

Union: Protect casino workers from hedge fund neglect

Written by Administrator

Wednesday, 10 April 2019 14:15 -

ATLANTIC CITY, N.J. — The nation's largest casino workers union is asking gambling regulators to protect employees from neglect by hedge funds or private equity firms seeking short-term returns from casino ownership.

Unite Here approached gambling regulators in three states Wednesday, asking them to keep workers in mind when approving Wall Street firms for ownership or management changes regarding casinos.

The request was made to regulators in New Jersey, Nevada and Ohio.

Bob McDevitt, president of the union's Local 54 in Atlantic City, said private equity ownership has been disastrous for his city's casino industry, with shutdowns and job losses attributable to the firms' pursuit of short-term profits. He cited private equity ownership components of Caesars

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Entertainment, which owns the Caesars, Harrah's and Bally's casinos in Atlantic City, and MGM Resorts International, which owns the Borgata.

He said such firms prize the quick extraction of profits from properties for the benefit of investors, often to the detriment of workers and their communities. Caesars Entertainment, for example, shut down the still-profitable Showboat casino in Atlantic City in 2014 because it was not deemed profitable enough.

"We were devastated," said Cindy Pemberton, who worked at the Showboat for 27 years. "No one would have thought that a profitable casino would close down. Many of my other co-workers never found jobs. Some have lost their homes and have to rely on state assistance to get through."

McDevitt said private equity "has been a disaster for Caesars Entertainment, the workers and for Atlantic City. No one should have a license to strip money out of someone's pocket. We've been down this road before. Casinos were closed and thousands of jobs were lost. We don't want to go through another five to 10 years of vanishing jobs so a few guys can make money."

He cited several recent transactions in which hedge funds or private equity investors were able to affect far-reaching changes in casino companies while holding relatively small percentages of the firms, including Carl Icahn winning three board seats at Caesars Entertainment and effectively gaining the right to select its next CEO.

Under the control of Apollo Global Management and TPG Capital following a leveraged buyout in 2008, McDevitt said Caesars was left a "disastrous level of debt" that ended in the casino company's bankruptcy.

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"I'm still waiting for a single coat of new paint at Bally's," McDevitt said.

The company owns over 50 casinos.

Messages seeking comment from MGM, Caesars Entertainment and Icahn were not immediately returned Wednesday.

As recently as 2010, nine of the 11 casinos operating in Atlantic City were owned by hedge funds or private equity firms. Four of them — the Showboat, the Atlantic Club, Trump Plaza and the Trump Taj Mahal — were shut down, although the Taj Mahal was bought by Hard Rock and reopened last summer.

McDevitt said state casino regulators have the power — and the responsibility — to keep employees in mind when approving ownership or management change requests made by the casinos' corporate owners. He cited the case of the Tropicana, whose former owner was stripped of his casino license in 2017 after letting the property deteriorate while drastically cutting investment in it.

James Plousis, chairman of the New Jersey Casino Control Commission, said his agency will carefully review each request it gets.

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"We will do our due diligence on all these applications as they come forward," he said.

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