

Atlantic City Casino Shutdown Needed, Analysts Say

Written by Administrator
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Atlantic City started the year with 12 casinos. By Labor Day, it could be down to nine.

For years, economists and analysts talked in theoretical terms about "casino saturation" in the northeastern United States. But there's nothing theoretical about what's happening in Atlantic City now.

The Atlantic Club is dead, taken down by two rivals. Revel says it will close if a buyer can't be found, and Caesars Entertainment, which says there are too many casinos in New Jersey, plans to shutter one of its four, the Showboat, on Aug. 31.

Mayor Don Guardian, who could see a quarter of his city's casinos close during his first year in office, said Atlantic City is in the midst of a difficult but necessary makeover from being a gambling resort to a multi-faceted destination where betting is only part of the allure.

"Although it is sad today, it's part of the transition that Atlantic City needs to have," he said Friday, hours after the Showboat shutdown was announced. "There is pain as we go through this transition, but it's critical for Atlantic City to realize we are no longer the monopoly of gaming on the East Coast. If you build more and more casinos and don't increase the amount of people coming to them, you're sharing that wealth. We're just going through a very difficult time."

Since 2006, Atlantic City's casino revenue has plunged from a high of \$5.2 billion to \$2.86 billion last year. It has been beset by competition from Pennsylvania, which has surpassed it as the nation's No. 2 casino market after Nevada, and suffered further losses with additional casinos coming online in New York and Maryland.

Israel Posner, executive director of the Lloyd D. Levenson Institute of Gaming, Hospitality and Tourism at Stockton College, said the resort has been dealing with casino saturation for a while now.

"We know that the oversupply of gaming product is a regional issue, as we're seeing the effects

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of the pressure all around Atlantic City," he said.

Bob McDevitt, president of Local 54 of the Unite-HERE casino workers' union, called Caesars' decision to close a profitable casino "a criminal act."

Since before Revel opened, McDevitt warned that adding another casino to the 11 that were operating here at the time could cause one or more to shut down. That has come to pass — and then some.

"I'm heartbroken and angry," he said.

Yet some analysts say what is happening in Atlantic City and other parts of the country is actually good for a market that has gotten too big to sustain itself. Fitch Ratings saw the upside in the shutdown announcement.

"The closure makes financial sense for Caesars and is a positive for the oversupplied Atlantic City market," the company wrote in a note to investors. "Showboat has about \$50 million in labor costs and pays about \$15 million in property tax (although Caesars is appealing Showboat's \$625 million assessed value). Caesars will likely recapture most of the Showboat customers at its three other resorts in Atlantic City."

Speaking at the East Coast Gaming Congress in Atlantic City in May, several Wall Street analysts said Atlantic City's casino market is in the process of correcting itself, which they considered a good thing for its long-term viability.

Adam Rosenberg, a managing director with Goldman Sachs, said the reduction in capacity that is underway is a positive. Srihari Rajagopalan, a debt analyst with UBS, agreed.

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