

Norwalk Casino Editorial by Tom Coates

By Tom Coates –

During the recent debate over a proposed casino in Warren County and Norwalk, I find a real need to clarify the business model of the “convenience casino”. This model is contrasted with the “tourist model” employed by Las Vegas and Atlantic City. The tourist model brings the majority of its’ revenues from patrons outside their immediate geographical area. The convenience model employed by all 21 Iowa casinos relies almost entirely on revenues derived from natives who live within the 40 mile radius referred to as their feeder market. Approximately 80% comes from the feeder market.

The reason that this is important to understand is that this 80% represents a cannibalization of existing businesses of all types. The money spent on gambling would otherwise have gone to the purchase of goods and services already offered in the community.

If the effect stopped there it wouldn’t be a huge concern, but it doesn’t. To more fully understand the convenience casino business model, you must look at what percentage of their handle comes from addicted gamblers. Studies by various researchers have shown 40-50% come from problem and pathological gamblers. The emergence of the addicted gambler is shown by Iowa’s timeline prevalence study done in 1989 and again in 1995 after the arrival of casinos. Iowa went from 1.7% of population being problem or pathological to 5.4%. This increase appeared most acutely within the boundaries of the feeder market. Further, the closer the patron resides to the casino, the more likely the occurrence of the addictions.

From 1994 until 2000, my company administered the Iowa

gambling hotline, 1-800-BETS-OFF. We witnessed the crisis calls increase from dozens to hundreds a month. These calls were most prevalent in the immediate surrounding areas of casinos.

The desire to keep this addicted 5% of Iowans continuing to provide their casinos with their dollars manifested itself with recent legislation. This would allow a banned problem gambler to unban themselves after 5 years, as if the result would be different the second time around.

The effects of creating pathological gamblers in our midst show a wide range of social pathologies playing out. Among these pathologies are: 22% divorce due to gambling, 49% steal to feed the habit, 40% lose their jobs, 63% contemplate suicide and 18% attempt suicide. Highest suicide rate for any addiction as heroin is next closest with 9%.

Two areas that have been measured by research in Iowa are attendant bankruptcies and crime. On bankruptcy, ISU performed a study in 1998 that showed 19% of the state's filings were the result of gambling. SMR Research did two separate nationwide studies on counties with casinos that showed nearly identical results.

On crime, a recent survey of Iowa cities with casinos, showed an elevated crime index of 206% over cities with no casino. The leading national researcher, Professor Earl Grinols, with Baylor University, has done extensive national work that confirms the Iowa research. Grinols studies show that by year 5 of a casino opening in a community, the following crimes increase: Robbery + 136%; Aggravated assault + 91%; Auto theft +78%; Burglary +50%; Larceny + 38%; Rape + 20%. The costs are significant to any city embracing this model.

Some try to deny the crime increases by relying on statements from heads of local law enforcement. These individuals are often the biggest proponents of the casinos due to the increases in funding, staff, squad cars and equipment. Their

statements must be weighed in regards to their own perceived self interest, since objective research soundly contradicts it.

In closing, citizens must decide if they indeed want to embrace even more of these convenience casinos. I hope I have provided enough valuable evidence to persuade them to the contrary.

Tom Coates, President, Consumer Credit of Des Moines

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