

MICHAEL POLLOCK'S GAMING INDUSTRY OBSERVER

New Jersey update ...

CASINO CLOSINGS OFFERED GOOD NEWS FOR ATLANTIC CITY AT IMPORTANT MOMENT

Quick: Name a major media outlet that did not cover Atlantic City during the three-day casino shutdown.

We cannot think of one, either. From France to Canada, and from Newark to Norfolk, Atlantic City had a star on the media map.

Amid the gloom, jokes and epithets regarding the state-ordered cessation of gaming operations, the regional, national and, in some cases, the international media made a fuss over Atlantic City. In fact, for most media outlets outside of New Jersey, the closure of Atlantic City casinos was the face of the entire New Jersey budget crisis.

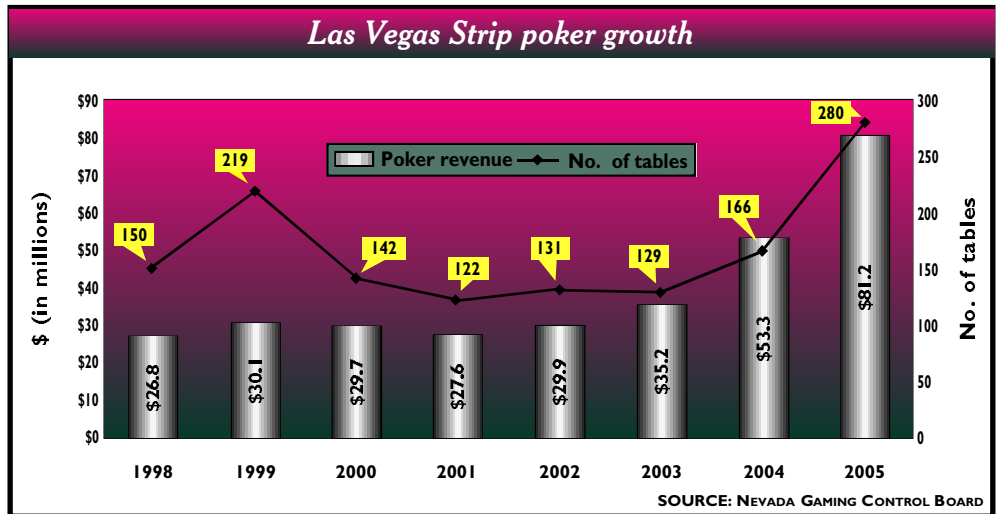
Borgata, Caesars and Trump Taj Mahal seemed to be the epicenters for media coverage. **Tom Hickey**, Trump's Director of Corporate Communications, reported doing 40 interviews on the first day of the shutdown, and seven television stations broadcast live from Trump Taj Mahal. Borgata's **Michael Facenda** ticked off a list of two dozen media outlets that either showed up or requested interviews, adding, "That is what I remember, but see **CLOSINGS** on page 7

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Observer first person ...

BELLAGIO POKER UNDER DALTON SHIFTS FROM NICHE TO SHOWCASE; TV FUELS GAME'S STAYING POWER

Editor's Note: Doug Dalton is Director of Poker Operations for Bellagio, which is Nevada's most profitable card room and the home of poker's biggest cash games. Dalton has been a top boss of Las Vegas poker rooms for a quarter century, having previously managed poker rooms at the Sahara, Dunes, Mirage and Treasure Island.

He has managed Bellagio's poker room since it opened in 1998 with 30 tables. He expanded the room a little more than a year ago; it now has 40 tables. Five years ago, Dalton cemented his card room's preeminence by lining up a groundbreaking deal to host tournaments on the fledgling World Poker Tour, including its annual championship event. Since then, televised and Internet poker have fueled an incredible boom in brick-and-mortar casino poker, and Bellagio has been at the crest of the wave.

In this fourth installment of the Gaming Industry Observer Q&A series, Dalton explains the factors behind the success of Bellagio's poker operation and the broader poker market.

How has Bellagio's poker business changed since the property opened?

We've added a lot of new business and grown a lot. We've always had the highest limits in the world, but our worldwide exposure on the televised World Poker Tour has exposed us to a lot of new players. We now get a lot of customers who come in and want to know how to get started playing no-limit hold'em, the game they saw on the WPT.

When we opened, we had no no-limit games, now we have a lot of them — five or more — at any one time. We didn't have tournaments when we opened but now we offer daily tournaments with \$500 or \$1,000 buy-ins, or higher.

We have more players playing at the highest limits. We opened our high-limit room last year, Bobby's Room (named after Mirage Resorts CEO **Bobby Baldwin**, a former poker world champion and still a high-stakes player). There are now a lot more players who want to play the \$1,000 to \$2,000 or \$2,000 to \$4,000 we spread there.

There's an aspiration to play in Bobby's Room. We've always had many of the most famous poker players in our room but their TV exposure has made them into celebrities, into stars. We've never advertised Bobby's Room, but people see the room and recognize players and ask if anybody can play — and we tell them that anyone can play, if they can see **Dalton** on page 2

How have televised poker events like the World Poker Tour and the World Series of Poker affected poker rooms in general, and Bellagio's room in particular?

There's no question TV has been a huge plus for us, and for poker. TV has been the biggest boost to card-room poker. Far bigger than the Internet. A lot of our new business is because of TV.

Five years ago there was a lot of concern in the poker business about where our players would come from. They were old and getting older. Now they are coming in droves. They see us hosting the WPT events, the WPT Championship, and people want to play at the same place they see on TV.

We now have many more inexperienced players, younger players than we used to. And that brings in the more experienced players, who think they have a better chance now.

Over time, poker is a game of skill. But at any one time, in the short run, luck plays a huge factor. People see the luck factor in TV tournaments and they think that they can win — and they can. The people who win tournaments win every coin flip or almost every one.

The World Series of Poker has grown tremendously since Harrah's bought it. Its growth has helped everyone in poker. They advertise it heavily and it draws a lot of people to Las Vegas. And that's what we want — if they come to Las Vegas, we want them to come and experience Bellagio once, and we know they'll be back.

Is the poker boom a fad, or is it sustainable?

Five years ago, casinos up and down the Strip were closing their rooms. They would think that they'd just fill up the space with slot machines and cut down on costs and add to their revenue. Now they're all on the bandwagon, and everyone has opened up rooms.

I think poker itself is not a fad and that the game will remain popular. People realize poker is a game that's beatable. It's your skills against the other guys'. Poker is fun, and players get to use their minds, their math skills, their people skills.

Will every poker room succeed? Probably not. We have the support of our top corporate manage-

ment. We offer comped and discounted rooms and meals, all in the most beautiful hotel in Las Vegas. How many poker rooms are in the middle of a five-star atmosphere? Only one. And we train our employees well. If poker rooms aren't committed to customer service, they won't attract customers.

How do you find employees, and has it been difficult to retain them given the number of competing rooms opening over the past couple of years?

We don't find them — they find us. The word is out about the good money they make here. And it's not difficult to retain people. Nobody wants to leave here. They all want to be here. We have practically no turnover.

If you're a good dealer and you're personable you can do very well because you keep your own tips. A good

poker dealer can make as much as a dealer in the casino's table games pit. When we do add staff, we take only experienced people. We see where they are and train them up to our standards. It usually takes them about three or four weeks of poker room, property and company training before they start on the floor.

Most poker executives once worried that Internet poker was a direct competitor, stealing action that otherwise would have taken place inside card rooms like yours. Do you still feel that way?

In the beginning, when Internet poker was just starting, it was a competitor. We saw people who were regular players who left and took at least some of their play online. But as the online sites have grown bigger, there is a lot of crossover. Online poker rooms have done a lot of advertising to associate themselves with brick-and-mortar rooms, marketing that prompts their players to give casino card rooms a try.

Now I think it's pretty clear that the Internet poker rooms bring in more business than they take. They are very advertising-oriented — they draw people to their sites, and then advertise online satellite tournaments that award winners entry into our brick-and-mortar tournaments. Web poker rooms can run satellites more efficiently.

Another factor is that the sites teach people some of the things they'll need to know to play at our tables. Online players who might not have been

willing to play in a casino now have the courage to play. These players feel like they have a talent for the game and want to try it out in the casino environment. Online, it's a solitary pursuit; it's not social, there's no conversation. There's a lot of socializing and entertainment value playing in a casino.

How many of your regular players play online?

My guess is that as many as 75 percent of serious players in our room have played online. Maybe a third play regularly.

Why did you switch a few years ago from not offering tournaments to offering the biggest daily tournaments in Las Vegas?

My perception of tournaments prior to the TV poker boom was that they weren't an advantage. They take money from a lot of people and put it in the hands of a few. But the TV tournaments made card room tournaments even more popular. When we didn't offer them, people would leave to find them. So we decided to use them as a tool to get people in the door. It's the biggest change we've made, and it's worked very well.

What is the poker room's role as a part of the whole resort?

Because of the TV and our exposure, we've become a destination. People now come to Bellagio just for the poker. The level of players we bring in complements the whole resort. Our players don't just play poker; they pay for rooms, meals, shows. And because we offer the biggest games and the most action we get a lot of the other properties' best customers. We don't talk about how much money we make, but we're a profit generator. ■

'Now I think it's pretty clear that the Internet poker rooms bring in more business than they take.'

If You Want More Information ...

The charts and tables in this issue represent only a sample of the data that are available to subscribers.

Michael Pollock's Gaming Industry Observer maintains data from previous periods, as well as for trends that are not listed here. We can also produce tables that focus on information specific to your needs. For more information, call 609-272-8330, fax us at 609-272-8339, or e-mail us at info@gamingobserver.com.

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New York update ...

AT \$1.1B, EMPIRE STATE IS BECOMING GAMING EMPIRE; RAPID GROWTH NEXT 18 MONTHS

As Pennsylvania prepares to begin the race to become the \$3 billion gaming jurisdiction that Gov. **Ed Rendell** has long envisioned, the commonwealth's northerly neighbor has a 10-figure head start.

We estimate that New York is now a \$1.1 billion gaming state. We hesitate to use the term "market," as many of the gaming properties are in widely separated markets. Even the catch-all phrase "jurisdiction" does not apply to New York, as the racinos fall under one authority (New York Lottery) and the Seneca casinos fall under another authority (state gaming compact) while Oneida Nation's Turning Stone operates in a legally gray area.

In total, however, New York is on the cusp of becoming one of the country's major gaming powers. There are now 18,900 operating slot machines in the Empire State, a figure that will grow by 50 percent in the next 18 months. This summer alone will see the opening of three more racinos: Tioga Downs and Vernon Downs, both operated by Nevada Gold, and Empire City Gaming at Yonkers Raceway. Next year, look for Aqueduct Racetrack and Seneca Buffalo Creek Casino to open.

In the meantime, Saratoga, Finger Lakes and the St. Regis Mohawks' small Akwesasne Casino near the Quebec border will soon be adding gaming units.

Additionally, we believe that gaming at Belmont Park on the Nassau-Queens border is inevitable. Requests for proposals to operate the New York State Racing Franchise (which includes Aqueduct and Belmont Park, as well as Saratoga thoroughbred) asked bidders to figure gaming into their proposal for Belmont Park. With Yonkers and Aqueduct projected to gross \$1 billion in combined annual gaming revenue (based on a \$275 daily win per unit), the state Legislature will be impelled to legalize gaming at a third metro New York City location.

Another 5,000 slots at Belmont Park would boost the state total to 35,000 games and, by that time, \$2.5 billion in gaming revenue.

At the core of the flourishing New York market is the April 2005 rollback of the effective gaming tax, which had been at a confiscatory 79.8 percent. Today, the tracks keep between 26 percent and 32 percent of their video lottery terminal revenue, plus receive a marketing allowance of between 5 percent and 8 percent. Same-store racino revenue is up 20.4

SLOTS IN NEW YORK

	NO. OF SLOTS		TOTAL	TOTAL GAMING REVENUE LTM MARCH 2006
	CURRENT	FUTURE		
Akwesasne	800	200	1,000	\$20,000 *
Aqueduct		4,500	4,500	
Batavia	586		586	\$20,486
Belmont		5,000	5,000	
Buffalo Creek		2,200	2,200	
Fairgrounds	990		990	\$39,149
Finger Lakes	1,010	200	1,210	\$74,656
Mighty M	1,576		1,576	\$71,975
Saratoga	1,324	400	1,724	\$108,655
Seneca (both)	6,282		6,282	\$469,023
Tioga Downs	750		750	n/a
Turning Stone	2,400		2,400	\$250,000 *
Vernon Downs		900	900	
Yonkers		5,500	5,500	
TOTAL	15,718	18,900	34,618	\$1,053,944

*Estimated

percent over the last 12 months.

As a result, says **Christian Riegler**, President of Finger Lakes Gaming & Racetrack, the remaining legalized racinos are eager to open and existing racinos are expanding. Riegler's own track is currently adding 12,500 square feet of space that will house a 280-seat buffet and 200 more VLTs.

Perhaps the most interesting racino experiment involves Vernon Downs, located six miles southeast of Turning Stone. Vernon Downs will be at a severe disadvantage to its well-established competitor: 60 percent gaming tax vs. 0 percent; no table games vs. 80 table games; racino vs. full-service entertainment resort; 6.5 miles from the New York Thruway vs. a half-mile from the Thruway.

"We've got 4,000 Turning Stone employees who can't gamble at their place, but they can at Vernon Downs. We're going to be a locals place — off-Strip vs. Strip. We will get their overflow," says **Eric Persson**, Senior Vice President and General Manager of both Vernon Downs and the recently opened Tioga Downs west of Binghamton.

Nevada Gold is projecting Vernon Downs' daily win per unit at \$142 and annual revenue of \$47 million.

New York's balky VLT scheme, meanwhile, is becoming more workable. Game outcomes are still determined by a central system (which can cause entire floors to fail), but that system is expected to include downloadable games next year. And game titles are still decided by vendors, but vendors are working more cooperatively with racetrack operators and the library of titles has expanded from 87 to 237.

"New York tends to see only games proven in other markets," Riegler said at the New York Gaming Summit in Niagara Falls.

When combined with the Lottery's floor reallo-

cation every six months, racino floors seem to be in a constant state of flux. Riegler said he made more than 1,200 game conversions last year, or 120 percent of the floor. The industry average is about 20 percent annual turnover. Vendors, though, are responsible for the cost of conversions and the turnover has resulted in higher per-unit performance.

New York appears to be succeeding in the gaming world because of its size and population, and because officials are learning from their past mistakes. But the gaming industry in New York will neither be as large, nor as successful, as it could be. The tax rate is still burdensome. The state will never have the concentration of gaming in one location that could challenge Atlantic City and Connecticut as regional destinations. The Catskills would have been the most likely choice, but past plans to build three Class II resorts, later upped to five, have been shelved. The hope now is to have one such property in that area, and one does not make a destination. ■

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Cluster analysis

The cluster analysis used in this newsletter breaks down as follows: The Atlantic City Hilton and Tropicana comprise the Route 40/Exit 2 cluster; Caesars and Trump Plaza are the Expressway cluster; Bally's and the Sands are the Brighton Park cluster; Resorts, Showboat and Trump Taj Mahal are the Inlet cluster; Harrah's, Trump Marina and Borgata are the Marina cluster. Caesars cluster (not included in the totals) is Bally's and Caesars.

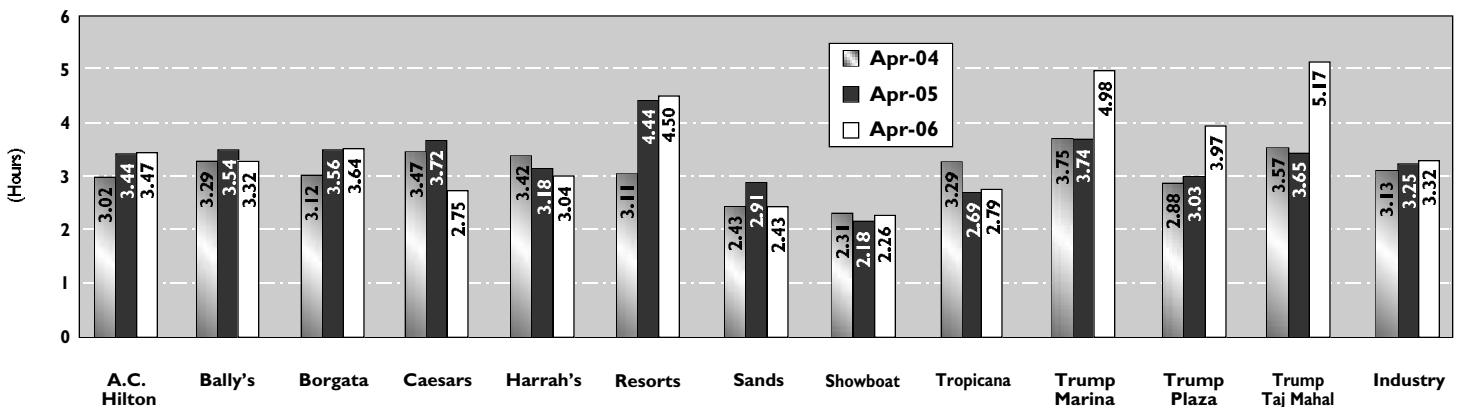
ATLANTIC CITY TRANSPORTATION DATA, YEAR ENDING APR-06

	NO. OF BUS PASSENGERS, APR-06	YEAR-TO-YEAR CHANGE	MONTH-TO-MONTH CHANGE	NO. OF BUS PASSENGERS, YEAR ENDING APR-06	CHANGE FROM YEAR ENDING APR-05	ESTIMATED NO. OF CARS PARKED, APR-06	YEAR-TO-YEAR CHANGE	MONTH-TO-MONTH CHANGE	ESTIMATED NO. OF CARS PARKED, YEAR ENDING APR-06	CHANGE FROM YEAR ENDING APR-05
Hilton	42,739	23.0%	-25.7%	671,804	13.8%	56,955	43.0%	-7.4%	643,464	7.1%
Bally's	97,530	2.1%	1.7%	1,057,045	-9.4%	119,413	24.0%	-2.4%	1,354,063	12.9%
Borgata	0	n/a	n/a	4,352	-29.0%	146,095	-4.8%	-5.0%	1,802,602	-6.1%
Caesars	53,702	-11.4%	8.6%	581,731	-0.2%	113,203	40.8%	-9.6%	1,266,611	32.1%
Harrah's	4,486	87.5%	-10.7%	62,110	-8.3%	121,577	8.4%	-7.6%	1,452,322	7.4%
Resorts	34,061	0.2%	-17.4%	489,161	-8.5%	35,913	20.0%	-1.9%	428,171	17.8%
Sands	41,095	-3.9%	-3.6%	427,150	-22.6%	35,712	38.4%	-7.1%	441,778	37.7%
Showboat	68,979	-10.8%	-8.5%	859,258	9.8%	118,845	4.1%	-7.4%	1,474,515	14.4%
Tropicana	47,648	20.9%	-7.9%	581,426	3.1%	104,100	2.2%	-9.6%	1,353,349	34.5%
Trump Marina	7,040	-32.1%	0.5%	96,277	-23.6%	36,696	-21.7%	-12.5%	492,763	-17.6%
Trump Plaza	38,409	-45.3%	-16.7%	658,198	-19.7%	41,537	-10.1%	0.4%	541,657	-14.2%
Trump Taj Mahal	37,455	-27.7%	-21.3%	593,194	-4.4%	68,951	-12.2%	-5.6%	872,110	-8.1%
Total	473,144	-8.9%	-9.0%	6,081,706	-5.2%	999,000	7.9%	-6.6%	12,123,406	8.4%

ATLANTIC CITY CLUSTER ANALYSIS

	NO. OF BUS PASSENGERS, YEAR ENDING APR-06	CHANGE FROM YEAR ENDING APR-05	ESTIMATED NO. OF CARS PARKED, YEAR ENDING APR-06	CHANGE FROM YEAR ENDING APR-05	ESTIMATED NO. OF VISITORS, YEAR ENDING APR-06	CHANGE FROM YEAR ENDING APR-05	CHANGE FROM YEAR ENDING APR-04	ESTIMATED WIN PER VISITOR, YEAR ENDING APR-06	CHANGE FROM YEAR ENDING APR-05	CHANGE FROM YEAR ENDING APR-04
Route 40/Exit 2 cluster	1,253,230	8.6%	1,996,813	24.2%	5,845,900	20.5%	32.9%	\$131	-5.0%	-13.8%
Expressway cluster	1,239,929	-11.6%	1,808,269	13.8%	5,398,948	6.7%	-1.2%	\$154	-4.1%	1.0%
Brighton Park cluster	1,484,195	-13.6%	1,795,842	18.1%	5,614,631	7.7%	-8.1%	\$150	-5.0%	6.2%
Inlet cluster	1,941,613	0.2%	2,774,795	6.7%	8,323,642	5.1%	3.1%	\$148	0.7%	5.5%
Marina cluster	162,739	-18.6%	3,747,687	-3.2%	8,782,419	-3.5%	4.5%	\$166	9.4%	18.4%
Total	6,081,706	-5.2%	12,123,406	8.4%	33,965,540	5.7%	4.7%	\$151	0.1%	16.3%
Caesars cluster	1,638,776	-6.3%	2,620,675	21.4%	7,666,328	14.2%	0.5%	\$157	-7.1%	-0.1%

Benchmarking snapshot: Est. gaming position hours per visitor trip



Statistical Focus ... TRANSPORTATION TRENDS

The tables for April and May rely on methodologies that vary slightly from past reports in estimating the numbers of visitors. Where appropriate, the new methodologies have also been applied to previous periods. As always, we note that anomalies might appear in any given month, particularly when performing estimates on individual properties. These anomalies – which could be based on any number of factors, such as hold percentage – tend to smoothe out over time, and when aggregating properties into clusters.

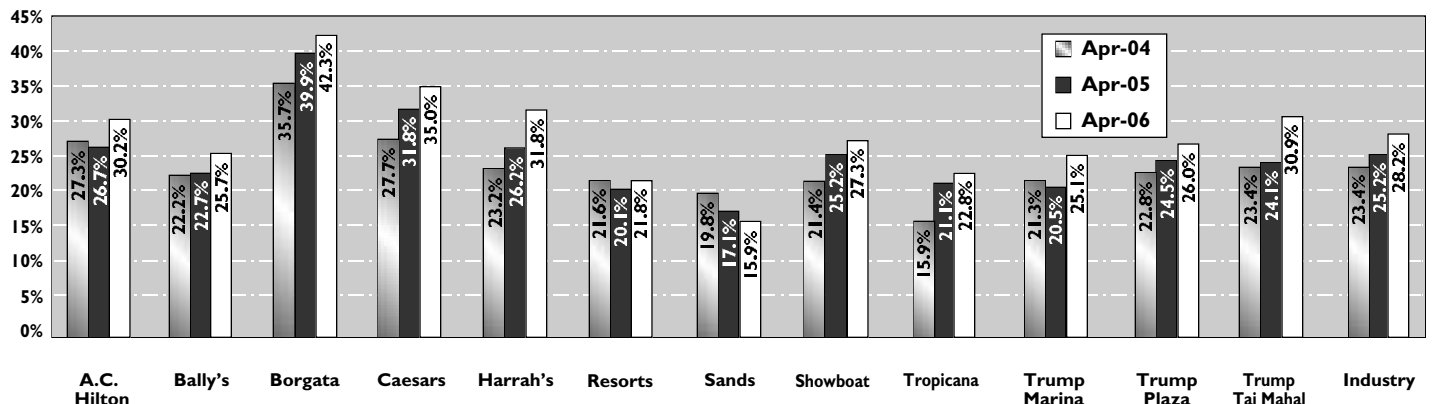
ATLANTIC CITY TRANSPORTATION DATA, YEAR ENDING MAY-06

	NO. OF BUS PASSENGERS, MAY-06	YEAR-TO-YEAR CHANGE	MONTH-TO-MONTH CHANGE	NO. OF BUS PASSENGERS, YEAR ENDING MAY-06	CHANGE FROM YEAR ENDING MAY-05	ESTIMATED NO. OF CARS PARKED, MAY-06	YEAR-TO-YEAR CHANGE	MONTH-TO-MONTH CHANGE	ESTIMATED NO. OF CARS PARKED, YEAR ENDING MAY-06	CHANGE FROM YEAR ENDING MAY-05
Hilton	45,820	37.0%	7.2%	668,451	8.1%	60,914	11.7%	7.0%	649,869	8.0%
Bally's	102,085	6.4%	4.7%	1,061,703	3.4%	119,670	10.1%	0.2%	1,365,076	13.9%
Borgata	0	n/a	n/a	3,687	-29.9%	144,634	-8.5%	-1.0%	1,789,143	-6.8%
Caesars	60,679	8.9%	13.0%	588,398	1.5%	117,948	39.2%	4.2%	1,299,814	35.8%
Harrah's	5,585	196.0%	24.5%	62,671	3.7%	117,890	-1.9%	-3.0%	1,450,084	6.0%
Resorts	35,382	1.0%	3.9%	482,105	2.8%	34,147	4.8%	-4.9%	429,741	17.8%
Sands	41,967	22.7%	2.1%	428,865	-4.4%	37,710	46.1%	5.6%	453,677	46.2%
Showboat	72,611	-3.5%	5.3%	856,664	0.7%	115,904	-3.6%	-2.5%	1,470,180	12.7%
Tropicana	51,728	33.7%	8.6%	578,834	4.0%	102,962	-20.0%	-1.1%	1,327,654	25.4%
Trump Marina	6,446	-32.5%	-8.4%	93,176	-15.2%	46,613	-6.2%	27.0%	489,657	-17.8%
Trump Plaza	35,617	-46.9%	-7.3%	618,172	-13.0%	39,036	-21.1%	-6.0%	531,221	-14.2%
Trump Taj Mahal	40,713	-14.6%	8.7%	573,746	-3.9%	79,161	-6.4%	14.8%	866,696	-8.2%
Total	498,633	0.9%	5.4%	6,016,472	-0.3%	1,016,590	-0.1%	1.8%	12,122,810	7.8%

ATLANTIC CITY CLUSTER ANALYSIS

	NO. OF BUS PASSENGERS, YEAR ENDING MAY-06	CHANGE FROM MAY-05	ESTIMATED NO. OF CARS PARKED, YEAR ENDING MAY-06	CHANGE FROM YEAR ENDING MAY-05	ESTIMATED NO. OF VISITORS, YEAR ENDING MAY-06	CHANGE FROM YEAR ENDING MAY-05	CHANGE FROM YEAR ENDING MAY-04	ESTIMATED WIN PER VISITOR, YEAR ENDING MAY-06	CHANGE FROM YEAR ENDING MAY-05	CHANGE FROM YEAR ENDING MAY-04
Route 40/Exit 2 cluster	1,247,285	6.1%	1,977,522	19.1%	5,795,587	16.0%	32.4%	\$133	-1.8%	-12.1%
Expressway cluster	1,206,570	-6.5%	1,831,036	16.2%	5,417,952	10.2%	3.6%	\$154	-6.4%	-2.7%
Brighton Park cluster	1,490,568	1.0%	1,818,753	20.6%	5,673,700	14.7%	-6.0%	\$149	-9.6%	5.4%
Inlet cluster	1,912,515	-0.2%	2,766,616	5.9%	8,275,732	4.4%	3.8%	\$149	1.5%	5.5%
Marina cluster	159,534	-9.2%	3,728,883	-4.0%	8,735,965	-4.1%	2.3%	\$167	9.4%	16.7%
Total	6,016,472	-0.3%	12,122,810	7.8%	33,898,935	6.3%	5.4%	\$152	-0.3%	4.0%
Caesars cluster	1,650,101	2.7%	2,664,890	23.6%	7,779,348	18.5%	6.5%	\$156	-9.2%	-4.1%

Benchmarking snapshot: Est. pct. of time gaming positions are occupied



Statistical Focus ...

NORTHEAST SLOT REPORT

Slot revenue among the 29 publicly reporting casinos in the Northeast increased by 4.7 percent during spring 2006, as measured by the March 1-May 31 period. Chalk up most of the increase to improving performance at New York racinos (up 24.3 percent for the period) and the November opening of Hollywood Slots in Bangor. Interestingly, the number of slot machines in the Northeast declined by 2.2 percent, or more than 1,800 units, as operators in Atlantic City and Connecticut continue to replace gaming space with non-gaming amenities to differentiate themselves from their convenience-driven competitors in the region. Mohegan Sun has maintained the seasonally highest daily win per unit in the three years we have tracked Northeast slot play. This data is extracted from our more detailed monthly Northeast Slot Report© for Platinum Service subscribers. Note that the New York Lottery does not disclose drop, thus skewing the total Northeast correlation between drop and win.

Northeast slot performance, ranked by daily win per unit, Spring 2006

	AVG. NO. OF UNITS	YEAR OVER YEAR CHANGE	DROP	YEAR OVER YEAR CHANGE	WIN	YEAR OVER YEAR CHANGE	DAILY WIN PER UNIT	YEAR OVER YEAR CHANGE
Mohegan Sun	6,202	-0.5%	\$2,660,653,508	5.7%	\$231,408,507	5.1%	\$406	5.6%
Borgata	3,212	-10.1%	\$1,489,513,147	1.5%	\$108,281,281	1.0%	\$366	12.4%
Harrah's	3,441	-13.0%	\$1,358,328,001	9.6%	\$111,587,893	7.8%	\$352	23.9%
Caesars	2,774	-13.5%	\$978,954,627	-2.6%	\$88,064,720	-0.1%	\$345	15.5%
Foxwoods	6,807	-7.7%	\$2,373,974,003	-4.4%	\$207,826,293	-2.6%	\$332	5.6%
Delaware Park	2,509	0.4%	\$946,265,800	2.4%	\$74,389,900	8.6%	\$326	1.1%
Charles Town Races	4,095	9.1%	\$1,156,889,650	7.8%	\$114,736,698	12.4%	\$308	3.1%
AC Hilton	2,210	9.0%	\$723,335,169	17.2%	\$59,932,849	23.1%	\$295	12.9%
Showboat	3,444	-8.9%	\$971,666,317	-0.5%	\$91,967,976	1.9%	\$290	11.9%
Lincoln Park	3,574	32.0%	\$308,612,241	1.1%	\$87,260,126	-0.2%	\$265	-24.4%
Trump Marina	2,109	-16.6%	\$622,171,843	-5.5%	\$50,208,944	-5.9%	\$259	12.8%
Bally's	5,568	-3.1%	\$1,532,704,259	7.7%	\$131,600,386	11.0%	\$257	14.5%
Trump Plaza	2,283	-15.2%	\$679,256,032	-7.7%	\$53,547,300	-6.9%	\$255	9.8%
Saratoga	1,324	0.0%	n/a		\$30,176,005	17.9%	\$250	17.9%
Wheeling Island	2,310	1.2%	\$546,487,330	0.5%	\$51,361,551	1.2%	\$244	0.0%
Finger Lakes	1,010	0.0%	n/a		\$22,106,847	19.1%	\$241	19.1%
Tropicana	3,925	-7.7%	\$1,003,870,748	14.4%	\$86,777,035	15.4%	\$240	25.1%
Dover Downs	2,500	0.0%	\$645,525,600	3.2%	\$53,702,300	6.6%	\$236	7.8%
Trump Taj Mahal	3,892	-9.6%	\$1,045,004,059	-1.6%	\$83,754,336	-0.5%	\$234	10.1%
Mountaineer Park	3,156	0.4%	\$727,914,413	-2.2%	\$65,505,828	-1.9%	\$228	-2.3%
Harrington Raceway	1,591	4.6%	\$347,516,900	6.1%	\$32,120,800	1.1%	\$222	4.5%
Hollywood (ME)	475	n/a	\$135,012,151	n/a	\$8,965,204	n/a	\$205	n/a
Newport Grand	1,070	4.9%	\$72,776,620	-2.2%	\$20,195,063	-3.5%	\$205	-8.0%
Resorts	2,848	-1.2%	\$617,420,874	1.6%	\$52,317,251	3.6%	\$200	4.8%
Sands	2,131	-1.0%	\$396,375,379	-1.7%	\$34,800,983	-3.5%	\$178	-2.6%
Monticello	1,576	-9.6%	n/a		\$19,281,987	19.1%	\$134	31.8%
Fairgrounds (Buffalo)	990	0.0%	n/a		\$11,025,697	9.4%	\$122	9.4%
Batavia Downs	586	n/a	n/a		\$6,319,095	n/a	\$118	n/a
Tri-State Park	1,729	-1.8%	\$193,005,306	-3.9%	\$16,227,343	-2.8%	\$103	-1.0%
NORTHEAST TOTAL	79,341	-2.2%	\$21,533,233,976	3.1%	\$2,005,450,197	4.7%	\$276	7.1%

Atlantic City update ...

EMINENT DOMAIN WOULD HELP ATLANTIC CITY, ADVANCE PUBLIC POLICY

Peter Carlino, Chairman and CEO of Penn National Gaming, ruffled local feathers at our East Coast Gaming Congress by calling for the widespread use of eminent domain in Atlantic City.

While some with locally vested interests may have been offended by such a notion or

simply labeled Carlino's plea as self-serving, we believe the topic is not only worthy of continued discussion but also requires serious consideration.

Borgata is the finest example of what can be accomplished in Atlantic City when ample land is accompanied by vision. Borgata has proven that the market will grow, and competitors will invest heavily in themselves, if a new breed of product is developed. Borgata could not have accomplished this feat on a 10-acre parcel of land (it sits on 42 acres).

Atlantic City casino developments, with the

exception of Harrah's and Borgata, have been principally vertical constructions, unlike the major Las Vegas Strip properties. There, they spread out over sometimes dozens of acres to offer patrons a diverse and easily accessible array of gaming, dining, retail and entertainment options.

One can find the horizontal model employed much closer to Atlantic City as well: Foxwoods and Mohegan Sun continue to spread their complexes outward on volumes of acreage that they own.

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there were many more.” **Alyce Parker** of Harrah’s Entertainment said there were “too many to count.”

The interested media primarily consisted of print, radio and television outlets from Boston to Washington, D.C. — Atlantic City’s core market. Additionally, media outlets in seemingly every major national market picked up the wire-service stories. Even the BBC showed up.

When that many media outlets devote that much time to one destination — to one industry — the overriding message to the public at large is that Atlantic City is important. Anyone who has not visited Atlantic City in the last few years had to wonder what they were missing.

The media’s vigil-like coverage was largely sympathetic to the industry and cast Atlantic City in an overwhelmingly positive light. Because dead gaming floors make for poor visuals, journalists trained their cameras on restaurants, The Walk, Boardwalk, entertainment venues and other nongaming amenities that are the focus of Atlantic City’s image-changing redevelopment.

The value of the media coverage partially offset the direct loss of gross gaming revenue. **Maureen Siman**, Vice President of Marketing for the Atlantic City Convention & Visitors Authority and a veteran in the fine art of casino public relations, said the city may have received advertising equivalency of about \$8 million or \$9 million. The ACCVA could come up with a firmer figure if it were to formally analyze the number and length of media impressions.

“This situation gave the city’s nongaming aspects a lot of opportunity to talk about what we can do. Ten years ago, this would have been really bad for us,” Siman said.

From a public-policy standpoint, the media coverage was priceless to the national gaming industry. The simple reason: Jobs and taxes. The media was unrelenting in discussing the tens of thousands of casino employees who were out of work and the daily loss of perhaps \$1.3 million in state gaming-tax revenue. The industry should find it refreshing that such intensive coverage did not focus on profits, problem gambling, smoking, and other frequent targets.

Still, the casinos realized a direct loss of revenue, which has largely evaporated, to the benefit of other forms of discretionary spending. However, we do not have any reason to believe that the public’s disappointment at not being able to play for that brief window will have any significant lasting effect that would benefit any competing gaming market.

At the same time, the shutdown accomplished

something that is quite rare in New Jersey: The shutdown appeared to generate a lot of sympathy within the state toward casinos. Such sentiments are quite valuable in a state that largely does not understand this industry’s role in the state’s economy. The casinos were a private industry caught in the crosshairs of a political struggle.

That sentiment, however fleeting it might be, is an asset that can help the casino industry as it girds for its next round of battles: Three Bergen County Democratic leaders recently called for the state to approve video lottery terminals at Meadowlands Racetrack in East Rutherford. Senators **Paul Sarlo** and **Joseph Coniglio** and County Executive **Dennis McNerney** proposed the measure to help shrink the state’s budget deficit.

The proposal comes in the form of Senate Bill 266, which was carried over from the fall 2005 legislative session and has been lodged in the Wagering, Tourism and Historic Preservation Committee. The bill calls for a maximum of 5,000 VLTs and a gaming-revenue tax of at least 30 percent.

Sen. Sarlo said at a Trenton press conference that 5,000 VLTs would generate \$300 million

in gaming taxes per year. Sen. **Barbara Buono**, who chairs the committee, said she would support hearing the bill as soon as possible, though that will now have to wait until the fall.

Supporters of the bill said they would promise no new taxes on Atlantic City casinos for five years.

VLTs have for years been proposed for the Meadowlands, and each time have died amid heavy pressure from the Casino Association of New Jersey and amid questions about the legality of approving gaming outside of Atlantic City without a constitutional amendment.

As we have said many times before, the issue of VLTs at the Meadowlands will never go away. In fact, pressure to approve them will grow in the coming 12 months, when Yonkers Raceway and Aqueduct Racetrack — just across the river in metro New York City — add a combined 10,000 video gaming machines.

However, when the VLT issue arises again, legislators should have a much better awareness of what this could mean to Atlantic City — thanks to the casino shutdown and the media attention it generated. ■

The long-term competitive product offering of Atlantic City will be challenged with the expansion of gaming on the East Coast. Attractive, diverse, well-capitalized properties will be required to capture new customers and lure wallet share from an expected growing market of convenience based-gaming customers in the Northeast. The older, vertical, land locked Atlantic City properties will be challenged to adequately protect their existing market shares.

Harrah’s Entertainment has recognized the limitations that exist with its center-Boardwalk properties and is in the midst of considering a partial teardown of the Wild Wild West annex at Bally’s to enable development. **Carl Icahn’s** Sands, which recently acquired the 7.7-acre Traymore site, faces an equally challenging planning process, which may result in the imploding of the Sands to clear a path for a more viable development.

Gaming Industry Observer has long urged the state to use whatever powers are at its disposal to clear away retail eyesores at Michigan Avenue and the Boardwalk. Among other benefits, such actions would expose visitors to the inviting façade of the old Dennis Hotel (now part of Bally’s).

Carlino, similar to most visionaries, has dared to

challenge conventional wisdom. Although eminent domain threatens other long-established property owners, we believe the long-term viability of capital investments in Atlantic City might depend on eminent domain.

While the concept of “vertical integration” sweeps the business world, Atlantic City leaders must recognize the importance of “horizontal adaptation.”

Opposition to eminent domain tends to be more emotional than rational, with visions of small homeowners being uprooted by corporations. The reality — particularly when accompanied by solid planning — is often different, with outcomes that benefit the public at large. This would be especially true in an urban center such as Atlantic City. Policy makers need to be reminded that Atlantic City in the 1970s was one of the most impoverished cities in the United States. Significant remnants of that era still cling to the city’s core. Visitors, however, need not be reminded of it, particularly as Atlantic City moves solidly into a new era as an entertainment destination.

The judicious use of eminent domain in Atlantic City would encourage private development, speed Atlantic City along its evolutionary path, and help the entire state with added jobs, greater tax revenue and a more competitive tourism industry. ■

Marketing trends ...

HARRAH'S CHALLENGE AT SHOWBOAT IS MELDING BLUES WITH BLUE HAIR

The physical gap separating Showboat and the House of Blues in Atlantic City is about 2 inches. The psychic gap, however, is as wide as a generation. Maybe two. Or three.

Patrons moving from one segment of the same physical property to the other pass through a demographic warp, a dimension of sight, sound — and mind. Elderly players wagering quarters beneath plastic flowers were staring into a dark gaming and entertainment complex of urban and exotic images filled with patrons who might be their grandchildren.

"It was the line of demarcation. It was pretty drastic," acknowledges **Jay Snowden**, Showboat's Senior Vice President and General Manager.

The challenge for Harrah's Entertainment was to intertwine not just the two businesses — they are already joined at the hip — but to meld their images, their messages and, of course, their customers. And to do this while making the Showboat property more upscale. In *Gaming Industry Observer's* oft-quoted parlance, this means joining a brand that is hip with a brand that is hip replacement. There was, however, no good template for such a casino hotel repositioning.

Harrah's went outside the gaming box and examined the transformation of Target Corp., which morphed from a Kmart-type of discounter into a trade-up alternative to Wal-Mart. Target, of course, did not have a Chuck E. Cheese's at its Boardwalk entrance.

Harrah's essentially drew one circle, that being Showboat on the right, and another circle, that being House of Blues on the left, and moved each toward the center. The overlapping middle would be their target.

Harrah's found that both brands, despite their vastly different demographic appeal, have plenty in common. Chiefly, both Showboat and House of Blues endeavor to provide guests with a southern feel and festive atmosphere. The resulting effort to reflect their combined "Soulful Southern Spirit" is the "Heart and Soul of Atlantic City" advertising campaign.

Showboat and House of Blues are delivering on the promise, both through capital investment and a tight alliance between the two companies that could become tighter in the foreseeable future. Showboat has spent \$70 million this year on casino, concourse and hotel room renovations that make the property decidedly more upscale.

Meanwhile, House of Blues executives attend Showboat marketing meetings to ensure that the

message speaks to both brands.

Because Showboat has stockpiled nearly 20 years of brand equity in Atlantic City, combined to one for House of Blues, we would not label this combined effort as the tail wagging the dog. Yet Harrah's recognizes the obvious: The old Showboat is where Atlantic City was, and the House of Blues is where Atlantic City is going.

Showboat and HOB became further intertwined last month with the opening of 22 House of Blues suites in Showboat's Orleans hotel tower. The rooms, priced with a starting retail rate of \$349, feature original artwork, Bose radios, Sirius satellite radio, 42-inch plasma televisions, iPod connections and other distinctive features.

This Borgata-like approach provides Showboat with a unique selling proposition. Indeed, it seems like everybody in Atlantic City wants to incorporate elements of Borgata, and speculation persists that an entire Hard Rock casino hotel will be developed on the new Morgan Stanley-owned site next to Showboat.

The next step for Showboat, then, might be to further involve House of Blues or even put the House of Blues flag on the entire property through a licensing agreement, much like the Seminole Tribe of Florida has done with the Hard Rock brand at its casinos in Hollywood and Tampa.

"We've talked about that," Snowden said of further involving the HOB brand at Showboat. "We want to see what kind of brand equity they bring; the jury is out on House of Blues on the East Coast (there is only one HOB location in the Northeast). We're not closing it out as an option. We'll see how successful we are with this arrangement."

Indeed, Showboat and House of Blues have only just begun their new campaign. We expect the results will be demonstrably positive in the coming months. ■



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