals, for example, which would require greater purchases of goods and services.

The WEFA Group published a study in 1994 that showed, at the time, how the casino industry divides up its non-gaming purchases based on each \$100



million in annual gaming revenue. The following table lists the top 14 major areas:

<b>Purchases by casino per \$100 million in gaming revenue (\$ in thousands)</b>		
	<i>Purchases</i>	<i>No. of jobs</i>
Real estate	\$ 8,144	15
Other business services	\$ 2,184	52
Advertising	\$ 1,900	21
Construction maintenance	\$ 1,263	18
Electric utilities	\$ 1,140	2
Landscaping services	\$ 961	32
Plastics manufacturing	\$ 883	6
Wholesale trade	\$ 840	11
Equipment repair services	\$ 787	16
Banking	\$ 774	10
Food and beverage services	\$ 656	23
Management consulting services	\$ 650	9
Legal services	\$ 611	6
Telecommunications	\$ 488	4
<b>Total</b>	<b>\$ 21,281</b>	<b>225</b>

We do not expect that Pocono Manor will spend as high a percentage of its gaming revenue on the purchases of in-state goods and services, largely because much of the infrastructure to supply its needs will come from other states. At the same time, the higher tax rate in Pennsylvania reduces an operator's flexibility, and will probably spend closer to the national average.

We can safely assume that about 17 percent of revenues would be spent on the purchases of goods and services within the region. This would equate to between \$39.7 million (in the worst case) and \$60.9 million (in the best case) would be spent on such purchases.

## **Regional economic expansion**

The existing economy in the Poconos region is clearly dominated by small businesses that cater to some combination of tourists and local residents (see Appendix I). Because Pocono Manor will generate increased visitation from



outside the region, while creating a large employment base, the project should have a significant salutary effect on such businesses.

One important theme that we continually emphasize in our analyses of the economic impacts of gaming is to ensure that private businesses and individuals understand that casinos do not alter the rules of competition. By generating economic growth, casinos might intensify the competitive aspects of some industries.

We observed, for example, that – prior to the advent of casinos – Atlantic City and the surrounding region had few national franchise or chain restaurants, other than fast food eateries. The region now has several of the most successful restaurant brands with outlets in the city and suburbs. An Applebee's opened within the past 12 months in the heart of Atlantic City, becoming the second in that brand in the region. Restaurant brands in and around Atlantic City include Olive Garden, Bonefish Grill, Outback Steakhouse, Famous Dave's, Red Lobster, Hard Rock Café, P.F. Chang's, and numerous others.

Several major steak houses have opened in Atlantic City within months of each other, from The Palms to Morton's to Ruth's Chris. They are not only competing against each other, but against local steakhouses that may or may not offer the same quality of product or service.

When a region becomes more desirable to a national retailer or restaurant chain because of its improving economy and a growing affluence among its adult population, those successful businesses are more likely to invest and compete.

That means that all businesses seeking to compete must adopt strategies that target niches such as the growing employment base or targeting visitors looking for activities outside the casinos themselves.

A number of Atlantic City restaurants within a few blocks of the casinos have succeeded handsomely, while others have failed. The reasons for potential failure are numerous, ranging from a poor location to inadequate parking to ineffective marketing.

The successful restaurants have some common elements as well, including better management, superior service and well-conceived menus.

Again, the issue is not some unique inherent characteristic of casino properties that makes it easier or more difficult for small businesses to succeed in close proximity. Rather, the issue is that – having one or more casinos in a local economy – offers no panacea, and cannot disguise or eliminate the need for good management and access to capital for businesses large or small.



We suggest that any community seeking to get a casino operation should ask if the net benefits will exceed the net costs. Certainly, to some limited degree, local businesses might experience a “substitution effect” in which local customers visit a casino rather than another area establishment that also targets discretionary income. Dr. William Eadington put it well when he said:

“The extent of substitution effects is a question you can try to analyze by looking at comparable jurisdictions, comparable communities that have introduced casino gambling. A reality of casinos is that they do use especially food product, entertainment product as attractions to get people into the facility with the expectation that they’re going to gamble a certain amount of money. And as a result of that, they can cross-subsidize their food product with gaming. And in some respects, this is an area where a competitor, someone for example who is running a restaurant or an entertainment center is going to say I’m being put under unfair conditions because they can offer the same products that I offer, but I can’t offer gambling. I don’t think there’s any way around that equity dilemma that is posed, except to acknowledge that you’re going to have a degree of substitution effect.

“I think one of the issues that came up in some of the communities that had authorized casino gambling in the early 1990’s was the belief that because we’re going to get so many new visitors to this town, we’re also going to see the benefits spread among all the existing businesses. This is actually a story that goes back to Atlantic City to tell. Customers who are coming for a casino experience are in all likelihood going to stay within the casino complex as opposed to going out into the community, especially if they’re day visitors. And so there were considerable disappointment on the part of businesses in places like Moline, Davenport, and Biloxi and so on by the businesses who were there to begin with who thought they were going to have a wonderful economic boon because of all the increased visitors. I think the only way that they can have an economic boon is if they can improve the quality of their offerings so it’s attractive to locals whose incomes may go up because they have better jobs and better economic resources. And perhaps to tourists, because they offer something outside of the casino environment that is attractive and good value





for their money. What I think it does is it puts businesses on notice that they're in a more competitive marketplace ...<sup>32</sup>"

We have a fundamental agreement with Eadington's position, although we note that in the more than two years since he made that statement, the casino industry has continued to evolve in numerous markets. Five months after those comments were made, the Borgata Hotel Casino & Spa opened in Atlantic City, and helped demonstrate to many that a broad array of offerings – even without a high level of complimentaries – can help create a destination.

### **Substitution effect**

One issue that needs to be addressed in any gaming market is the potential for "substitution," which can be defined as the dollars that would have been spent elsewhere in the local economy that would be redirected toward gaming.

This effect is often misunderstood, and much of the apprehension is often misplaced.

When gaming attracts capital investment and spurs visitation, it also generates employment. This combination of new assets – from additional attractions to additional visitors to increased spending – is likely to spark economic growth.

This is a virtual certainty in a region like the Poconos – where the increased visitation from other areas would dwarf the local population.

One concern is often that local businesses might find themselves competing with a casino for the discretionary dollars of local residents. Our experience has shown that businesses with better marketing strategies, sufficient capital investment and a well-conceived strategy can not only survive, but actually thrive in a gaming economy. This again underscores the points made by Eadington.

The following table lists the seven Pennsylvania counties closest to Pocono Manor, and estimates the number of visitor trips<sup>33</sup> and the annual revenue that would be generated by adults in each of these counties.

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<sup>32</sup> Rhode Island Special House Commission To Study Gaming, February 12, 2003, Testimony of Dr. William Eadington.

<sup>33</sup> This is not the number of visitors, but rather represents the number of trips made by adults in these counties. An adult who visits five times a year would generate five visitor trips.



County	Best case		Moderate case		Worse case	
	Visitor trips	Revenue	Visitor trips	Revenue	Visitor trips	Revenue
Monroe	62,409	\$17,794,097	59,652	\$15,234,058	62,409	\$14,259,287
Pike	15,627	\$ 4,455,549	15,029	\$ 3,688,783	12,154	\$ 2,946,886
Luzerne	47,888	\$13,653,684	43,465	\$11,654,789	31,127	\$ 8,135,320
Carbon	19,846	\$ 3,300,733	17,258	\$ 3,105,254	16,759	\$ 2,787,285
Wayne	10,737	\$ 3,061,462	8,948	\$ 2,551,218	7,158	\$ 2,040,974
Northampton	80,120	\$22,843,757	78,561	\$21,478,953	76,114	\$19,893,105
Lackawanna	31,994	\$ 9,122,201	30,042	\$ 8,956,241	23,996	\$ 6,841,650
<b>Total</b>	<b>268,621</b>	<b>\$74,231,482</b>	<b>252,955</b>	<b>\$66,669,296</b>	<b>229,717</b>	<b>\$56,904,509</b>

We note that these counties would generate between \$56.9 million and \$74.2 million in gaming revenue, which would equate to between 20 and 24 percent of projected gaming revenue. In the moderate case, it would equate to 21 percent.

However, in our model, we note that much of this gaming revenue is already being spent – or would ultimately be spent – at other gaming destinations, ranging from Atlantic City to Delaware to forthcoming Category I licenses in Pennsylvania.

We also note that some of that spending is not being spent at all in the local economy, i.e., it is spent on distant vacations or on other leisure pursuits that are not local.

We believe that such spending – gaming and non-local – equates to between 60 and 70 percent of such spending. Additionally, at least 10 percent of that spending would be generated by the additional income in the local region, spurred by Pocono Manor.

Consequently, we project the following:

	Best case	Moderate case	Worse case
	Substituted revenue	Substituted revenue	Substituted revenue
10 % substitution effect	\$ 7,423,148	\$ 6,666,930	\$ 5,690,451
20% substitution effect	\$ 14,846,296	\$ 13,333,859	\$ 11,380,902

The range of substituted dollars to the casino from other local businesses would range from \$5.6 million to \$14.8 million.



## Impact of convention business

Pocono Manor will have at least 20,000 square feet of contiguous convention and meeting space on site. Based on that, we project the following level of convention attendance:

	Best Case	Moderate Case	Worse Case
Total Square Feet	20,000	20,000	20,000
Annual Sq. Ft. Availability	7,300,000	7,300,000	7,300,000
Utilization Percent	75%	50%	40%
Sq. Ft. Utilized	5,475,000	3,650,000	2,920,000
Attendees psf	0.02324	0.02324	0.02324
Projected Conference Center Attendance	127,239	84,826	67,861
Percentage Adult Attendees	90%	90%	90%
Conference Center Adults	114,515	76,343	61,075

At 50,000 square feet, the totals would be:

	Best Case	Moderate Case	Worse Case
Total Square Feet	50,000	50,000	50,000
Annual Sq. Ft. Availability	18,250,000	18,250,000	18,250,000
Utilization Percent	75%	50%	40%
Sq. Ft. Utilized	13,687,500	9,125,000	7,300,000
Attendees psf	0.02324	0.02324	0.02324
Projected Conference Center Attendance	318,098	212,065	169,652
Percentage Adult Attendees	90%	90%	90%
Conference Center Adults	286,288	190,859	152,687

We note that Pocono Manor would apparently offer the largest volume of contiguous meeting space in the region.

The next table shows a range of existing accommodations in the region:

Property Name	Sleeping rooms	Suites	Additional rooms nearby	Total number of meeting rooms	Theater style, largest capacity	Classroom style, largest capacity	Exhibit space	In-house AV	Planning Department
Best Western Inn at Hunt's Landing	108	Y	Y	10	700	250	Y	Y	Y
The Chateau Resort & Conference Center	152	Y	Y	7	550	300	Y	Y	Y



<i>Property Name</i>	<i>Sleeping rooms</i>	<i>Suites</i>	<i>Additional rooms nearby</i>	<i>Total number of meeting rooms</i>	<i>Theater style, largest capacity</i>	<i>Classroom style, largest capacity</i>	<i>Exhibit space</i>	<i>In-house AV</i>	<i>Planning Department</i>
Fernwood Hotel & Resort	<b>700</b>	<b>Y</b>	<b>Y</b>	<b>15</b>	<b>1,800</b>	<b>700</b>	<b>Y</b>	<b>Y</b>	<b>Y</b>
Pocmont Resort & Conference Center	<b>166</b>	<b>Y</b>	<b>Y</b>	<b>11</b>	<b>550</b>	<b>275</b>	<b>Y</b>	<b>Y</b>	<b>Y</b>
The Resort at Split Rock	<b>395</b>	<b>Y</b>	<b>Y</b>	<b>35</b>	<b>2,000</b>	<b>850</b>	<b>Y</b>	<b>Y</b>	<b>Y</b>
Shawnee Inn & Conference Center	<b>113</b>	<b>Y</b>	<b>Y</b>	<b>11</b>	<b>500</b>	<b>200</b>	<b>Y</b>	<b>Y</b>	<b>Y</b>
Skytop Lodge	<b>185</b>	<b>Y</b>	<b>Y</b>	<b>18</b>	<b>250</b>	<b>180</b>	<b>Y</b>	<b>Y</b>	<b>Y</b>
The Sterling Inn	<b>65</b>	<b>Y</b>	<b>Y</b>	<b>4</b>	<b>100</b>	<b>65</b>	<b>N</b>	<b>Y</b>	<b>Y</b>
Stroudsmoor Country Inn	<b>45</b>	<b>Y</b>	<b>Y</b>	<b>10</b>	<b>450</b>	<b>200</b>	<b>Y</b>	<b>Y</b>	<b>Y</b>
Woodloch Resort & Meeting Facility	<b>180</b>	<b>Y</b>	<b>Y</b>	<b>11</b>	<b>220</b>	<b>180</b>	<b>Y</b>	<b>Y</b>	<b>Y</b>

Source: Pocono Mountains Convention & Visitors Bureau

The convention space could accommodate the following:

	<b>Banquet style</b>	<b>Theater style</b>	<b>Classroom style</b>
Square feet per attendee	16	8	13
Capacity, 20,000 square feet of contiguous space	1,250	2,500	1,538
Capacity, 50,000 square feet of contiguous space	50,000	50,000	50,000

Having a first-class hotel with at least 20,000 square feet of state-of-the-art meeting space will help the entire region, by creating an opportunity to fully accommodate the largest segment of the meeting market.

At present, the region – as defined by the Scranton-Wilkes-Barre market – has a shortage of meeting space in ratio to the number of rooms in the market.

The Scranton-Wilkes-Barre market has an overall occupancy rate of 54.5 percent<sup>34</sup>, ranking it 87 among the top 100 hotel markets. The market has an overall average daily rate (ADR) of \$106.70, giving it a ranking of 12th.

<sup>34</sup> “13th Annual Competitive Analysis Report,” Jan. 2004, PriceWaterhouseCoopers



The market presently has an estimated 11,887 hotel rooms, ranking it 64th in the top 100.

Because the region lacks a critical mass of contiguous space, it does not presently rank in that category of markets with convention centers. Even with 20,000 square feet, the area would be only 93<sup>rd</sup> on the list, behind Boise, Idaho<sup>35</sup>.

At 50,000 square feet of contiguous space, the Poconos would move up to 87<sup>th</sup> place, ahead of Shreveport, LA but behind Spokane, WA.

Additionally, the segment of conventions and meetings that require between 20,000 and 50,000 square feet of space is both large and growing.

The following chart also shows that, with limited square footage, Pocono Manor would still be able to target the overwhelming majority of available meetings:

Net Square Feet	0-50,000	50-100,000	100-150,000	100-150,000	200-250,000	250-300,000	300-350,000	Over 350,000
% of Total Events	61.8	19.6	19.6	3.9	2.3	2.2	0.8	3.3

By moving up to 50,000 square feet of available space, Pocono Manor would not only be a competitor in the largest segment of the meetings market, but would be able to accommodate meetings with several thousand attendees each, as shown in the following table:

Net Square Feet	0-50,000	50-100,000	100-150,000	150-200,000	200-250,000	250-300,000	300-350,000	Over 350,000
Mean Attendance	3,242	8,459	14,090	16,131	21,717	30,447	15,104	13,500
Median Attendance	2,500	7,250	11,800	13,085	20,000	30,000	46,120	37,500

We note also that smaller meetings tend to have higher percentages of delegates who stay overnight. According to one analysis of convention usage: "The correlation between meeting attendance and the percentage of attendees who stay in hotels is clearly negative. For meetings with attendance under 5,000,

<sup>35</sup> "13th Annual Competitive Analysis Report," Jan. 2004, PriceWaterhouseCoopers

<sup>36</sup> Tradeshow Week

<sup>37</sup> Tradeshow Week



about 59 percent stay in hotel rooms. But above 10,000, the proportion falls to just 24 percent.”<sup>38</sup>

With 750 rooms, Pocono Manor should be able to accommodate some of the region’s largest events, utilizing its own non-casino hotel as well as other area properties for the runover.

By establishing itself as a headquarters hotel and encouraging overnight stays at other properties nearby, Pocono Manor would also develop strong relationships with other nearby resorts, positioning itself as an ally rather than a competitor.

Note earlier that we projected up to 114,515 adults would utilize the convention and meeting space at Pocono Manor at 20,000 square feet, and potentially up to 286,288 at up to 50,000 square feet.

National studies indicate that the average delegate at a convention spends 3.56 nights<sup>39</sup> and spends the following, not including air fare to and from the host city, or other expenses incurred outside the host city<sup>40</sup>:

Type of expenditure	Total expenditures	Daily expenditures	% of total
<b>Lodging and incidentals</b>	\$ 450.10	\$ 126.45	47.6%
<b>Food and beverage</b>	\$ 271.13	\$ 76.17	28.7%
Hotel food and beverage	\$ 93.92	\$ 26.39	9.9%
Other food and beverage	\$ 177.21	\$ 49.79	18.7%
<b>Entertainment/recreation</b>	\$ 29.51	\$ 8.29	3.1%
Tours and sightseeing	\$ 19.82	\$ 5.57	2.1%
Recreation	\$ 6.62	\$ 1.86	0.7%
Sporting events	\$ 3.07	\$ 0.86	0.3%

<sup>38</sup> “Challenging Convention(al) Wisdom: Hard Facts about the Proposed Boston Convention Center,” Heywood T. Sanders, Department of Urban Administration, Trinity University

<sup>39</sup> International Association of Convention and Visitors Bureau Foundation

<sup>40</sup> This model does not include gaming spending, which has already been counted in our gaming revenue model.



Type of expenditure	Total expenditures	Daily expenditures	% of total
<b>Retail</b>	\$ 103.79	\$ 29.16	11.0%
<b>Transportation</b>	\$ 90.04	\$ 25.30	9.5%
Local transportation	\$ 29.96	\$ 8.42	3.2%
Auto rental	\$ 23.70	\$ 6.66	2.5%
Gas, tolls, parking	\$ 36.38	\$ 10.22	3.8%
<b>Other</b>	\$ 0.60	\$ 0.17	0.1%
<b>Total</b>	\$ 945.17	\$ 265.54	

Source: ExPact 2004 Convention Expenditure & Impact Study

We also account for spending by both conference organizers and exhibiting companies. To make sure that our estimates are scaled correctly to the size of the events that would be held at Pocono Manor, we use national estimates of local spending per delegate.

According to ExPact 2004, the following ratios should apply:

Exhibiting companies spend \$349.84 per delegate with local businesses. This includes such items as food and beverage, advertising in the host city, local transportation and local services.

Event organizers spend \$95.70 per delegate on similar items, including overall food-and-beverage spending and renting exhibit space.

Adding in the total spending by attendees, exhibitors and organizers results in the following:

20,000 square feet of contiguous meeting space	Best Case	Moderate Case	Worse Case
Spending by attendees	\$ 108,236,143	\$ 72,157,113	\$ 57,726,258
Spending by event organizers	\$ 10,959,086	\$ 7,306,025	\$ 5,844,878
Spending by exhibiting companies	\$ 40,061,928	\$ 26,707,835	\$ 21,366,478
<b>Total convention/meeting spending</b>	<b>\$ 159,257,156</b>	<b>\$ 106,170,974</b>	<b>\$ 84,937,613</b>

At 50,000 square feet of meeting space, the total would be:

50,000 square feet of contiguous meeting space	Best Case	Moderate Case	Worse Case
Spending by attendees	\$ 270,590,593	\$ 180,393,728	\$ 144,314,983
Spending by event organizers	\$ 27,397,714	\$ 18,265,063	\$ 14,612,194
Spending by exhibiting companies	\$ 100,154,819	\$ 66,769,588	\$ 53,416,195
<b>Total convention/meeting spending</b>	<b>\$ 398,143,125</b>	<b>\$ 265,428,379</b>	<b>\$ 212,343,372</b>



This is all local spending, and does not include any gaming revenue.

It is important to note that all of this spending will occur in the local region, and most of it will be with businesses other than Pocono Manor.

## **Retail sales**

A well-planned RDE (retail, dining and entertainment) addition, with attractions such as specialty retailers that would appeal to the target demographics, would clearly work well with gaming to create a necessary variety of attractions.

Indeed, the addition of quality retail and dining increases the possibility of reaching the highest level within our projected range.

Retail combined with gaming serves several distinct goals, and advances various public policies:

As gaming evolves into mainstream entertainment, retail, dining, and entertainment uses are becoming a critical component within a broader mix of attractions. Among the purposes that a critical mix of retail, dining and entertainment serves:

- It can improve the image and ambience of a destination resort.
- It can increase the frequency of visitation, i.e., customers come more frequently than they would in the absence of retail.
- It can increase the penetration rate among adults, by attracting visitors who might not be tempted by a gaming-centric or gaming-only destination.
- It can increase the length of stay, by giving visitors yet another attraction that visitors will want to see.
- It adds another cash register to the floor, creating a new source of revenue.

All of these purposes benefit the owner of the property. However, they also benefit the entire region by creating more total visitor hours. Additionally, RDE benefits the state and region as well by creating employment opportunities, as well as incremental sales and gaming taxes.





We suggest that a well-conceived casino hotel complex at Pocono Manor, with retail and other attractions, would also perform well, generating significant tax revenue and employment for the region and state.

A “lifestyle center” RDE would generate approximately:

■ \$59 million of dining & entertainment sales.

■ \$103 million of retail sales.

## **Energizing tourism industry**

Pocono Manor has made a clear determination to work with the existing tourism infrastructure in the Poconos region to the mutual benefit of both the private and public sectors. That is a necessary business strategy, predicated on experience elsewhere that demonstrates that a gaming property functions best when its interests are on parallel tracks with those of other businesses, and with the private sector.

For example, as smaller businesses invest in their own infrastructure to make their properties more attractive, it would help them capture some of the spin-off business generated by visitors to Pocono Manor.

Simultaneously, that additional capital investment would add tax ratables to local communities, increase employment and further enhance the look and appeal of the region, thus spurring more visitors.

The best example of this phenomenon is the relationship between hotels and visitors bureaus. In the overwhelming majority of conventions and visitors bureaus, marketing dollars are generated by a tax on rooms. According to the International Association of Convention and Visitors Bureaus, room taxes account for 87.1 percent of all public sources of funding<sup>41</sup>.

The bureaus use these funds to market the region, undertaking a variety of functions, from branding to advertising in feeder markets to developing relationships with meeting planners.

Based on our observations, the Pocono Mountains Vacation Bureau appears to be an aggressive, dynamic agency that has worked hard to promote the region and to identify its customers and potential customers. We base that observation on conversations with personnel there and at other visitors bureaus

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<sup>41</sup> 2001 CVB Organizational & Financial Profile, p. 77



throughout the nation, and on the quality of the research presented by the PMVB.

In previous years, the PMVB has relied mostly on membership dues, marketing and brochure revenue, Tourist Promotion Agency funds, as well as some other funding sources. This has given it a budget of \$6.2 million.<sup>42</sup> To put that in perspective, the Atlantic City Convention and Visitors Bureau has an annual operating budget of around \$9 million.

According to Executive Director Robert Uguccione, the PMVB has recently been authorized by state statute to begin receiving a 3 percent fee on all occupied room nights in the region.

This should provide a more robust and stable funding source. In our experience, such room fees offer numerous benefits, including:

They are self-sustaining. By funding a marketing budget, they will be used to attract new visitors and generate repeat visitation, which will generate more room fees in coming periods.

They can be passed on to customers, who are not likely to object to the reasonable fee of 3 percent.

By focusing on occupied room nights, they will ensure fairness in the system, with the major beneficiaries -- the largest properties with the most rooms -- also serving as the major providers.

With that latter point in mind, Pocono Manor will clearly be a huge beneficiary of the PMVB's budget, but will also be the largest provider of funding.

With 750 rooms -- a number that can be expected to increase in coming years as the property becomes more successful -- Pocono Manor would have a theoretical 273,750 room nights that could generate fees.

We expect a year-round occupancy rate of 80 percent, a number that is generally higher than can be found at a typical Poconos resort hotel. However, the presence of gaming on site will inevitably increase the high-demand seasons of summer and winter, and will generate year-round demand.

We expect that, even on mid-week, off-season periods, the growth of conventions and meetings, coupled with competitively priced room products for gaming and non-gaming customers, the property could easily meet the 80-percent threshold.

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<sup>42</sup> 2005 Pocono Mountains Annual Report



That would create 219,000 occupied room nights. We expect that the property would generate an average year-round ADR in excess of \$120. That would generate at least \$788,400 in marketing fees for the PMVB.

We expect that, in reality, the property will perform much better than that base case, enjoying an ADR of \$150, with an occupancy rate of 90 percent, which would generate \$1.1 million in marketing fees. However, we expect that the better gaming customers, as they are identified, will qualify for complimentary rooms or rooms at reduced rates. With that in mind, we think that the property can reasonably generate at least \$800,000 in marketing fees for the PMVB.

In numerous ways, the dollars generated by Pocono Manor will ripple through the local economy, creating jobs and fortifying the tourism industry.

The PMVB has determined the impact of the tourism industry on the local economy:

All \$ in millions	Carbon	Monroe	Pike	Wayne	Total
<b>Total direct visitor spending</b>	\$ 146	\$ 511	\$ 194	\$ 194	\$ 1,045
<b>Total sales generated by traveler spending</b>	\$ 237	\$ 898	\$ 301	\$ 334	\$ 1,770
<b>Total payroll/compensation</b>	\$ 77	\$ 318	\$ 104	\$ 117	\$ 616
<b>Total jobs supported by traveler spending</b>	5,813	16,937	6,243	6,504	35,497
<b>Total taxes generated by traveler spending</b>	\$ 37	\$ 144	\$ 47	\$ 52	\$ 280

Source: D.K. Shifflet and Associates, Pocono Mountain Vacation Bureau

In our model, as we have detailed above, we can safely assume that most of the gaming revenue will come from outside the area, and we can reasonably project that most of the retail and convention business will be generated by visitors who are not presently visiting the Poconos.

However, to ensure that our estimates are conservative and supportable, we will assume that \$400 million in total sales generated at Pocono Manor would be incremental to the region's existing sales.

This would lead to the following:

- A 40 percent increase in direct visitor spending and total sales generated by traveler spending.
- A 30 percent increase in the region's payroll and in jobs created by the tourism industry.



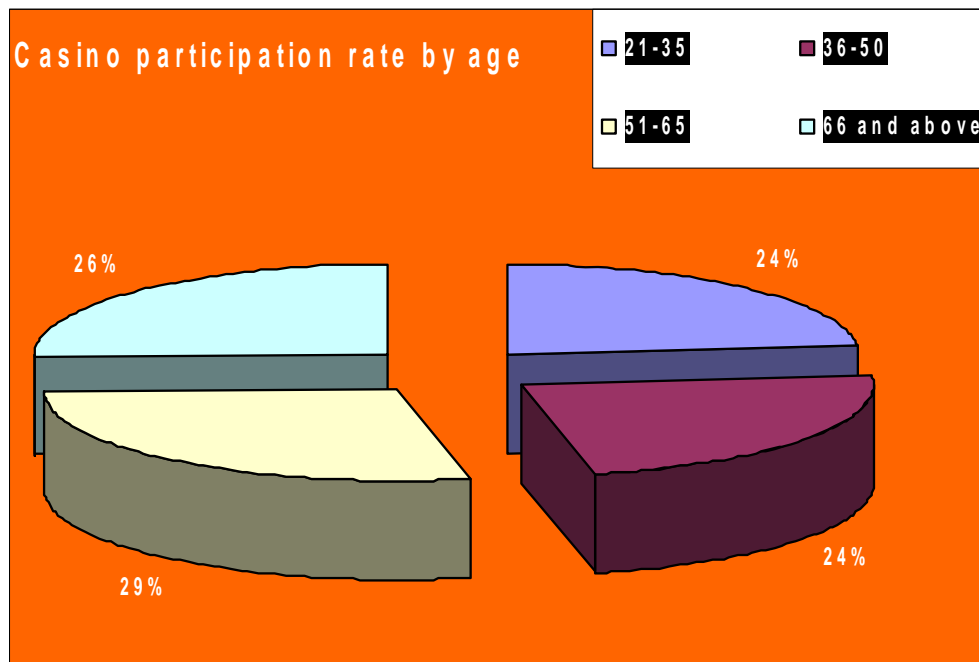
The reason that the payroll and jobs created would not be commensurate with the increase in sales is that the high tax rate on gaming revenue -- an effective rate of about 54 percent -- will generate tax dollars that would be spent in other areas of Pennsylvania, far from the Poconos.

The addition of gaming to the Poconos is likely to do more than increase the visitor base. It will also allow the region to target new demographics. By definition, gaming customers tend to be different than other visitors. They are less likely to bring children, and are likely to be more affluent.

Consider the following data from the American Gaming Association's 2005 State of the States report:

- Casino customers have a median annual income of \$55,322, while the average in the United States is \$47,720.
- Casino customers are also likely to be slightly older, and better educated.

The following chart shows the breakdown of casino visitors nationwide by age group<sup>43</sup>:



The Pocono region enjoys an already strong demographic-- two thirds of all visitors to the region have household incomes above \$50,000<sup>44</sup> -- and a

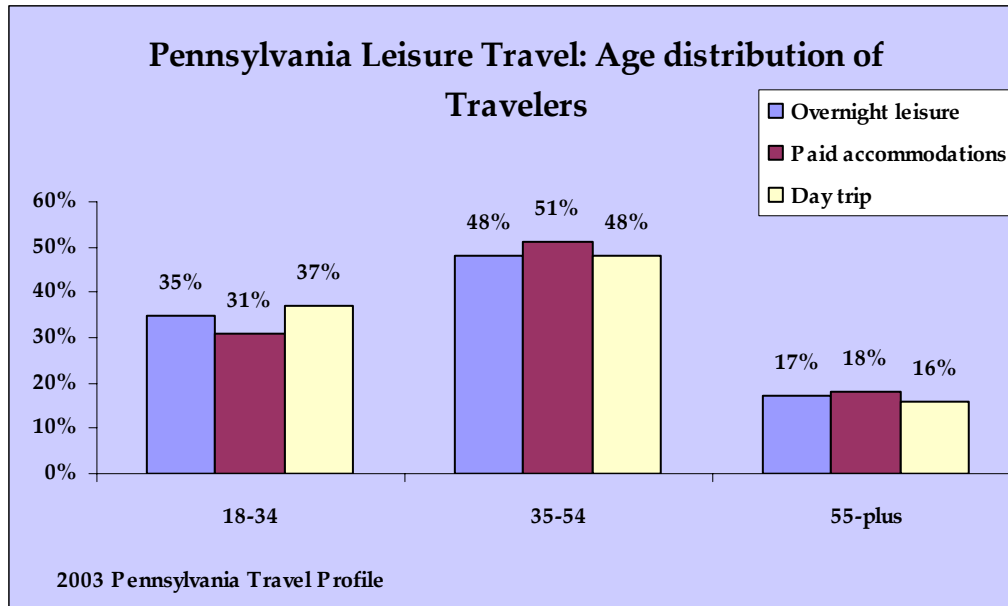
<sup>43</sup> Harrah's Survey '04: Profile of the American Casino Gambler.

<sup>44</sup> Pocono Mountains Region Leisure Traveler Profile, Jan. 17, 2003



successful entertainment destination at Pocono Manor would be almost certain to broaden and diversify that base.

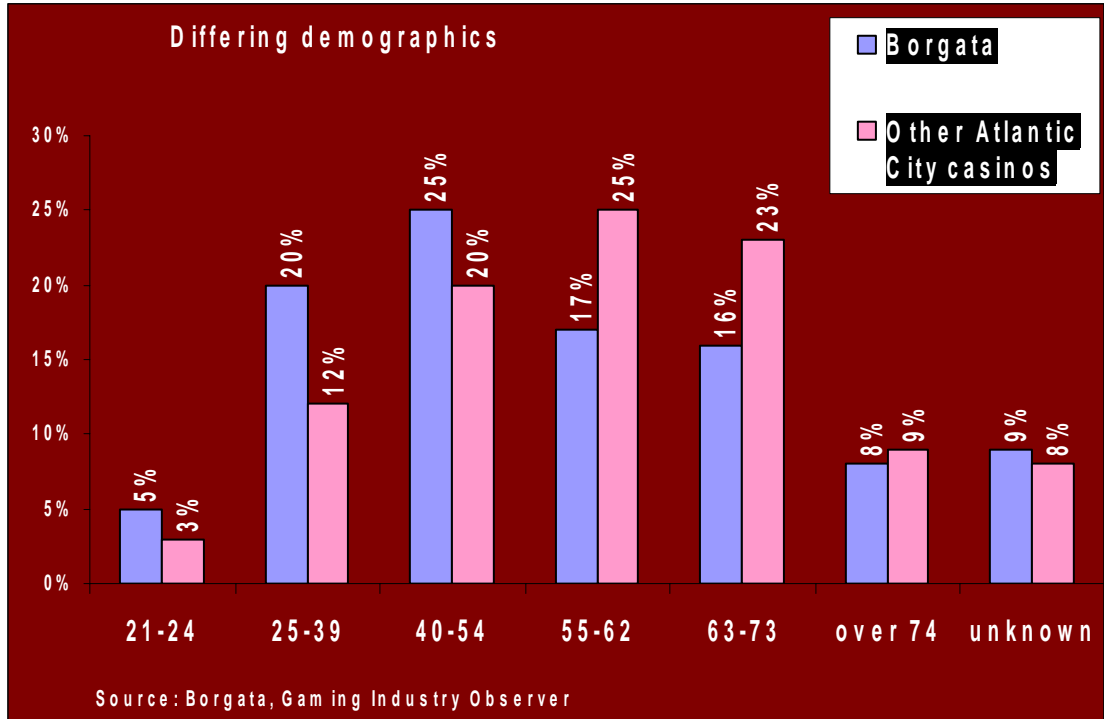
The following chart shows the demographic breakdown of the overall Pennsylvania visitor, delineated by age and type of stay:



We expect that Pocono Manor -- because of its planned level of capital investment -- will pursue marketing strategies and will target demographics of other successful destinations in the eastern region, such as the Borgata Hotel Casino & Spa in Atlantic City.

This would allow it to target both the classic gaming customer in the Northeast, as well as the younger, more affluent adult who tends to have more disposable income. The two groups are shown in the following chart:





We note that one of the public policy goals that was discussed in legislative and other debates leading up to the 2004 approval of gaming in Pennsylvania was to keep Pennsylvania dollars from migrating to gaming venues in nearby states. We respectfully suggest that another goal should be to ensure that Pennsylvania tourism destinations, such as the Pocono Mountains region, attract more dollars from other regions.

Pocono Manor is likely to help the state achieve both of these goals.

## Conclusion

The development of Pocono Manor Casino & Resort into a full-service entertainment destination, complete with a world-class complement of gaming, retail, dining, a spa, golf and other attractions would create the lead economic engine for the entire Poconos region.

This report should make it clear, however, that positive economic benefits do not necessarily come automatically. They require a clear, workable strategy by the developers, along with a willingness by other private leaders and the public sector to invest in their collective future. Most important, economic benefits come as a result of well-planned, quality capital investment.



The final necessary ingredient is to have an existing tourism infrastructure in place that can leverage this capital investment to attract visitors from distant locations.

All the ingredients are in place to make certain that Pocono Manor -- as the region's largest hotel and conference center -- will work to the benefit of the entire community.

It would help create a self-sustaining operation that would reinvest much of the money generated in new marketing efforts, new jobs and additional capital investment that will further attract visitors, thus creating more resources for the region.

We caution, however, that not every business in the region can automatically expect to share in the growth. Pocono Manor will help raise the bar for the entire Pocono Mountain area. Businesses that seek to benefit must invest in their own infrastructure, retool their own marketing efforts and develop cooperative relationships with each other, and with centralized institutions such as the Pocono Mountains Visitors Bureau.

Gaming is not a panacea for any community or tourism industry. The developers of the proposed Pocono Manor Casino & Resort recognize that. They seek to capitalize on a gaming license by investing significant sums in the property.

In gaming market after gaming market, capital investment has been proven to be the only effective means of ensuring that the tourism industry continues to thrive and attract visitors from distant locations. Capital investment is also the only means of ensuring that a gaming property generates the maximum economic benefit for the region and state.

