

Written by Administrator
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Two years after it opened in Des Plaines, Rivers Casino last year was the sole Illinois casino to report an increase in receipts. Photo: Erik Unger

The proliferation of video gambling in Illinois bars—underway for less than two years—already has created the equivalent of a competing casino within a 50-mile radius of Joliet's Hollywood Casino, according to General Manager Wayne Smith.

His casino, one of two in Will County, wasn't betting on another backyard competitor when it committed \$90 million in 2009 for a three-restaurant pavilion and other improvements to freshen its appeal.

"We wouldn't do that now," [says Mr. Smith](#), after the upgrades failed to halt a decline in patronage. Last year, the casino reported adjusted gross receipts of \$131 million, a little more than half of 2007's \$240 million.

The [gambling industry's contraction](#), punctuated by the June 2 shuttering of a Mississippi casino and a January closing in Atlantic City, New Jersey, is jeopardizing an easy fix politicians thought they had for economic development. Or for saving underfunded public pensions, a selling point for a proposed huge Chicago casino.

Despite the expansion of gambling options, Illinois [collected 35 percent less](#) last year (\$538 million) in gambling-related revenue than it did in 2007. While the recession and slow recovery hurt performance, even net wagering at the still-growing number of video gambling terminals—some 16,000 in bars, truck stops and fraternal organizations—fell for the first time, in April from March.

"We call this not gridlock but 'greedlock.' It's a lose-lose-lose downward spiral for the state," [says John Kindt](#), a gambling policy critic and a professor emeritus of legal policy and business at the University of Illinois at Urbana-Champaign.

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Market saturation is hardly the only headache for casino operators like Mr. Smith, who worry about their livelihood jumping to the Internet. Their bread-and-butter slot players are aging. A ban on smoking is cutting traffic. And, Mr. Smith points out, it's hard to separate millennials from their handheld devices.

'ZERO-SUM GAME'

For now, the greatest threat to casino operators is being eaten by their own kind. The proliferation of betting positions, or seats, not only creates competitors but even dulls the customer's taste for the novel.

"Gaming in the Midwest is definitely very mature," says Alex Bumazhny, a Fitch Ratings analyst in New York. "It's basically a zero-sum game." [A study](#) commissioned for a proposed casino in Cedar Rapids, Iowa, found that it would cannibalize existing sites for three-fourths of its business.

Two years after it opened in Des Plaines, Rivers Casino last year was the sole Illinois casino to report an increase in receipts—though just barely: up less than 1 percent, to \$419 million. Its nearest competitor, the Grand Victoria Casino in Elgin, is scrambling, much as Joliet's Hollywood Casino, to [improve amenities](#) after receipts plunged by more than half since 2007.

State Rep. Louis Lang, D-Skokie, an evangelist for gambling as an economic development tool, believes there's still room for growth. The Illinois House deputy majority leader says stalled expansion plans that include a Chicago casino could boost annual gambling-related tax revenue statewide to as much as \$2 billion, more than double any yearly amount so far.

"We don't count up how many McDonald's and Starbucks there are. There's no evidence we're at a saturation point," he says, claiming Illinois is losing revenue to casinos on the Indiana lakefront.

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Mr. Smith begs to differ, noting the impact on taxing bodies like the city of Joliet. The city says video gambling-related revenue in the first quarter of 2014 was \$75,000, while casino-related revenue fell \$470,000 from the same period last year.

“When is enough enough? In Illinois the saturation point has already passed,” Mr. Smith told an [industry conference](#) June 3 in Rosemont.

Illinois' 10 casinos have a combined 12,000 gambling positions. A city-owned casino, with as many as 10,000 gambling positions, along with a doubling of the number of video terminals and other expansion plans could boost Illinois to 55,000, almost as many as the estimated 61,200 on the Las Vegas Strip. Nevada has 186,000, according to the Center for Gaming Research at the University of Nevada, Las Vegas.

DIFFERENT GOAL DOWNTOWN

“Downtown Chicago is a different economic case than anywhere else,” [says Kim Goluska](#), a Chicago architect and casino proponent for the Chicagoland Chamber of Commerce. The main goal for such a casino isn't to generate tax revenue, he argues, but to draw tourists to nearby restaurants, theaters and other attractions.

Video gambling is welcomed by many taverns. The Avenue Flower Shop & Wine Bar in Oak Lawn now attracts about \$30,000 in monthly wagering. Downstate, though, the Champaign City Council rejected a proposal in March to permit on-site alcohol consumption—a condition for video gambling—at gas stations and convenience stores.

Ultimately, supply and demand may have a vote. A “gambling cafe” [chain called Dotty's](#) last year said it would open 150 sites in Illinois within three years but has done only 26 to date. A spokesman says the forecast hasn't changed, “but they plan to grow responsibly as the market allows.”

Editor's note: This story has been updated to correct the number of gambling positions in

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Nevada.

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