

Casino closure reflects gambling's new reality

Written by Administrator
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When the Atlantic Club Casino Hotel closes Monday, the loss of 1,659 jobs will be a terrible blow to the community, but eliminating a casino with 1,641 slot machines will move Atlantic City closer to gambling's new reality.

As casino gambling has spread throughout the Northeast, the amount of money Atlantic City's casinos have won annually from gamblers has fallen 42 percent, from a peak of \$5.22 billion in 2006 to \$3.05 billion in 2012.

Full-year figures for 2013 will not be available until Tuesday, but Atlantic City would have to report its best December since 2007 to reach even \$3 billion for the year.

"They have way too much capacity," said Ken Adams, an analyst who follows the casino industry from Reno, Nev.

It's not that Atlantic City's casino operators have sat still. They removed nearly 11,000 slot machines - 30 percent of the casinos' total - between 2006 and November, bringing the slot-machine count down to 25,672.

Closing the Atlantic Club will take the number down to 24,031, but that still won't match the revenue decline, which could easily reach 45 percent or more since Atlantic City's peak.

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"I think we need to get down to around 20,000 machines to really fit the market the way it is right now," said Roger Gros, publisher of Global Gaming Business magazine.

There is more than one way to get there, but the quickest would be to close Trump Plaza and, at least temporarily, Revel, said Alan R. Woinski, chief executive of Gaming USA Corp., an industry consultant in Paramus, N.J.

Aside from the Atlantic Club, "the only other casino that should close because it just adds no value is Trump Plaza," Woinski said. Under his scenario, a buyer of Revel - rumored to be Hard Rock International - would close Revel for a year for renovations.

"That's pretty much going to accomplish everything that needs to be accomplished in the near term," Woinski said.

Trump Plaza could not be reached for comment.

By a key industry measure - average casino win per slot machine per day - Trump Plaza and Revel were Atlantic City's worst performers in November.

Trump Plaza's average win-per-day was just \$84, compared with an average of \$213 for all Atlantic City casinos. Revel was at \$129. The leader by a wide margin was the Borgata, with an average of \$374.

The higher the number, the busier the casino, because it means the machines are being used more.

The average at Pennsylvania's 12 casinos was \$238, with SugarHouse and Valley Forge tied for the lead at \$299.

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If there's a bright spot for Atlantic City, it might be that the Mid-Atlantic region is nearing the end of its massive casino build-out.

Pennsylvania plans to award a second license in Philadelphia this spring, but that casino is expected to take more business from nearby competitors than from Atlantic City.

Horseshoe Casino is scheduled to open in Baltimore this year, and Maryland recently gave its final license to MGM Resorts International, for a casino outside Washington. But, again, the new Maryland casinos are expected to hammer that state's existing gambling halls.

"[Atlantic City] is down primarily because there has been so much new competition into the area," said John Kempf, a stock analyst with RBC Capital Markets. "But now that new supply has abated, we shouldn't see as much loss in market share."

Meanwhile, casinos are adjusting their casino floors for fewer slots.

"You're going to have to see some inventive ways to use extra space there, so that the floor doesn't look massive and empty at the same time," said Gros, the magazine publisher.

Even the successful Borgata Hotel Casino & Spa has cut the number of slots and used the space to "increase the accessibility and traffic flow of our customers through the casino floor," said Joe Lupo, senior vice president of operations.

More often, casinos are replacing slots with non-gambling facilities, such as restaurants. Restaurants are not as profitable as slot machines that are being used, but perhaps more profitable than slot machines that go unused because gamblers are staying in Philadelphia.

Resorts Casino Hotel, for example, last year renovated its casino floor to build a food court with five restaurants and the 5 O'Clock Somewhere bar in the middle of the floor.

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Bally's Atlantic City, which has eliminated more than 3,000 slots since 2006, is spending \$5.6 million on a major redesign of its casino floor.

Tropicana Atlantic City, which has 1,291 fewer slot machines than in 2006, is undergoing similar changes.

"Instead of spending more money on slot machines, we're spending money on redoing our ballroom and building places like Boogie Nights and Chickie's & Pete's. We've doubled the size of Tango's Lounge," said general manager Steve Callender.

"We look for opportunities to enhance the experience, so you're not jammed into rows and rows of slot machines."

Callender recalled a different time, in the 1990s, when he worked at Resorts and took out what he called the most popular lounge in Atlantic City to make room for more slots.

"We've come full circle since then," he said.

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