

Written by Administrator
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If SugarHouse's revenues during its first four months are a barometer for demand, then Philadelphia's waterfront can't support a second casino, gambling analysts say.

The city's first and only

casino debuted Sept. 23, nearly four years after it was awarded a slots license by the Pennsylvania Gaming Control Board. It became the state's 10th casino.

Weekly slots revenue, which makes up nearly 70 percent of the casino's total revenue, has averaged \$2.3 million - less than half of what was projected in May, and less than half the projections that SugarHouse's owner made to state regulators when seeking the license.

Under the 2004 state gaming law, 55 percent of casinos' gross slots revenue and 16 percent of table-games revenue go to the state. Slots revenue, therefore, is critical. Lower-than-expected gambling revenue means less tax revenue to be distributed to the cities and counties that approved the casinos.

So if a brand-spanking-new casino, on a lovely waterfront plot, in a high-traffic area, with the allure of freshness is clearly underperforming, why should the city need a second casino - on the waterfront or anywhere else?

"Given the operating trends so far, there may not be sufficient demand in the city of Philadelphia for an additional competing facility on the waterfront," Standard & Poor's analyst Michael Listner said in an interview this month.

"I think . . . the established customer base and competition from Parx and Harrah's Chester have hurt SugarHouse."

Wendy Hamilton, general manager for SugarHouse, acknowledged the fierce competition. She said it took time to establish player databases, marketing programs, and general awareness of a new property.

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"We've got two established competitors - one 15 miles south and one 15 miles north - and 11 casinos 50 miles east of us in Atlantic City with great amenities and established databases," she said. "There's business to be had. Four months in, as an infant business, we're very pleased with the results."

Joseph Weinert of Spectrum Gaming Group L.L.C. in Linwood, N.J., said that casinos generally had a "three-year ramp-up" and that four months was too early to reach any conclusions.

"I will add this," he said. "There is no doubt that the Greater Philadelphia market - from suburban New York City to Atlantic City to northeastern Maryland - is intensely competitive." (Maryland's first casino opened in Perryville in September.)

Those who have fought the development of casinos in Philadelphia contend that SugarHouse's poor showing is clear evidence another casino here makes no sense.

The group behind the proposed Foxwoods Casino along the Delaware River - Philadelphia Entertainment & Development Partners L.P. - on Friday filed an appeal for its license, which was revoked because of delays and a failure to line up financing.

"A second casino on the waterfront is unlikely to significantly grow the market," said John Kempf of RBC Capital Markets in New York. "Instead, it will only likely take share from existing casinos, particularly SugarHouse."

Even former Gov. Ed Rendell, who legalized gambling in Pennsylvania and championed two Philadelphia waterfront casinos, said that the city might not need two venues after all, and that the region could already be saturated.

"The one thing we don't want to do is cannibalize business," Rendell said at a news conference Jan. 3, before leaving office.

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Foxwoods attorney F. Warren Jacoby declined to comment Friday.

If a local group wins an appeal for a resort license to put up to 600 slot machines and 50 table games at the Valley Forge Convention Center, the metropolitan area will be home to four casinos.

In addition, there's a casino in Bethlehem, Pa., just 60 miles away, along with two in the Poconos. That area could host still another site, depending on the awarding of the final casino resort license by the gaming board. Four applicants, with projects proposed for Gettysburg, Mechanicsburg, the Poconos, and southwestern Pennsylvania, are seeking the license.

An analysis of 17 weeks of slots and table-games revenue data from Sept. 23 to last Sunday, compiled by the gaming board, shows it has been, at best, a mixed bag for SugarHouse.

Since opening with 1,602 slot machines, SugarHouse has averaged \$2.3 million per week in gross slots revenue. The casino had its best week during its first full week in business, from Sept. 27 to Oct. 3, with \$3.6 million in gross slots revenue. Its worst week came Dec. 13 to 19, generating \$1.87 million. It was ranked last among the state's 10 casinos in gross slots revenue for November and December.

SugarHouse is the only casino in the state to have opened with table games. The others opened as slots-only casinos. As a result, comparing SugarHouse's first four months with other casinos is difficult.

If trends persist, total slots revenue will come to about \$119.6 million per year, or 49 percent of the \$240 million that owner HSP Gaming estimated in May, when it appeared before the gaming board to give revised figures for its downsized casino.

HSP Gaming, led by billionaire Chicago developer Neil Bluhm, estimated \$272 million a year in total revenue from both slots and table games. SugarHouse is on a pace to generate \$184.4 million a year, or 67 percent of that amount - and that's *without* any competition on the waterfront.

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When HSP Gaming was one of five applicants for two city slots licenses in 2006, it projected \$320.3 million a year in gross slots revenue with 3,000 slot machines.

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