

COMMONWEALTH OF PENNSYLVANIA

GAMING CONTROL BOARD

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IN RE: HARRAH'S CHESTER DOWNS MANAGEMENT COMPANY, LLC
BEVERAGE ON DEMAND

* * * * *

PUBLIC HEARING

BEFORE: Gregory C. Fajt, Chairman
Raymond S. Angeli, James B. Ginty,
Keith R. McCall, Anthony C. Moscato,
Gary A. Sojka, Kenneth I. Trujillo; Members
Christopher Craig, Representing Robert M.
McCord, State Treasurer
Daniel Tufano, representing Acting
Secretary of Agriculture, George Greig
Robert Coyne, representing Acting Secretary
of Revenue, Daniel Meuser
HEARING: Wednesday, March 23, 2011
10:37 a.m.
LOCATION: Public Utility Commission
Keystone Building
400 North Street, Hearing Room 1
Harrisburg, PA 17120
WITNESSES: Ron Baumann, Michael Cruz

Reporter: Cynthia Piro Simpson
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CHAIRMAN:

OEC, I assume that only lawyers will be
testifying on your behalf today? You don't have any
non-lawyers testifying in this matter today?

ATTORNEY MILLER:

Not at this point.

CHAIRMAN:

Okay. Thank you. If we could have the
non-lawyers from Harrah's please stand and be sworn
in.

WITNESSES SWORN EN MASSE

CHAIRMAN:

Thank you. Welcome. Again, just a
housekeeping matter. Before beginning, if you could
please state and spell your name for the stenographer,
and with that, Harrah's, you may begin.

ATTORNEY DOWNEY:

Thank you, Mr. Chairman. For the record,
I'm Bill Downey, D-O-W-N-E-Y. I'm with Fox Rothschild
representing Harrah's Chester. With me today is Ron
Baumann, who is Senior Vice-president and General

1 Manager of Harrah's Chester. Mr. Vito Nardelli is
2 also with me. Frankly, he's here on the next matter.
3 I probably should have him come up and be sworn in
4 now.

5 We're here this morning with the ---
6 essentially at the invitation of the Board to present
7 on our proposed Beverage on Demand system. As such,
8 we don't really have anything to ask of the Board.

9 It is our intention at this point that we
10 would make a presentation to you, but have Ron Baumann
11 take you through that presentation, including Ron's
12 presentation, and then so that you can get a couple of
13 points of where we are with respect to where we've
14 been through staff and also where we've been with
15 Liquor Control with that. I'm going to ask Ron to
16 offer you a presentation.

17 -----
18 RON BAUMANN, HAVING BEEN PREVIOUSLY SWORN, TESTIFIED
19 AS FOLLOWS:

20 -----
21 MR. BAUMANN:

22 Good morning, Mr. Chairman. Good
23 morning, Commissioners. Thank you for the time this
24 morning. I am going to ---.

25 OFF RECORD DISCUSSION

1 CHAIRMAN:

2 Just, again, for the audience, this is
3 not scheduled as a contested matter. OEC will not be
4 doing a formal presentation today in response to
5 Harrah's presentation, but we've asked OEC to come to
6 the front of the room in case the Board has any other
7 questions. But again, Mr. Baumann, if you could
8 please state and spell your name for the stenographer
9 and then you may begin.

10 ATTORNEY MILLER:

11 And Mr. Chairman, my name's Dale Miller,
12 D-A-L-E M-I-L-L-E-R, the Deputy Chief Enforcement
13 Counsel. The OEC itself, personally, has viewed all
14 the materials to be presented today. We've discussed
15 this with Harrah's and had an in-depth review of the
16 presentation prior to today.

17 CHAIRMAN:

18 Thank you.

19 MR. BAUMANN:

20 Good morning. My name is Ron Baumann. I
21 am the Senior Vice-president and General Manager of
22 Harrah's Chester.

23 OFF RECORD DISCUSSION

24 MR. BAUMANN:

25 B-A-U-M-A-N-N. Good morning. We are

1 here today to provide an overview of our Beverage on
2 Demand ordinance. Beverage on Demand is actually an
3 enterprise wine application that's being employed
4 across the various Harrah's properties. It's actually
5 a small piece of a bigger system that we refer to as
6 Total Touch, which is actually an interactive
7 marketing system that takes place at the slot machine,
8 and it also offers various levels of service.

9 One of those services is the ability to
10 permit your beverage service. From a hardware
11 perspective, that actually is a shot at the screen
12 that you see up there (indicating). It is a touch
13 screen that will be actually inserted into slot
14 machines and can replace the existing two-line levers
15 that we currently have.

16 It will give us and the guests the
17 ability to redeem offers of that game, to check their
18 balances or accounts and again, to access various
19 services from slot codes to gaming codes to beverage
20 services or any other service interactions that they
21 so achieved at the game. The contention from the
22 service perspective is to improve service and reduce
23 waiting times that you'd wait for a slot attendant, a
24 host or a beverage server.

25 The system also has the ability to

1 prioritize service by tier. As you know, at Harrah's
2 Chester we have various levels of player rewards in
3 our total return --- or total reward system. This
4 allows us to actually tailor services by tier.
5 Beverage ---.

6 The BOD beverage application is actually
7 enhanced into our existing system. We currently have
8 a system that we refer to as BARS at the slot machine.
9 The BARS simply is a system where the guests sit down
10 at a game, they press a number three and a server
11 appears at the slot machine and takes the beverage
12 order. This system will replace that system with
13 something that's a little bit more robust, very much
14 more interactive in the way that people used to
15 remotely order in today's environment.

16 A quick overview of the process, and then
17 we'll give you a summary of each one of these. The
18 guest patron sits down at the game and inserts their
19 card or presses a button if they don't have a card and
20 says, I would like to order a beverage. The beverage
21 order actually then goes back into the beverage well.
22 The server goes, kind of swipes their card, prepares
23 the order from the bartender, then takes the order out
24 to the guest.

25 The server then interacts with the patron

1 as they normally would. We do ID checks. Anybody
2 under 30 is our policy. We have a traffic light
3 system for responsible gaming that we'll talk through
4 in a second. The guest then verifies that this is the
5 order that the guest so desired, and then they deliver
6 that order.

7 Okay. So the first screen, when they sit
8 down, there's two ways a guest can order. They have a
9 card, which means they're part of our total rewards
10 system, or they do not have a card, which is an
11 enhancement to our current system. Right now if you
12 do not have a card, you cannot access our BARS system.

13 This (indicating) is the actual screen
14 that appears, so if you're a carded guest, you'll see
15 a selection that says, would you like slot services,
16 beverages? Do you want to look at my account or do
17 you want to go to my bank? If you're an un-carded
18 guest, you simply say I'm looking for a beverage or
19 slot service.

20 They then push one of those buttons. A
21 menu comes up, and this is an example of a menu. You
22 see on there different choices, non-alcoholic, beer
23 and wine, liquor. In this case, this individual is
24 pressing beer and wine. You then go down and it gives
25 you selections of beer, you know, bottled beer. You

1 would hit bottled beer. You then move up to the right
2 there, and it says Corona, if you want Corona, and
3 other selections and verifies that, you know, you
4 ordered the Corona.

5 We have various policies on whether ---
6 if that's provided complimentary or by charge. In
7 this case here, it's one done by charge. We also have
8 the ability to order non-alcoholic. Non-alcoholic,
9 same principle. You press, I'm looking for a non-
10 alcoholic beverage. It then gives you a selection of
11 those beverages, tea, decaf, coffee, soda, water
12 juice. In this case the individual is choosing green
13 tea. Verify. Are you looking for green tea? Yes.
14 And then it sends that order to the various servers.

15 Non-alcoholic beverages are provided
16 complimentary at Harrah's for everyone. We also have
17 three self-service stations, soda stations on the
18 floor for non-alcoholic beverages. And that is the
19 primary beverage that we serve. Once the drink is
20 ordered, it goes into the beverage well, where the
21 bartender resides, and sits in queue.

22 The server then goes into the bar, swipes
23 their server card and the orders for the particular
24 area or section come up, and it indicates that
25 individual. If they're a carded player, it will show

1 the name of the player and it will also show the price
2 that they're going to charge, depending on the tier of
3 that player.

4 The server then receives those drink
5 orders from the bartender and proceeds out to the slot
6 machines and/or ticket that they see. You see on
7 there it actually has the name of a customer if they
8 are a card player and what their tier status is.

9 Out at the customer station we actually
10 tell the customer, once the server swipes, that your
11 beverage is on the way. Players like to move from
12 game to game and they actually stay there for about an
13 average of seven minutes, and we try to deliver and
14 offer services within that window of opportunity
15 before they journey onto another product.

16 So this allows them --- or allows us to
17 say, hey, we're coming, an enhanced level of service,
18 so you know that the order that you pushed is actually
19 coming. And we remove any doubt that the system is
20 working, so to speak.

21 Once the beverage is ordered, there are a
22 --- there are a number of different ways, actually,
23 the order can be cancelled, so the guest does have the
24 ability to cancel an order at various times. They can
25 pull their card out and say, I'm getting ready to go

1 and then say ---. It'll say beverage --- do you still
2 want your beverage? They can say no or they can say
3 yes.

4 It can time out, and there's a number of
5 different ways that the beverage can be cancelled, so
6 all throughout the process the guest is in control of
7 when and how they receive the beverage and if they
8 want to change their mind or go to a different
9 location. And the cancel drink button then pops up.

10 Once the server is at the game, they go
11 through the exact same process that we go through
12 today, and most of that process centers around
13 responsible alcohol service. The server approaches
14 the patron, and the first thing they do is they verify
15 that they don't have any existing alcoholic drink.
16 Our policy is only one drink at a time.

17 The server will use the name. If it's a
18 card player, we now have the name of that player, so
19 we can say Mrs. Sally, Mrs. Smith, and check. If the
20 person appears under the age of 30, our policy is to
21 check for ID for anybody under the age of 30, whether
22 you're carded or un-carded and whether we know you or
23 don't know you from a prior visit.

24 The server then looks for signs of
25 intoxication. And we'll show you our traffic light

1 system. We have a traffic light system that we
2 employ. That indicates to the server whether to
3 proceed with the order, whether to question the order
4 or whether to cease an order --- or cease that
5 delivery.

6 And then at any --- if any of those signs
7 are yellow or red, the server then cancels the order
8 and does not deliver the drink, and then follow up on
9 policy in terms of refusal and verification with the
10 appropriate supervisor. If all goes well, the server
11 will collect the money or deliver the beverage if it
12 is a non-alcoholic drink.

13 At Caesar's Entertainment, we take very
14 seriously our stewardship of providing responsible
15 alcohol service. We actually have two programs that
16 we employ in the Commonwealth of Pennsylvania to make
17 sure that we are good stewards.

18 The first one is our CARE program ---
19 you'll see what the acronym will stand for up there
20 (indicating) --- that we employ at all Caesar's
21 Entertainment properties. This alcohol ---
22 responsible alcohol training program is conducted
23 during orientation.

24 We do it for all front of the house
25 employees who may interact in any way, shape or form

1 with individuals that may have consumed alcohol. And
2 that goes from the gaming floor all the way to the
3 valet. And the employee must pass this test before we
4 actually put them on the floor.

5 We also have the RAMP program in the
6 Commonwealth of Pennsylvania, and we are in full
7 compliance with this program and have been certified
8 since June 2009. Basically, this is an ongoing
9 program in training for us, where you have to ensure
10 that at least 50 percent of your employees are
11 certified under RAMP, and we are fully compliant with
12 that. So we've offered two programs, not just the
13 RAMP program, to ensure that we follow responsible
14 alcohol service.

15 This (indicating) is an example of what
16 our traffic signal looks like. We try to keep it very
17 simple and understandable for our employees. We
18 determine anybody ---. Red means you basically ---
19 you will not serve and you will stop any service in
20 progress immediately.

21 And some of the signs that we train the
22 employees on are, you know, unusual conduct, if
23 somebody might be hostile or the opposite, very, very
24 quiet compared to complaining, starts a fight, slow
25 reaction time. These are all examples of a --- the

1 program and its training, and we would absolutely
2 stop, get a supervisor, and then we have other things
3 that we enact.

4 Yellow is kind of our caution signal to
5 say, hey, just slow down. So maybe somebody becomes
6 more talkative or the opposite, becomes more
7 withdrawn. There's a slight alcohol odor. There's
8 other signs that we look for. In that case we cease
9 and then you grab a beverage supervisor and we'll go
10 through --- or we question the customer and search him
11 for signs of levels of intoxication. And green is our
12 indicator that everything is positive, and then we
13 continue with that service.

14 So you can see that the program we have
15 today is very, very similar to what we currently do.
16 It really is replacing or an iteration of our BARS
17 system. The one thing that doesn't change is the
18 server interaction with the customer. That is
19 something that is prevalent in our organization, and
20 we value that interaction, not only from a responsible
21 alcohol standpoint but from a service standpoint.
22 We're a company built on service, and it's a big piece
23 of our service initiative for the coming year.

24 ATTORNEY DOWNEY:

25 Mr. Chairman, I'd like to take a moment

1 to take Mr. Baumann through a couple quick questions.

2 CHAIRMAN:

3 Okay.

4 ATTORNEY DOWNEY:

5 Mr. Baumann, it's a matter of public
6 record before this Board that Harrah's Chester is an
7 indirect subsidiary of Caesar's Entertainment
8 Corporation. Is it a fair statement to suggest that
9 Caesar's Entertainment Corporation invokes substantial
10 attention and effort in assessing the satisfaction of
11 its patrons?

12 MR. BAUMANN:

13 Yes, we spend an enormous amount of time,
14 effort, energy in understanding customer behaviors and
15 what drives customer service.

16 ATTORNEY DOWNEY:

17 And do you have knowledge of any customer
18 assessments that would indicate a relationship --- a
19 direct relationship between customer satisfaction and
20 beverage service as it's executed on the gaming floor?

21 MR. BAUMANN:

22 Yes, we know there are four key area ---
23 four highly correlated services to the overall
24 experience that a customer views at a gaming facility.
25 And beverage service is, generally speaking, the

1 number one or number two most highly correlated
2 service that customer's looking for.

3 ATTORNEY DOWNEY:

4 You indicated that --- during your
5 testimony that a determination regarding a
6 complimentary versus a for-pay beverage is a decision
7 made according to policy. Is it the case that those
8 policies are all guided and governed by the standards
9 established by the Liquor Control Board?

10 MR. BAUMANN:

11 Yes, they are.

12 ATTORNEY DOWNEY:

13 Mr. Chairman, I don't have any further
14 questions. I would just like to make one note, two
15 notes, maybe. First, with respect to the software
16 that runs this system, we've worked relatively
17 excessively with your staff, and in particular with
18 your lab to demonstrate that this software package,
19 although it runs across the slot system, is in fact a
20 stand-alone component of the system. So specifically,
21 there is no interrelationship between the gaming
22 element and your customer service element here.

23 I think that ---. I think I can fairly
24 characterize your lab's response as signing off on
25 that concept, that it basically said, we've looked at

1 this. We take no position on this. This is not a
2 gaming component, so to speak.

3 The second point I'd make to you is that
4 we have been working with your folks with respect to
5 our internal control package. That's well underway,
6 subject to our dialogue with you today. We expect
7 that that would be resolved and that this package is
8 ready to implement subject to any discussion we have.

9 And then, finally, I have delivered to
10 both BIE and to your Counsel an advisory opinion that
11 we obtained back in 2008 from the Liquor Control Board
12 on this subject, confirming that in fact this is not
13 an issue. Liquor Control Board has no issue with the
14 notion of ordering a beverage, be it alcohol or
15 otherwise, from a slot machine.

16 In particular, they cited ---. The
17 letter will speak for itself. I will point out, in
18 particular, the letter cites the notion that the
19 legislation specifically contemplates the ability to
20 be comped a beverage while in play as the basis for
21 their conclusion that in fact ordering at the machine
22 is an acceptable methodology. With that, we'll
23 entertain any questions you might have.

24 CHAIRMAN:

25 Thank you. Commissioner Angeli.

1 MR. ANGELI:

2 Just a question about your red, yellow
3 and green system. The responsibility for making that
4 call is on the server when they show up at a machine?

5 MR. BAUMANN:

6 Yes, the server will do the --- read the
7 guest, and then through the various training
8 initiative, that's how we teach them to make their
9 reads, and the server will then advise us if it's a
10 yellow or red.

11 MR. ANGELI:

12 And there's nothing on the machine that
13 hits a button that says it's red, yellow or green?

14 MR. BAUMANN:

15 No.

16 MR. ANGELI:

17 So then the server goes back and just
18 makes that call to the bartender, and then ---?

19 MR. BAUMANN:

20 The server ---. If it's a situation
21 where the server is questioning whether the individual
22 was ready to receive another alcoholic beverage, the
23 server would immediately contact their supervisor.
24 Supervisors are accessible through various means. And
25 then the supervisor would come over and aid that

1 particular server, but they would not serve the drink
2 and contact the supervisor. That's the way it would
3 work.

4 MR. ANGELI:

5 I'm just curious, an impression on a
6 person, the waitress or waiter at the machine whom
7 makes that call who ---? So they go back to the
8 supervisor, and that's where the assistance comes in?

9 MR. BAUMANN:

10 Yes, yes.

11 ATTORNEY DOWNEY:

12 And I'll just point out, that's
13 consistent with current policy and practice. That's
14 not ---

15 MR. ANGELI:

16 Right.

17 ATTORNEY DOWNEY:

18 --- a change in that.

19 MR. ANGELI:

20 I understand that. I just ---. I didn't
21 know if somebody hit a button and then all of a
22 sudden, you know, the machine says red and you have to
23 walk by somebody to ---. Thank you.

24 CHAIRMAN:

25 Commissioner Ginty?

1 MR. GINTY:

2 Do you have any statistics, Ron, how your
3 servers execute this? I mean does it really happen or
4 do they cut people off on any regular basis?

5 MR. BAUMANN:

6 We do track informally if somebody's cut
7 off. We do have reports that we file, but we don't
8 coordinate or actively collect that data. But we do
9 collect at the end of the shift if there was an
10 individual that was --- you know, Mr. Smith was
11 refused service. And we do log it. We do make sure
12 that the information gets across the property, so that
13 the individual doesn't show up at another location.
14 But we don't collect it and date them on that data, if
15 that's your question.

16 MR. GINTY:

17 My question really goes to the fact, does
18 this window address and --- or does it really happen?

19 MR. BAUMANN:

20 No, it really happens.

21 MR. GINTY:

22 I guess I was not aware of the extensive
23 --- what appears to be the extensive involvement of
24 the Liquor Control Board. Can you kind of outline
25 what their regulations are with respect to the serving

1 of alcohol in casinos?

2 MR. BAUMANN:

3 Yeah. I mean I'm not going to profess to
4 be an authority on every rule or regulation of the
5 Liquor Control Board, but the basic policies are ---
6 one is the RAMP program and certification and
7 responsibilities that would have underneath that. Two
8 is the timing of when and when you would serve
9 alcohol. If there's a two o'clock cut-off and a
10 different time by which we're allowed to offer
11 alcoholic beverages, and we follow those policies and
12 guidelines to the utmost.

13 They also regulate our ability to do the
14 promotional aspects of beverage off the casino floor.
15 No more looking for sales. And there are many, many
16 rules and regulations surrounding the promotion of
17 those types of beverages. And we obviously would seek
18 legal counsel if we're getting into detail on
19 something like that, because they are pretty robust in
20 terms of their rules and regulations within the
21 statute.

22 ATTORNEY DOWNEY:

23 Commissioner, I'd like to make a broader
24 view in response. We are generally bound by the
25 Liquor Control Board statute and by their regs. As

1 you know, the Act itself, at the time of adoption and
2 Section 711 came on, has made a couple of switches, a
3 couple of changes in respect to the normally
4 applicable elements of the statute. But as a general
5 principle, we are bound by the rules that apply to
6 other alcoholic beverage licensees of the
7 Commonwealth.

8 MR. GINTY:

9 And I guess what I was really interested
10 in is the provision of creative complimentary drinks
11 and what their role is in that aspect.

12 ATTORNEY DOWNEY:

13 Yeah, I think the Act was ---. The Act
14 modified and specifically called out --- and again,
15 when table games brought online --- called out the
16 fact that while in play, complimentary beverages were
17 allowed. That was a proviso specifically for purposes
18 of this, but we are subject to their standard comp
19 policies, the same policies of the Liquor Control
20 Board.

21 MR. GINTY:

22 And I guess I was unaware, but that is in
23 the Act itself?

24 ATTORNEY DOWNEY:

25 Yes.

1 MR. GINTY:

2 Thank you.

3 CHAIRMAN:

4 Commissioner Angeli?

5 MR. ANGELI:

6 Do you have the ---? Is there a tracking
7 capability on this? In other words, if somebody ---
8 the machine turns up the code red because that person,
9 you know, has had too much to drink and you're not
10 going to serve them anymore, do you have the ability
11 to track that person at that machine spending an
12 inordinate amount of money gambling?

13 MR. BAUMANN:

14 Let me just make sure I understand your
15 question. Are you asking, can I determine the amount
16 of spend the customer had at a given slot machine?

17 MR. ANGELI:

18 Yes, in particular a slot machine where
19 you cut off the liquor.

20 MR. BAUMANN:

21 No, I could determine the amount of some
22 of the games at a slot machine. Most certainly. I
23 mean that's part of what we do. But the ability to
24 interact that along with alcohol consumption is not an
25 ability that we have that I'm aware of.

1 MR. ANGELI:

2 I'm trying to look at long term
3 statistics, if you see people who are cut off and you
4 find out that people who, you know, use too much
5 alcohol and you cut them off are spending an
6 inordinate amount of money at those particular slot
7 machines, I guess. Just a statistic I think I'm
8 interested in.

9 ATTORNEY DOWNEY:

10 Commissioner, I think I can tell you, and
11 we have a technical person with us. But I think I can
12 tell you, categorically, we don't flag the customer.
13 For lack of a better term, their cut-off doesn't go on
14 a permanent record. You know, we're not flagging them
15 and maintaining that as a record in the system.

16 ATTORNEY MILLER:

17 Which I would add that it is against
18 regulations to allow --- for a facility to allow a
19 person to game at a slot machine while intoxicated, so
20 if they find that a patron has been ordering too many
21 drinks or is in fact intoxicated, they have the duty
22 to shut them off. They can't play anymore. And if
23 they allow them to play while intoxicated and take
24 advantage of that, then they got a problem with us.

25 MR. GINTY:

1 Okay. Thank you.

2 CHAIRMAN:

3 Commissioner Sojka.

4 MR. SOJKA:

5 Yes. I'm fully aware that much of what
6 we're going to be talking about resides with the
7 Liquor Control Board and you folks and that we're
8 pushing up against that. But in my mind there's no
9 question that this issue of distribution of alcohol
10 does affect at least three things that clearly are
11 within our bailiwick. The first one ---. By the way,
12 this is going to be ---. I don't wish to wax Biblical
13 here, but this is a new technology and it provides new
14 opportunities, and I'm always reminded of that tree in
15 the garden which had the odd name called the Tree of
16 the Knowledge of Good and Evil. And I can see the
17 good, and you've told us. But I think you're seeing
18 that some of us are a little suspicious about the
19 potential evil.

20 One has to do with something that's
21 clearly in our purview. You're talking about the fact
22 that this adds an efficiency and hence, improves
23 customer relationships. I would call that a good.

24 But often in the workplace when we see
25 efficiencies brought about by technology, the end

1 result is a reduction in labor force, and that would
2 mean a reduction in jobs. Does this efficiency that
3 you're obtaining here ---? Is it going to have a
4 potentially negative impact on the number of jobs
5 occupied by cocktail servers?

6 MR. BAUMANN:

7 We have deployed this system, I believe,
8 in six, seven or eight locations, and we have ---
9 eight different locations. And we have seen no job
10 loss of that result.

11 If anything, you know, we've increased
12 our ability to meet some demand that we weren't
13 currently capturing before. You know, most notably,
14 on the customers that don't have cards, we weren't
15 doing a good job at getting them the diet Coke or
16 whatever they wanted. We were doing a fairly good job
17 with the coded players. So it's actually increased
18 the ability of a server to serve, and we've seen
19 absolutely no job loss as a result of this from a
20 server, bar holder or bartender perspective.

21 MR. SOJKA:

22 I mean that's encouraging, and clearly
23 that's an area that we're going to ---. You can tell
24 we're going to look at that, because one of the things
25 that justifies bringing the gaming industry to

1 Pennsylvania is the creation of jobs, and I'd hate to
2 see it become so efficient, we don't need any
3 people ---

4 MR. BAUMANN:

5 Okay.

6 MR. SOJKA:

7 --- or we need many fewer of them.

8 Another good and evil paradox here --- and I have
9 experienced this in my own life as a university
10 official --- you're gaining information about
11 practices of your customers, and we've touched on how
12 that can be a good. You can be --- you have an
13 additional independent way of beginning to assess that
14 someone has had too much to drink, and it could make
15 you and hopefully will make you better at making sure
16 your customers don't abuse alcohol to the point where
17 they become incapacitated. And I think that's a good.

18 But as a university official, I knew that
19 when I gained knowledge about how someone might
20 misbehave and then they did misbehave, I was
21 substantially more culpable and certainly more
22 vulnerable. Are you concerned about liability issues
23 as you learn more about your customers? If one of
24 them does consume too much alcohol, maybe leaves your
25 premises, does damage to someone else, are you now

1 going to be essentially more liable?

2 MR. BAUMANN:

3 I don't see our liability changing from
4 where it is today in our current system to where we're
5 headed to tomorrow. I think the overall liability is
6 pretty much the same as the system is not overly
7 different. All that really changes is we're offering
8 an interactive, more dynamic way of ordering your
9 beverage versus number three.

10 MR. SOJKA:

11 But that's document-able information that
12 can be related to someone's consumption. If you miss
13 a cue and that person hurts someone and their --- and
14 the representative of that injured party wants to go
15 for a deep pocket, they might be able to point and
16 say, why didn't you know better? I think you need to
17 be alert to that.

18 The final piece, again, has a good and
19 evil part from my --- in my way of thinking. And it
20 touches on Commissioner Angeli's question and a little
21 bit on Mr. Miller's response. And I see also we have
22 a member of our laboratory staff here. I've been
23 doing a lot of outside reading recently about the
24 burgeoning field of business analytics. And if you
25 have a largely expanding database, the things that a

1 good data miner with analytic capacities can do with
2 that is shocking.

3 And the fact that you wouldn't serve
4 someone who is intoxicated is fine, but that doesn't
5 put my mind at ease. What I would need to be
6 comfortable with is how firm is that firewall between
7 your information about consumption and the information
8 about someone's playing practices?

9 If you can begin to think about what
10 could be done here, it's not that ---. I think where
11 Commissioner Angeli once said, well, you know, if
12 somebody gets drunk, and you suddenly find out they're
13 spending a lot more money, a good data miner could be
14 substantially more sophisticated than that. Like, for
15 example, what happens when player A begins to shift
16 away time after time from his lemonade to a scotch and
17 soda? Does that indicate that his gaming is going on?

18 So the things you do there are scary to
19 me. So the issue for me becomes the firewall. How do
20 you keep consumption information totally separate from
21 playing information? The two, I believe, could be
22 merged, could they not? If you wished to. They're
23 data points. You could put them together if you
24 wanted to; all right?

25 MR. BAUMANN:

1 I have to be honest. In terms of the
2 ability of Total Touch to capture that discreet of the
3 data, I'm not familiar with the full authority that's
4 underneath the system.

5 MR. SOJKA:

6 We know the drinking habits of the
7 customer that puts their player card in there.

8 MR. BAUMANN:

9 Assuming that that date is captured
10 somewhere in the system and it resides and is stored.
11 I just don't know that. Nor is it something that,
12 quite honestly, we're interested in. We have no
13 desire to associate the two, nor have we ---.

14 MR. SOJKA:

15 And I'm not questioning that at all,
16 because I know the reputation of the firm, and I can
17 tell from your discussion. I'm just concerned about
18 the potential. You're now developing potential data
19 that can be captured.

20 We know that you're already capturing the
21 data on the player card in terms of, for example,
22 determining levels. You testified to that already
23 today. We know that you can look at people's gaming
24 behavior through that player card, and that same
25 player card is now also giving you another data screen

1 which you guys may not be capturing.

2 But how do we know that others won't and
3 that that firewall might be breached and that somehow
4 some very effective business analytical expert can't
5 begin to put together consumption patterns and gaming
6 patterns which might not be in the best interests of
7 the public in Pennsylvania. That's my good and evil
8 concern here. And I don't think I'm in a position to
9 say yea or nay on it, but I want that out in public,
10 that this is something you should all be alert to,
11 because the potential for going awry, I think, is
12 there.

13 MR. BAUMANN:

14 Okay. You know, there's a potential for
15 either good and evil; right, in anything that's out
16 there in the world? I can only speak to the company
17 that I work for and myself as a leader in the property
18 that I take the care of customers very, very
19 seriously. And we have a business model and things
20 that --- the evil part of what you brought up, it's
21 not part of our business model.

22 And you know, and I think the level of
23 alcohol consumption is somewhat, somewhat overstated
24 or misunderstood. The most recent data we have, at
25 the end of 2010, 80 percent of what was consumed was

1 non-alcoholic, 80 percent. So I think people look at
2 that consumption differently. Eighty (80) percent is
3 non-alcoholic. That's my point.

4 MR. SOJKA:

5 So you've obviously collected the data.
6 You're telling me 80 percent, and frankly, I'm happy
7 to hear that, but this is the kind of thing that
8 happens. You're collecting data and you can do things
9 with it, and hopefully, because you're the company you
10 are with the reputation you ---. Now, my concerns
11 really don't go specifically to you. They go to the
12 potential of the industry.

13 MR. BAUMANN:

14 That's fair enough.

15 MR. SOJKA:

16 Because that data can be collected.

17 MR. BAUMANN:

18 Right. And that's just normal purchasing
19 data; right? That's not customer data. That's
20 purchasing data.

21 CHAIRMAN:

22 Commissioner Trujillo.

23 MR. TRUJILLO:

24 Thank you, Mr. Chairman. I'm going to
25 leave the garden of good and evil and go back to the

1 cold comfort of my statutes. And following up on some
2 of the questions of Commissioner Ginty, and I'll
3 confess I don't have as much experience in working
4 with beverages as these new folks and whatnot.

5 And this actually goes both, Mr. Downey,
6 to you and Mr. Miller. I'm just curious, on this
7 product, what jurisdiction do you actually have? Not
8 necessarily ---. I know there are a lot of --- in
9 fact you can find 100 ways of not only influencing but
10 finding places where the use of this product may
11 actually cause issues that we do have --- certainly
12 would have jurisdiction on this.

13 But I'm still trying to figure out
14 whether if tomorrow Harrah's decided that it was going
15 to implement it, and if we --- and it was compliant in
16 all respects with the Liquor Control Board regulations
17 and law, do we have jurisdiction? Do you need our
18 approval to implement it? And I'd just like to hear
19 from both of you on that.

20 ATTORNEY DOWNEY:

21 Thank you, Commissioner. I think in the
22 first instance, you know, it's obviously an issue that
23 we look at pretty closely. And we're not clear that
24 you do have jurisdiction in the first instance. What
25 we are clear on is that the Gaming Act contemplates

1 that the liquor statutes will be applicable subject to
2 some variations on the fee, but that as a general
3 matter, liquor statutes are applicable in the casino
4 property.

5 Those same rules extend outside of the
6 casino property into areas otherwise characterized as
7 non-licensed areas. If you're in the facility, for
8 all intents and purposes, you're okay, but you're
9 operating under those laws.

10 There are changes made to deal with
11 things, and most recently in 711, the three strikes
12 rules is the most obvious example. There were changes
13 made to address the sort of practical realities of
14 what happens in the gaming business and the constant
15 one at the front door, but we've had this
16 conversation, unfortunately, in other contexts, where
17 you've got the minors ---. Back to the garden of good
18 and evil, we're chasing the forbidden fruit.

19 You know, you're in the position where
20 you're going to play defense, and frankly, you're
21 going to get dinged and we're going to have this
22 conversation. In that context, BIE also was clearly
23 charged with addressing those issues. BIE is
24 responsible to ensure that we comply with the code.

25 Then we start to move into the blurry

1 line. There's a provision that puts into your control
2 the opportunity to adopt regulations that relate to
3 all things operational. And in that context there is
4 a reference to your ability to work cooperatively with
5 the Liquor Control Board to adopt regulations and to
6 adopt regulations relating to service, sale of
7 alcoholic beverages. I don't think we're in that area
8 at this point.

9 I mean it's certainly your --- certainly
10 a myriad, as you pointed out, a myriad of ways that
11 you could get to this. And frankly, you know the
12 company and they're not just going to do wrong on
13 anybody in this context, but ---. And that's why
14 we're here today. But I think that the fact of the
15 matter remains that in the first instance, it's not
16 clear that you have --- that we could construct this
17 in a manner, simply, anyway, that would put
18 jurisdiction squarely in front of you to address this
19 issue.

20 MR. TRUJILLO:

21 Thank you. Mr. Miller?

22 ATTORNEY MILLER:

23 In fact, a couple questions. You said,
24 Mr. Downey, that this is a non-gaming issue, and my
25 question with relation to that is, is there any

1 possibility that the person touching the screen or
2 ordering the drink could in any way interfere with the
3 central control computer system which calculates the
4 amount of taxes, the amount of revenues generated by
5 that machine?

6 ATTORNEY DOWNEY:

7 Okay. Pretty clearly, the answer is no.
8 That's subject to one important caveat. No. Anybody
9 could do something; right? You get a server who goes
10 up and pops the play button. In the ordinary course,
11 the answer is no, and as to the ordinary execution of
12 their function, the answer is no.

13 ATTORNEY MILLER:

14 Okay. Now, when a person pushes the
15 button or touches the screen to order a drink, is
16 there any mechanism within this system or the software
17 that would prevent the ordering of a drink if a person
18 makes a mistake too many times within a certain period
19 of time, which might indicate that he is intoxicated?
20 In other words, if I'm trying to order a drink and I'm
21 drunk, and I'm pushing the wrong button, is the
22 machine going to cut me off at some point if I do it
23 wrong?

24 ATTORNEY DOWNEY:

25 No, I'm not aware of any such function.

1 No.

2 ATTORNEY MILLER:

3 Is it your testimony that ordering this
4 drink through the computer screen is basically the
5 same as a customer raising his hand and asking a
6 server to come over to the chair?

7 ATTORNEY DOWNEY:

8 The testimony was my client's, who I'll
9 defer to on that one.

10 MR. BAUMANN:

11 Yes, it's a different channel for the
12 same purpose. And you know, it's actually a more
13 passive system than somebody walking around today
14 yelling, beverages, beverages, beverages. It's
15 actually more passive.

16 ATTORNEY MILLER:

17 Right. And it's your testimony that when
18 the button's pushed, a drink is ordered, the server
19 has to come there without a drink before the person
20 can receive a drink? In other words, he doesn't just
21 walk over with the drink he's ordered; is that right?

22 MR. BAUMANN:

23 The way that ---. That's not correct.
24 The way it works is the customer would sit right in
25 front of this system today.

1 ATTORNEY MILLER:

2 Right.

3 MR. BAUMANN:

4 The way Total Touch works is the customer
5 would sit at the game, if they're a carded player, and
6 they would insert a card, said, yes, I would like a
7 beverage. The screen pops up. Say, yes, I would like
8 a diet Coke. The server then brings the diet Coke to
9 the game, and that's when the person --- the current
10 system is I want a service and I show up and then ---
11 what would you like? Then I go back.

12 The difference with this system is it
13 eliminates that last step. The server now comes out
14 with the diet Coke and says --- looks at you, go
15 through the green, yellow, all those indicators and
16 then offers you that diet Coke.

17 ATTORNEY MILLER:

18 So if the person orders a drink and the
19 person's intoxicated, and the server comes to the
20 table and the server's holding the drink and
21 determines the player is intoxicated and refuses the
22 drink, she's holding the drink. He could grab it; is
23 that right?

24 MR. BAUMANN:

25 That's a potential. More likely, though,

1 is because it is the same server serving the same
2 customer, they would've already enacted some form of
3 interjection into that process, so I'm not going to
4 say that that's not impossible where you're going.
5 But because we keep the same servers and the same
6 patron --- the same customer, primarily, so that we
7 can follow the customer and the server gets to know
8 the customer, the most likely indicator of that, there
9 would've been a stop in that process before.

10 ATTORNEY MILLER:

11 Okay. Is there any software that would
12 allow the machine to prevent the ordering of a drink
13 after a certain number of orders within a certain
14 period of time?

15 MR. BAUMANN:

16 No, not that I'm aware of.

17 CHAIRMAN:

18 Commissioner Moscato. Oh, I'm sorry.
19 Commissioner Trujillo.

20 MR. TRUJILLO:

21 Mr. Miller, I still ---

22 ATTORNEY MILLER:

23 Yes, sir.

24 MR. TRUJILLO:

25 --- wanted a response from you on your

1 view of our jurisdiction today.

2 ATTORNEY MILLER:

3 I think Mr. Downey's correct. It's a big
4 cloud. We work with the LCB. Clearly, if a person is
5 gaming while intoxicated, that's where we would
6 certainly come in there. But the Liquor Control Board
7 has control of this. We work with them on these
8 systems, but I mean I think his view is correct.

9 MR. TRUJILLO:

10 Thank you.

11 CHAIRMAN:

12 Commissioner Moscato.

13 MR. MOSCATO:

14 Thank you, Mr. Chairman. One quick
15 question. This device, can it be fitted or
16 retrofitted on all makes and models of machines?

17 MR. BAUMANN:

18 Yes. I mean there may be an oddball
19 machine I'm not familiar with, but it basically can be
20 ---. The slot video display unit, which is a piece of
21 hardware for RGT, can fit all games as I know them.

22 MR. MOSCATO:

23 Thank you.

24 CHAIRMAN:

25 Commissioner Ginty.

1 MR. GINTY:

2 Just a couple follow-up questions. Mr.
3 Miller, I believe you stated that, in answer to
4 Commissioner Trujillo's question, that you may not
5 have jurisdiction over this. And yet in your
6 presentation you indicated that the system would still
7 be subject to internal control?

8 ATTORNEY MILLER:

9 Well, we can't allow anything to
10 interfere with the reporting of the play of the slot
11 machine. If this in any way does that, then, of
12 course, I think they've got a problem and they have to
13 prove that it does not ---.

14 MR. GINTY:

15 But I guess what I'm getting at, if for
16 some reason or other the casino or --- somehow or
17 other is abusive to, you know, the gaming customer or
18 presents a ---? I mean we still have full authority.
19 I mean I could step in and correct that?

20 ATTORNEY MILLER:

21 Yes, sir. I mean it's the same as if a
22 customer or player at a slot machine grabs a server
23 off the floor and demands a drink or something like
24 that, that sort of thing, yes.

25 MR. GINTY:

1 I mean we can monitor the system, we can
2 make a determination, you know, whether this is
3 somehow abusive to the gaming, and if so, I assume you
4 all will bring some kind of action and we would have
5 to rule on it, and we would have the authority to put
6 an end to it?

7 ATTORNEY MILLER:

8 If it's inimical to gaming, you control
9 all gaming.

10 MR. GINTY:

11 All right. One last question, Mr.
12 Downey. You're in, you said, eight places. Is that
13 eight jurisdictions in which you're ---?

14 ATTORNEY DOWNEY:

15 Yeah, we are in Rincon, California; Ak
16 Chin, Arizona; three different sites in Mississippi;
17 two sites in Indiana; New Orleans; Windsor, Ontario.
18 And we're in the process of deploying in the State of
19 New Jersey, I believe in April.

20 MR. GINTY:

21 Now, did any of those jurisdictions have
22 jurisdiction over this system?

23 ATTORNEY DOWNEY:

24 Yes, it does, Commissioner Ginty. New
25 Jersey did have jurisdiction. And just to make it

1 very simple, New Jersey ---. In the enactment of the
2 Gaming Act in New Jersey, control about the malt
3 beverage issues was placed squarely in the hands of
4 the Casino Control Commission so that they act both as
5 the licensing agency for casino operations and the
6 licensing agency for alcoholic beverage issues. As
7 you may recall, that was an issue that was debated in
8 Pennsylvania. Ultimately, Liquor Control Board
9 retained jurisdiction.

10 That is not the case in New Jersey.
11 While Jersey would pull through certain of the ranks
12 and certain rules, it is the Casino Control
13 Commission's responsibility to implement and execute
14 all the ---. All the things that your LCB does, the
15 Casino Control Commission does in New Jersey.

16 MR. GINTY:

17 And are you before the New Jersey Board
18 now or what's the status of your ---?

19 ATTORNEY DOWNEY:

20 It has been approved for implementation
21 and they are now in the process of executing
22 implementation.

23 MR. GINTY:

24 Thank you.

25 CHAIRMAN:

1 Mr. Craig?

2 MR. CRAIG:

3 I just have a couple questions, just to
4 kind of get a better understanding of the product. If
5 I understand it correctly, this is sort of the
6 direction of the industry overall. You would expect
7 most gaming venues that could afford this to implement
8 a similar system?

9 MR. BAUMANN:

10 I certainly can't speak for all the
11 competitors, but the use of a slot video display unit
12 for various services is a trend in the industry.

13 MR. CRAIG:

14 And from your perspective, at least, or
15 for industry participants, this is a pretty important
16 --- or at least this is a marketing tool that allows
17 you to provide maybe ease of service or additional
18 amenities to players, ---

19 MR. BAUMANN:

20 Yeah, I mean ---.

21 MR. CRAIG:

22 --- customers?

23 MR. BAUMANN:

24 Yeah, if we're talking about the
25 application in its entirety, which we refer to as

1 Table Touch, there is a very strategic marketing
2 component to it and then there is a service piece to
3 it, which will allow us to elevate the level of
4 services that we offer from slot service to beverage
5 service to host service and other forms of service.

6 MR. CRAIG:

7 And you mentioned earlier in your
8 testimony --- and I guess I didn't fully understand
9 it. You talked about a BARS system?

10 MR. BAUMANN:

11 Uh-huh (yes).

12 MR. CRAIG:

13 What is that?

14 MR. BAUMANN:

15 That's our current beverage system. We
16 refer to it as BARS. I don't remember what the
17 acronym stands for, Beverage something. But
18 basically, it operates off of a push-button. So
19 currently, a guest could come in and push the number
20 three for beverage service, and that's what makes a
21 beverage server appear.

22 MR. CRAIG:

23 Is that, like, on the ---?

24 MR. BAUMANN:

25 It's on the slot display.

1 MR. CRAIG:

2 It's actually on the gaming units?

3 MR. BAUMANN:

4 The same touchpad that we use for other
5 functions, slots, the same that we use for jackpots
6 and all that type of transactions.

7 MR. CRAIG:

8 That device, that's approved by the Board
9 or the Gaming?

10 MR. BAUMANN:

11 I'm not familiar with what that process
12 was. I was not here at that time.

13 MR. CRAIG:

14 And sir, I have Mr. Cruz here. In
15 response to some of the statements made by the
16 Applicants here, he'd like to make a statement.

17 MR. CRUZ:

18 Well, I'm just looking for the ---. I'm
19 curious, because I just wasn't aware of that device.

20 MR. CRAIG:

21 Could we have him sworn?

22 CHAIRMAN:

23 Yeah. Thank you. Mr. Cruz, could you
24 please stand to be sworn?

25 -----

1 MICHAEL CRUZ, HAVING FIRST BEEN DULY SWORN, TESTIFIED
2 AS FOLLOWS:

3 -----

4 CHAIRMAN:

5 And if you could answer, I think, Mr.
6 Craig's questions of Mr. Baumann about what your
7 initial involvement was approving the current beverage
8 service request.

9 MR. CRUZ:

10 Yes. Good morning, Chairman Fajt and
11 members of the Board. My name's Michael Cruz,
12 M-I-C-H-A-E-L C-R-U-Z, Director of Gaming Lab. I
13 think that a broad overview of how the systems work is
14 probably going to answer the majority of all of these
15 questions, so I'll just start there.

16 The Beverages on Demand or this BARS
17 older version, I think the best analogy to give
18 everybody that has that understanding is an app on
19 iPhone or an iPad in which the underlying casino
20 management system is fully tested and fully bedded in
21 our lab. And these apps' modules that can work with
22 the casino management system are systems that we
23 analyze, so we receive documentation from Harrah's
24 and/or Ballard's about the network architecture, the
25 communication, the --- down to the source load of

1 these systems.

2 And it is basically our determination
3 that these ancillary systems do not affect the
4 integrity of accounting and game play of slot machines
5 and other associated equipment. So our position has
6 been previously and is currently that when we
7 determine that certain modules or ancillary equipment
8 don't meet this certain standard after our initial
9 analysis, that we don't raise it to a level of formal
10 submission to the lab and formal testing of that
11 system.

12 Another example of one of its modules
13 would be a hotel management module. I believe Mount
14 Airy uses a similar system. It interacts with it, but
15 at the same time, that hotel management piece, that
16 app, does not necessarily affect the integrity of
17 gaming accounting, security and so forth. So after
18 our review, we determine that it does meet the --- or
19 merit a formal review at the lab.

20 MR. CRAIG:

21 Understood. You mentioned ---. And I
22 just want to make sure I understand it. If I don't
23 have a player card, I can't walk up to a slot machine
24 and take advantage of the system, or can I?

25 MR. BAUMANN:

1 Today? Where we are today?

2 MR. CRAIG:

3 Yeah.

4 MR. BAUMANN:

5 Where we are today with the BARS system
6 is it's not ---.

7 MR. CRAIG:

8 Oh, I apologize. I don't mean the BARS
9 system. I mean the --- yeah, whatever.

10 MR. BAUMANN:

11 This system ---.

12 MR. CRAIG:

13 The beverage?

14 MR. BAUMANN:

15 Yeah. This system you will be able to
16 utilize whether you are a carded, or what we call a
17 rated player or an unrated player without a card.

18 MR. CRAIG:

19 Okay. If I were a card player ---. And
20 I don't want to get hooked up on alcoholic beverages.
21 If I understand, these are evolving systems, so let's
22 say your facility were to have an entertainment
23 complex or a hotel or some other additional non-gaming
24 amenities. I could make dinner reservations, I could
25 make a hotel reservation, so there's some sort of

1 evolution to the system?

2 MR. BAUMANN:

3 I mean that functionality is not
4 currently available in this particular system. And
5 I'm certainly not the IT guy, but I believe, you know,
6 at some point ---. Could that be a capability? I
7 don't see why it couldn't be, but it's currently not
8 there now, nor is it an integration that's planned.

9 MR. CRAIG:

10 Understood. But whatever value is
11 provided to the customer, let's say --- let's use
12 drinks as an example, that could be geared towards
13 promotional play or I could give somebody a
14 complimentary drink based on amount of time calculated
15 in front of the machine or amount of money or whatever
16 parameters you wish to use?

17 MR. BAUMANN:

18 Our current system is we provide
19 complimentary nonalcoholic beverages to everybody.
20 Whether we charge or whether we offer beverages on a
21 complimentary basis, we determine by the player's
22 tier.

23 MR. CRAIG:

24 Okay.

25 MR. BAUMANN:

1 So that is how we look at it. We don't
2 make decisions for, you know, ten minutes of play or
3 15 minutes of play. We do it on a tier basis in terms
4 of how we approach it from the slot perspective.

5 MR. CRAIG:

6 And the player's card is what ---

7 MR. BAUMANN:

8 Yes.

9 MR. CRAIG:

10 --- affords that, you know, or ---?

11 MR. BAUMANN:

12 Well ---.

13 MR. CRAIG:

14 Well, you establish what tier should
15 be ---.

16 MR. BAUMANN:

17 Their tier is predetermined by their
18 level of play with us, and when they insert their card
19 into the game it would recognize them as a Seven Star,
20 a Diamond, Platinum or a Gold player. And then our
21 service then tailors to their tier.

22 MR. CRAIG:

23 Understood. Other than New Jersey, do
24 any jurisdictions whatsoever of licensure require some
25 sort of pre-approval prior to the system being

1 implemented and used?

2 ATTORNEY DOWNEY:

3 None which they implemented at this
4 point. I don't know that we're through the full
5 assessment, but at this point Jersey is the only one
6 that's asked to see it specifically because of their
7 role.

8 MR. CRAIG:

9 And I apologize for my ignorance.
10 Harrah's may not, but what about Nevada? I happen to
11 know just from experience, they have this full-blown
12 system in some of the Grandview casinos in which you
13 can order, you know, make dinner reservations, et
14 cetera. And I was curious, do you know from your
15 experience whether or not Nevada has some sort of
16 pre-approval process being licensed or just a permit
17 or just a sign-off by the Lab in order to implement
18 that system?

19 MR. BAUMANN:

20 Yeah, I can't comment on ---

21 MR. CRAIG:

22 Okay.

23 MR. BAUMANN:

24 --- Nevada.

25 MR. CRAIG:

1 Understood. I'm sorry. Mr. Chairman, I
2 don't know if it's appropriate now, if I just could
3 make a brief statement ---

4 CHAIRMAN:

5 Sure.

6 MR. CRAIG:

7 --- about this or if this should be
8 later.

9 CHAIRMAN:

10 Yeah, you can make a statement now, Mr.
11 Craig.

12 MR. CRAIG:

13 On behalf of Treasurer McCord, who is
14 here, as other members are, representing the public
15 interest in the fiduciary earnings of the
16 Commonwealth, I wanted to raise a couple issues
17 concerning the Board's responsibility on this. I
18 think Counsel for Harrah's was correct when he says
19 that the Act contemplates this type of system and that
20 the Act --- and this type of system's impact.

21 I have really no statements as to the
22 merits of the system. It's clearly an industry trend.
23 It's clearly an important marketing tool for venues to
24 be able to service their customers.

25 What I did find interesting is the

1 analysis, and I think that's very applicable. And
2 licensed software application should be licensed ---
3 or software application should be licensed by the
4 Board. This is inherently related to the use of the
5 slot machine and primarily related to, in interaction
6 with the player card, a marketing device.

7 The Act is clear. Section 1202 states
8 that the conduct of gaming or related activities fall
9 within the purview of the Board's authority, continues
10 to say that over every --- that the Board's authority
11 extends to every aspect of the operation of slot
12 machines. This clearly relates to the operation of
13 slot machines.

14 It's clear and direct. As a matter of
15 public policy, I think the Board is well served to err
16 on the side of regulation, be that a simple approval
17 that is compatible, be it a minor permit that can be
18 reviewed every other year to take a look at its
19 compatibility and use with the marketing system.

20 I don't believe that the analogy to
21 liquor delivery device is quite accurate. It can be
22 that. It will be that, but it will be more than that.
23 It will be effectively a means of marketing to player
24 card members, providing them with complementary
25 services over time, be that today, liquor; tomorrow,

1 hotel rooms, et cetera.

2 But it is because of this marketing
3 device that we have to be careful as to the manner in
4 which it's used. It is inherently interactive with
5 players. It can be expanded. It could be used. And
6 I'm not suggesting this is Harrah's intent, but it
7 could be used to prompt individuals to order beverages
8 or to order different things under different
9 circumstances, based on the patterns.

10 And again, it's just ---. Harrah's is
11 one that has correctly and appropriately brought this
12 to the Board's attention. This is not some ---. This
13 is not a reaction to Harrah's marketing plan, et
14 cetera. But I mean as a matter of fact, this relates
15 to the operation of slot machines.

16 This Board right now licenses the
17 waitress that delivers the drink. This Board right
18 now licenses the bartender who mixes the drink. And
19 we also license or permit or at least pass it by some
20 review the guy who is the supplier of the hard liquor
21 or beer or any other service, assuming it exceeds a
22 specific threshold amount. There's really no reason
23 in my opinion for the Board not to license in fact, or
24 pass some sort of review process, however that may be.

25 In fact if this Board were to choose not

1 to do that in the future, no State agency in
2 Pennsylvania would do so. The LCB's made it clear
3 that their purview is you may electronically order
4 beverages. And LCB's purview is related strictly to
5 liquor. It doesn't relate to other complimentary
6 services.

7 I would also point out the fact that it
8 also licensed the individual in most gaming venues to
9 determine who should receive the complimentary
10 service, et cetera. I think the trend in the industry
11 is to use this item. It will be an evolutionary item.
12 It will be used in, you know, ways that maybe we can't
13 or business can't perceive, but it could be an
14 important marketing tool in the future.

15 And just like other jurisdictions review
16 and regulate marketing devices, be it just billboards
17 or TV commercials, I think it's appropriate for the
18 Board to have some sort of mechanism by which they
19 review this. Compatibility with the existing center
20 control computer or slot machine random number
21 generator is only one aspect.

22 So I would just conclude the remarks. I
23 want, again, to reiterate not passing judgment on the
24 system. This is clearly where the industry is going.
25 It's a useful tool. I think it would drive revenue to

1 the Commonwealth and it will be beneficial. But its
2 beneficial use has to be monitored and regulated by
3 the Board, and that is the fundamental charge of this
4 Board, as the General Assembly has set forth. I
5 appreciate your indulgence.

6 CHAIRMAN:

7 Thank you. Commissioner Sojka?

8 MR. SOJKA:

9 Yes. Mr. Miller, Total Touch is the
10 vendor that produces this piece of software or this
11 device?

12 ATTORNEY MILLER:

13 I believe so.

14 MR. BAUMANN:

15 No.

16 MR. SOJKA:

17 No? Who is?

18 MR. BAUMANN:

19 The hardware ---.

20 CHAIRMAN:

21 Speak in the microphone, please.

22 MR. BAUMANN:

23 I'll have to ask my IT expert back there,
24 but the hardware is manufactured --- is actually the
25 hardware that is from IGT. The software application,

1 I'm not familiar with its proprietary and ---.

2 UNIDENTIFIED SPEAKER:

3 WRG?

4 MR. BAUMANN:

5 And WRG. Excuse me, WRG.

6 MR. SOJKA:

7 All right. Well, ITG is a registered
8 vendor; is that correct?

9 ATTORNEY PITRE:

10 It's the manufacturer.

11 MR. SOJKA:

12 Manufacturer. What about the software
13 producer?

14 ATTORNEY PITRE:

15 Yeah, certified.

16 MR. SOJKA:

17 Registered?

18 ATTORNEY PITRE:

19 Certified vendor.

20 MR. SOJKA:

21 Registered vendor?

22 ATTORNEY PITRE:

23 Certified.

24 MR. SOJKA:

25 Certified. We act on that. We honor

1 that certification.

2 ATTORNEY PITRE:

3 Yes.

4 MR. SOJKA:

5 So all of what we just heard is already
6 taken care of; is that not correct? In other words,
7 there's no question about our jurisdiction of over
8 whether or not we'd license this piece of equipment or
9 not. We either do or we don't?

10 ATTORNEY PITRE:

11 We license the companies that make it,
12 and with that, Commissioner Sojka, if I could go a
13 little bit further. Because I didn't want to get into
14 the details of this, but because there's so many
15 questions, all these software applications allow us to
16 track what goes on in casinos. They allow us to take
17 action against the casinos but not --- to not go into
18 certain things.

19 We're aware of all the various softwares
20 and as the Lab and people that work for the Lab in the
21 casinos. And every now and then we go in and see
22 what's going on. When there's a problem, we're able
23 to track, okay, how many drinks were served to this
24 person, and should they have cut the person off
25 earlier?

1 When we get patron complaints about
2 obviously intoxicated players in the casino, this
3 makes it easier for us to track a number of things
4 served to the individual. So it aides us in our
5 investigation and makes it easier than going ---
6 having to go interview numerous cocktail waitresses
7 all over the place. So I mean other casinos know
8 that. I don't know if they want to do this, but I'm
9 all for it.

10 MR. SOJKA:

11 Yeah, and I have no problem with that. I
12 realize these capabilities go both ways, but I guess
13 my comments really drive out of Mr. Craig's comment,
14 which is, do we license the software and the hardware
15 as vendors, manufacturers or something?

16 ATTORNEY PITRE:

17 Well, I think Mr. Cruz spoke to that,
18 that we don't license the software; we license the
19 companies that create the software.

20 MR. SOJKA:

21 Okay, all right. But I mean we have that
22 level of control; correct?

23 ATTORNEY MILLER:

24 You do, and then the latter part is ---

25 MR. SOJKA:

1 Okay.

2 ATTORNEY MILLER:

3 --- part of this is to review the
4 software and that sort of thing. And in this case, it
5 took a look at it and it doesn't ---.

6 MR. SOJKA:

7 And that's clear. There's no reason why
8 we should not want to do that. We do do it. We do
9 therefore have both the control and the
10 responsibility; is that not clear?

11 ATTORNEY PITRE:

12 We have the control and we have the
13 responsibility.

14 MR. SOJKA:

15 So I think that answer reaches to Mr.
16 Craig's point, and I think nobody's in disagreement
17 with any of that?

18 ATTORNEY PITRE:

19 Not as far as I'm concerned.

20 CHAIRMAN:

21 Thank you. I have a couple of questions.
22 Can the patrons pay for a drink with a chip while
23 they're at a slot machine? I know that some casinos
24 permit that. I don't know if you guys do it at the
25 table. But somebody could obviously be at the slot

1 machine, have chips in their pocket. Are they allowed
2 to pay with their chip as opposed to cash? It's
3 really out of just general curiosity on my part.

4 MR. BAUMANN:

5 Yes, yes, we allow it at the table. If
6 the person does not have a chip at the table, we allow
7 that anywhere on the gaming floor.

8 CHAIRMAN:

9 Okay.

10 MR. BAUMANN:

11 It's not common, but ---.

12 CHAIRMAN:

13 Yeah, sure. You know, Commissioner Sojka
14 raised this issue, and Cyrus followed up on it, about
15 the player tracking of the drinks. And you know, I
16 mean I know there is concern, and it's valid concern,
17 that people --- then that, you know, drinks will be
18 more readily available to certain players.

19 Again, you know, as a former practicing
20 lawyer, I mean if I have a client who is running a
21 casino, left and was involved in a crash, or better
22 yet, if I was the plaintiff in a lawsuit like that,
23 the first place I'm going is to your player tracking
24 system. Whether I'll get that information or not, you
25 know, remains to be seen.

1 But I think that that, quite frankly,
2 puts more of a burden on the casino, because prior to
3 the player tracking system, the number of drinks that
4 I might order, it's my word against yours. I said I
5 had one drink. You know, you tell me I had five, you
6 know, and then a jury or a judge is going to hear that
7 differentiation. But if you have a track record that
8 shows that I've indeed had five drinks, that's going
9 to put more of a burden on you.

10 And I know you understand that, but
11 again, I think that people out there that think that,
12 you know, they're going to continue to serve drinks to
13 people because they gamble more, you know, there is a
14 down side to that. So again, just an editorial
15 comment.

16 Your employee training on alcohol, you
17 had mentioned that. How long is that training?
18 What's the duration of time and how often is it done?

19 MR. BAUMANN:

20 I'm not familiar with the total time.
21 CARE is done during new hire orientation, and it is
22 done during the --- new hire orientation is basically
23 a five-day period of which that occupies some portion
24 of that time. I don't want to misquote what the time
25 is. I'm not sure about the actual time. It is

1 somewhere north of two hours. This I do know.

2 CHAIRMAN:

3 Okay. Could you get that information to
4 our Board Secretary, ---

5 MR. BAUMANN:

6 Yes.

7 CHAIRMAN:

8 --- please?

9 MR. BAUMANN:

10 Yes.

11 CHAIRMAN:

12 Okay. And the only other issue I have is
13 ---. And again, I will ask our auditors or whoever's
14 jurisdiction this falls in front of. But you know,
15 one of my concerns is that the casinos will receive,
16 you know, multiple orders at any given time, and ---
17 from patrons. And I want to make sure that ---. You
18 know, again, I'm not accusing you of anything, but I
19 think it bears watching, that alcoholic beverage
20 service isn't escalated or given a --- be made a
21 priority above nonalcoholic beverage service.

22 Obviously, you know, you guys make money
23 on some of your alcoholic beverages, don't on the
24 nonalcoholic beverages, because you stated those are
25 free. And again, I just, you know, want to let you

1 know that that's something that we can be, you know,
2 looking at on a periodic basis.

3 MR. BAUMANN:

4 Absolutely fair, and the different
5 services are ---. There are unique sets of employees
6 who enact all the services.

7 CHAIRMAN:

8 Okay. We're going to conclude this
9 hearing. Before we move on to our second hearing,
10 which will take place right after this, and we're
11 going to --- just going to take a quick ten-minute
12 break. We'll be right back at noon. Okay? Thank
13 you.

14 SHORT BREAK TAKEN

15 CHAIRMAN:

16 Before we get started with the second
17 hearing, I just want to do a little cleanup on the
18 last hearing we had on the Beverage on Demand. And I
19 don't know if any of the Board members feel
20 differently.

21 If you do, please chime in, but it
22 appears that since Beverage on Demand, that system has
23 been approved by the Liquor Control Board, and this
24 Board does have jurisdiction and continues to have
25 jurisdiction over the supplier of that product, that

1 we do not feel that the Board need take any action on
2 this matter at this time. If anybody disagrees with
3 that, please feel free to weigh in.

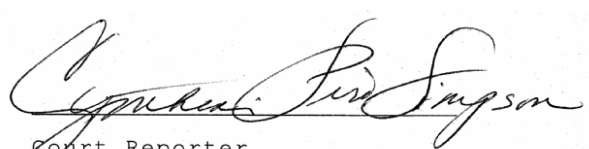
4 * * * * *

5 HEARING CONCLUDED AT 11:48 A.M.

6 * * * * *

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8
9 CERTIFICATE

10 I hereby certify that the foregoing
11 proceedings, hearing held before the Pennsylvania
12 Gaming Control Board, was reported by me on 03/23/2011
13 and that I Cynthia Piro Simpson read this transcript
14 and that I attest that this transcript is a true and
15 accurate record of the proceeding.

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17
18 Court Reporter

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