

Casinos rack up big money in state

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PENNSYLVANIA – Slot-machine gambling is off to strong start with \$300 million in revenues.

Are there many gamblers in this area?

You bet there are.

Just look at the occasional lines at lottery counters when the jackpots are rising. Notice the number of people who play those rip-off tickets in private clubs. Or check out the advertisements and news announcements for bus trips to the Seneca Nation casinos in Salamanca and Niagara Falls, N.Y., or the casinos in West Virginia and Atlantic City.

It's big business. And it's getting bigger in Pennsylvania.

In the six months since the start of slot-machine gambling in Pennsylvania, tens of thousands of gamblers have helped get the industry off to a strong start, with more than \$300 million in revenues.

During that period, four slots parlors (including one near Erie) plugged in about 8,000 slot machines, a number that could rise to more than 35,000 in two years as the state's full complement of 11 slots casinos open. The business is being closely watched by competitors, regulators and Pennsylvania's politicians, who legalized slots in 2004 on a promise to spin gambling revenue into tax cuts.

"I don't think anybody should be surprised that the results are strong," said Joseph Weinert, the editor of the Atlantic City-based Gaming Industry Observer. "For the most part, these are people who have been comfortable in casinos for years and now they can do it closer to home."

Casino executives and analysts are less sure what revenues will be like as more slots parlors open in Pennsylvania and gambling opportunities expand in New Jersey and West Virginia.

Chief executive Bobby Soper, at Mohegan Sun at Pocono Downs near Wilkes-Barre, said it will be difficult to determine the industry's potential until all new halls and expansions are complete.

"It's still not a mature market," he said.

Pocono Downs opened Pennsylvania's first slots parlor on Nov. 14, wedging a two-floor casino into the grandstand at its horse racing track. Earlier this month, it broke ground on a \$180 million casino it hopes to open in summer 2008.

Based on data collected through May 6, Pennsylvania's four slots parlors are on track to take in \$785 million in 2007, and at least one other slots parlor is scheduled to open this year. The state will take more than half of that amount for public schools, local governments, civic development projects and the horse racing industry.

Policymakers who crafted Pennsylvania's law to allow as many as 12 slots parlors with up to 5,000 machines apiece did so with an eye toward creating a \$3 billion industry. The law did not authorize live table games.

The open venues - Harrah's Chester Casino & Racetrack, Philadelphia Park Casino and Racetrack, Mohegan Sun and Presque Isle Downs and Casino at Erie - are winning over gamblers who had frequented casinos in neighboring states, even getting some people to gamble more than they once did.

Executives say one of the bigger challenges now is getting enough machines to satisfy demand.

"We're nowhere near a place where we have enough machines right now," said Dave Jonas, the president of Philadelphia Park Casino, which is adding 320 machines to the nearly 2,100 there now, but will have to build a bigger facility to reach beyond 3,000. "We're walking away from a lot of business on the weekends."

In the first week of May, Pocono Downs reported the highest per-machine wagering, at \$33,009. Philadelphia Park reported the highest overall wagers at \$63.8 million.

Despite all the crowds, police said they have had fewer minor crimes than would be expected even at a shopping mall - mostly thefts of wallets or purses, car break-ins, disorderly conducts and currency forgeries. One woman was arrested gambling at Harrah's Chester on April 9 after being accused of leaving her four children in a car outside.

Emergency response teams near Philadelphia Park, however, have been busy, with a huge spike in medical calls driven by the crowds of elderly adults visiting the slots parlor, said Fred Harran, Bensalem's director of public safety.

Most gamblers are traveling under 20 miles to Philadelphia Park and Harrah's Chester and under 50 miles to Pocono Downs, although the casinos would disclose no other information they collect on their customers.

"It's a very local audience right now, which we're fine with," said Jonas, of Philadelphia Park. "It's very easy to keep those customers. Those are customers we feel like we own."

The bigger challenge, he said, will be converting customers who otherwise would gamble in Atlantic City, home to 11 casinos and several others in the works. To do it, Philadelphia Park Casino is running buses from as far away as Baltimore and advertising in major newspapers in New Jersey.

It might be having an effect: April revenues at Atlantic City casinos were down almost 7 percent from the same month last year, which Weinert said is largely due to slots in Pennsylvania.

Pennsylvania slots parlors have not positioned themselves yet as gambling destinations. Aside from racetracks and restaurants, they have no attached hotels, natural attractions or large entertainment venues that can fill up a self-contained vacation weekend.

Average payouts at Pennsylvania's slots parlors also lag slightly behind most competitors in other East Coast states, including New Jersey, Connecticut and Delaware, according to the Gaming Industry Observer, which publishes the figures.

The phenomenon can be chalked up to Pennsylvania's relatively high tax rate on gambling revenue, Weinert said.

And customers in Pennsylvania say the perks are better at casinos in other states, particularly destinations like Atlantic City and Las Vegas.

"Free rooms, free meals and free shows," said Daniel Jones, an Englewood, Fla., resident who went to Pocono Downs while on a visit to see family nearby. "When you gamble a lot, they fly you out and fly you back."

Comps at Pennsylvania's slots parlors are minimal by comparison. Not all even offer free drinks, though discounts are common, and frequent players can accumulate credits toward meals and other perks.

Elliott, her losses mounting at the "Where's the Gold" machine at Philadelphia Park, said she likes spending occasional weekends in Atlantic City because of the variety of restaurants and the free hotel rooms she gets.

"I need a miracle now," she told the machine, to no avail. She picked up her purse and moved to another machine to try her luck.