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Remember Bricks And Mortar
Cyberspace Sizzles, But The Real World
Is Still The Main Course For Casino Companies

In an age where high-tech gaming is the rage, it seems rather quaint to sift through the news coming out of Detroit.

While most of the attention from within the industry and mainstream media focuses on hot new subjects like offshore servers, high-tech stock and Internet gaming legalization, the Motor City is grappling with old fashioned bricks-and-mortar matters like labor disputes and construction plans. There, they're still working on the sort of revolution that made headlines in other cities a decade ago: revitalizing a fledging downtown economy with the help of casino-centered development.

And while this stuff no longer evokes the sort of fascination and focus that Internet gambling does now, the reality is that most casino companies – and most of their patrons – spend more time and money in real space than cyberspace. Trends and policies in the offline world are as important today as ever, if not as prominent.

Detroit exemplifies many of the challenges the traditional gaming industry continues to face. Six years after casino gambling was authorized there, casino companies in the Motor City are still working to gain a sound and lasting foothold in that city's community and economy. To accomplish what other cities have accomplished before, they will have to overcome many of the same obstacles.

The foremost is maintaining their **political voice**. One of the most valuable tenets of corporate citizenship is the ability to participate in the political process; based on the premise that a community with healthy companies will have a healthy economy. While corporate campaign contributions are suspect in general, the casino industry is a favorite target of so-called reform legislation.

In Michigan, the state Senate recently failed to pass a bill that would have banned gaming proponents there from donating funds to any ballot issue campaigns that did not directly involve gaming law. Though the measure received majority support, the 24-12 vote was not enough to surmount the 3/4 majority required.

The bill's sponsors claimed it would prevent casino interests from corrupting politics.

The reality is that it would have prevented them from promoting their interests like every other business can and does. Detroit's gaming structure was deliberately built to include local investment. To silence the interests of the local businesses that depend directly and indirectly on the industry's success would create an uneven marketplace and a tough environment for competition.

The timing of the bill was of particular importance, since Detroit's three casinos were been heavily involved in a November 7th ballot measure to make it more difficult for the state to interfere in local politics. Measures like those, while not directly pertaining to casino law, can have a serious impact on gaming legalization and regulation.

Several states have considered similar campaign finance measures in recent years, and more are sure to follow. Gaming interests ought to be particularly vigilant against efforts like these that would restrict their ability to represent themselves among competing interests, organizations and businesses.

The next priority of a successful gambling industry is to **keep its promises to the community**.

When Michigan's voters authorized casinos in Detroit in 1994, they hoped that employment, income and business opportunities would rise in the city's economically depressed areas. So far, the two casinos that are already operating have done a good job of generating revenue and tax dollars. Together, MGM Grand and MotorCity take in around \$2 million per day and hand over \$1 million to the city each week. The casinos also employ nearly 5,000 workers, with another 2,000 expected when the third casino, Greektown, opens in November.

But they have also contributed to stability and security in other, less direct ways.

In mid-October two of Detroit's three casinos – MGM Grand and MotorCity – ratified their first collective bargaining contracts with their unionized workers. The three-year deals provided for raises across the board and wage and benefit parity between the two casinos.

The agreements ended several tense weeks of talks during which the casinos' 4,700 workers had voted to allow the Detroit Casino Council, which represents the four unions involved, to call a strike if negotiations failed. A walkout would certainly have closed the casinos' doors, leaving them short on the ledgers and risking a public backlash in a community with strong union support. Instead, the generous agreement saved the day and the casinos' images.

During a recent re-licensing hearing, the president of MGM Grand Detroit also testified that the casino had exceeded its hiring and contracting requirements and fulfilled its agreement to fund a \$5 million business development fund for casino suppliers. According to Scott Snow, the purpose of the fund is to help Detroit's minority and locally owned businesses develop products and services for the casino industry.

By initiating visible improvements to the economy and infrastructure, the casinos can continue to hold the support of their neighbors.

Finally, an oft-repeated mistake in gaming development is to leave disputed details out of legalization campaigns and regulations. Detroit is but one of many cities now learning from that mistake; a few details that might have been solved or at least identified years ago, are now a source of ridicule and contention for the industry.

In this case the issue is casino location. It was not clearly decided or provided where Detroit's three permanent casinos would be located when they were first legalized; consequently, when Mayor Dennis Archer announced in 1998 that they must be built in a complex along the downtown riverfront, a good deal of scrambling ensued.

The City Council quickly began actions to purchase or condemn around 60 acres of privately held commercial and industrial property around the proposed site of the casino complex. The problem was, many of those owners did not wish to sell.

The matter came to a point in 1999 when a Wayne County Circuit judge threw out 47 lawsuits brought by the city to condemn and seize the property of those holdouts, saying the offers made by the city were insufficient. The city dropped the courtroom efforts, and the land still remains in dispute.

The permanent complex is still slated to open in 2004, though it's not yet clear how or when the land will be acquired. Until then, the two operational casinos will continue to operate in the temporary facilities they opened last year.

While Detroit's gambling businesses are facing most of their challenges with success, this last issue could be a real snag. The prospect of pulling stakes at their old locations and uprooting businesses at their new home has already created some backlash. Unfortunately, this also seems to be the issue that is the least within the casinos' control.

In all of these efforts, the Detroit casinos are treading a path that others have walked before. But that doesn't mean there won't more insight to gain, or more success stories to tell. Even as online casinos are being raised across cyberspace, the legalization and expansion efforts continuing on the lands and waters of the U.S. remain the bread and butter of the gaming industry – and might even prove valuable in the virtual campaigns to come.

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