

## JEWISH NEWS BRIEFS

**JERUSALEM (WNS)** A report sharply critical of government spending in a number of areas was issued here by State Comptroller Y. E. Nebenzahl. The report was critical of the processing of loans for religious purposes by the Ministry for Religious Affairs, particularly with respect to grants to Agudath Israel.

**GENEVA (WNS)** Dr. Nahum Goldmann, president of the World Jewish Congress, declared here on his return from visits to Czechoslovakia, Hungary, Yugoslavia and Rumania that he had found the Jews there enjoying "complete equality."

**NEW YORK (WNS)** The American Jewish Committee's 1967 Herbert H. Lehman Award was presented to Nathan Appleman, prominent philanthropist and industrialist.

**WASHINGTON (WNS)** Max M. Fisher of Detroit, national chairman of the United Jewish Appeal and one of the leading communal Jewish figures in the country, has been named by Religious Heritage of America as recipient of its 1967 Layman of the Year Award.

**NEW YORK (WNS)** City Park Commissioner August Heckscher and officials of the Memorial Art Committee conferred on plans to erect a memorial here for the six million Jews who perished under Nazi hands.

**NEW YORK:** New York City Park Commissioner August Heckscher met with David Lloyd Kreeger and Louis I. Kahn to review plans for a memorial to the six million Jewish martyrs of the Nazi holocaust. Mr. Kreeger who is chairman of the Memorial Art Committee, is a national vice president of the AMERICAN JEWISH COMMITTEE.

**PHILADELPHIA:** The 65 charter members of a new B'nai B'rith lodge in Philadelphia have a common interest. Their profession is enforcing the law. They are city magistrates, policemen, postal inspectors and personnel from the State Liquor Control Board, the Department of Licenses and Inspections and the Philadelphia District Attorney's Office.

**NEW YORK (WNS)** Simon Wiesenthal, head of the Jewish Documentation Center in Vienna who has dedicated his life to tracking down Nazi war criminals, has counselled against visits to Germany by Jewish delegations on the ground that they were being utilized to advance German interests.

**JERUSALEM (WNS)** Israel's citrus export this year is expected to reach \$85,000,000, it was reported here by government sources.

**TEL AVIV (WNS)** Some 7,000 Israelis participated in a four-day walking marathon that began in Tel Aviv and ended in Jerusalem.

**WASHINGTON (WNS)** Georgetown University will name two rabbis to its theological faculty, it was announced here in a university statement which said the school would also add two Protestant clergymen.

**MUNICH (WNS)** A life sentence for the murder of six Jews at Leiben, Austria, was imposed here on Paul Reiter, former SS officer.

**ATLANTA (WNS)** Charges of discrimination against Jews in housing in this city and a number of other major cities of Georgia were presented to the Advisory Commission of the United States Civil Rights Commission by Mrs. Marshall J. Mantler, chairman of the Atlanta chapter of the American Jewish Committee.

**JERUSALEM (WNS)** Premier Levi Eshkol, in a cable to West German Premier Kurt Kiesinger, has voiced deepest sympathy over the passing of Dr. Konrad Adenauer, former West German Chancellor.

**WEST BERLIN (WNS)** An appeal to Jews who were driven out of Germany during the Hitler era to return to their "home city" was sounded here by Senator Dietrich Spangender at a meeting commemorating the Warsaw Ghetto revolt at the Jewish Center here. Dr. Spangender said "our door is open" to all former Berlin residents, Jews and non-Jews alike.

**LONDON (WNS)** Soviet Ambassador Mikhail Smirnovsky last week received a Jewish delegation which conveyed to him British Jewry's "deep concern over the situation of their fellow Jews in the Soviet Union."

**NEW YORK:** "In Recall of Greatness" - a Program Planning Kit for a Nationwide Remembrance of Louis D. Brandeis upon the 25th Anniversary of the death of the great jurist, and American Jewry's first Supreme Court Justice, has just been published by the Theodor Herzl Institute in New York City.

ISRAELITE ADS PAY AND PAY AND PAY AND PAY

ISRAELITE RECEIVED SPECIAL PERMISSION TO PRINT THE ONLY AUTHENTIC REPORT

ON LEGALIZED GAMBLING IN NEVADA TO DATE. J.T.

## NEW LAW THRUST ON CASINOS

# Hotels Scrape Sky— And So Does Debt

By GABRIEL R. VOGLIOTTI

Throughout the summer of 1964, partners in the lovely Sands Hotel would meet to discuss a strange problem. The Sands, though doing fairly well, would have to borrow several million dollars for an expansion which not all the partners liked.

The Sands had 523 rooms and its casino had 22 games. Its patrons ran to high-income brackets and they came from all over the country, thousands of people with a fixed Sands loyalty. The Sands had a personality that was a total of several things.

Its president, Jack Entratter, had given his house a national reputation for having the most brilliant stable of stars in America, for that matter, on earth. The Sands showroom, with its procession of Sinatras, Martins, Bishops, with Sammy Davis, Jerry Lewis, Danny Thomas, Red Skelton, to name a few, had what was almost a permanent standing-room-only situation. The Sands was famous for an indefinable atmosphere, a point freely conceded by other Las Vegas hotels, a club-like feeling that accounted for the loyalty. To stroll through its small lounge was to run into townspeople and celebrities. At noon, its Garden Room was a club for the town's who's who.

### Expansion and Debt: the New Law

Understandably, Sands owners wondered about the strange law that was forcing them to tear down so much of it. They were being forced to expand, forced into expensive enlargement. Architects would demolish treasured features. Owners were worried because just possibly it could change the famous Sands personality. Enlargement would move the lounge and bring down the celebrated murals of the Garden Room.

To understand the Sands problem we can look at hitherto undisclosed figures of several other hotels, figures which will show for the first time the dilemma that faced not only the Sands, but Tropicana, Desert Inn, Thunderbird, Riviera, Dunes, Sahara, to name some of the places hit by the strange law - "expand or die."

Beginning with the Tropicana, at the southern end of the Strip, all the way to the Sahara at the northern end, every one has had to enlarge or go under. It may cause smiles to say that expansion indicates trouble rather than prosperity, but this will be supported by every bank in Nevada, by the Lybrand accounting firm, by any major American accounting firm which the reader may query.

To repeat, expansion—the building of more plant—is not an indication of wealth but of trouble.

### Competition Shapes Decision

Back in the dim past of twelve years ago, a hotel could do well with 300 rooms. There weren't many and each could count on a quota of big players, wealthy men who played heavily. The hotel-casino of the mid-fifties had an income-expense ratio that produced a profit on 300 rooms.

In subsequent years, for many reasons, big players declined. Separately,

dozens of new places opened up, straight casinos and resort hotels. Separately came the revolution in entertainment, the area when hotels would spend 3 million in one year for entertainment.

Without exception hotels found earnings declining. The down-trend would continue as more places opened up. Gambling was developing new economics: hotels would have to get more customers. They would have to get a higher volume of play by a new type of customer who plays modestly or not at all. Every comptroller discovered this: the need for volume.

### Rooms: Key to Volume

Then the corollary. To get more customers, whether in a casino, restaurant, bar or showroom, you need more rooms. It is axiom: the key to volume is rooms. Customers like to patronize the hotel where they stay: they will

This is the fifth in a series of articles on Nevada gaming by Gabriel R. Vogliotti. They are adapted from his forthcoming book.

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visit other places, but they concentrate on their temporary home, their base hotel.

The Dunes faced its problem in 1959 when it found that 200 rooms was a losing formula. In 1960 it added 246 rooms, which helped the earnings picture for a time. But by 1965, the competition for customers was such that again it had to enlarge, now with its hi-rise of 21 stories. This was 680 rooms in six years, all built with borrowed money, for a debt load which Major Riddle, Dunes president says "is as tall as the Dunes itself."

Interestingly enough, the Dunes is one of the few hotels that measures up to Parry Thomas' formula for a safe room ratio. Thomas, board chairman of Bank of Las Vegas, is the banker who has negotiated many of the purchase or expansion loans. Thomas makes the kind of statistical studies which, sooner or later, must be made by some permanent bureau of gaming statistics. His charts show that the soundest formula for a Las Vegas resort hotel is about a thousand rooms, that they should have that kind of capacity for safe operation. The Dunes is close, with 880.

### Earnings Curve Flattens Out

But Dunes earnings have not kept pace with the skyward climb of its towering hotel. Rooms climb higher but the earnings curve stays pretty flat.

Tropicana books show the same inexorable law. It had to expand three times in six years, 150 rooms in 1960, 140 in 1963, a million-dollar plunge in 1964 for its famous Blue Room, several

hundred thousand more to refurbish in 1966.

The curve of Tropicana capital investment climbs. The curve of profits is absolutely flat. The Tropicana net in 1961 was \$1,687,827. It did not rise 10 per cent above that in six years. In 1965 it had shrunk to a net of \$823,111.

Stardust curves are nowhere as good. The chart shows, predictably, a steep rise in the rate of plant. Owners added the Royal Nevada's 200 rooms in 1959, a golf course and country club in 1961, a 9-story hi-rise in 1963, convention facilities in 1965, two restaurants in 1966. Its profits, whether in percentages or dollars, are far, far down from 1961.

### More Spent for Same Gain

For hotels it has become economic law: you must have more plant each year, more invested capital, to earn the same amount of money.

To get back to the Sands, they made their impressive expansion and held their breath. They breath easier now for the Sands retained its glamour and personality. Their tower soars skyward, as does its total investment. But the profit of 1961 was \$705,979 and the profit in 1965, after ploughing in many more millions, was \$703,894.

And always the expansions are made with borrowed money. Always the imposing towers that can be seen for miles, represent a debt load and interest payments, so enormous as to be (in some cases) an embarrassment.

Management sees a declining net. Then come hours spent around the board table, local and outside bankers participating. Then the verdict, "Stay as you are and you go under. Add another three or six million to your present 10 to 20 million investment and your hotel will then have enough capacity to stay in business."

Financial histories of the beautiful hotels are as fascinating as their shows. Owners have been reluctant to discuss debt load, interest payments, the desperation of the fight for volume, not to be secretive, but because of simple embarrassment.

### The Everest of Debt

It can be disclosed here that one Strip hotel, capitalized at 30 million, is in debt for 27 million. It has never been previously disclosed that a single Las Vegas bank was the broker that arranged for 120 millions in loans, outstanding at this hour, to hotels on the Strip alone.

Such figures might not have been released even now, except for the realization that Nevada people must be told about new forces that have completely reshaped their main industry. It is basic to the public interest to know that the huge new structures stand on foundations of cement and debt.

The people of Nevada, having not been told, can't know what taxing policies to use for the glamorous citadels. (If readers will bear with us, we will still get to the Lybrand Report, the study that tells so much about Nevada gambling but which passes over, much too casually, one of the big stories of Nevada gambling—its almost intolerable debt load.)