

# Atlantic City casinos noticing the competition factor

Atlantic City – In Ed Hoffman's mind, there are certain pleasures that go hand-in-hand.

Like gambling and smoking.

„I'll abide by it, but I'm not happy about it,“ Hoffman said of the casino smoking ban that passed by a 6-3 vote Wednesday in City Council here. „When I gamble, I want to smoke.“

Hoffman, 60, of Medford, will soon have less space to do both.

When the partial smoking ban takes effect April 15, he and other gamblers will have only 25 percent of the casino floor on which to light up. Smoking will be prohibited on the other 75 percent.

The ban comes at a critical time for this resort's casino executives: Neighboring Pennsylvania is beginning to cut into its USD 5.2 billion industry. Three racetracks with slot machines are in full operation there. The most recent opening was of the Chester Casino & Racetrack in Delaware County last month.

„All facilities are meeting or exceeding revenue projections, and taxpayers are receiving a significant return on their initial investment,“ said Doug Harbach, spokesman for the Pennsylvania Gaming Control Board, the agency in charge of regulating the nascent industry. „In a little over 12 weeks, slots have generated three times the amount of revenue that was set aside for the start-up of this industry.“

Revenue figures for the 11 Atlantic City casinos show a 2.9 percent decline from the same month a year ago, indicating

that Pennsylvania slots parlors are already having an impact.

The casinos took in USD 394.5 million in revenue; of that, USD 271.8 million, or 68.9 percent, came from slot machines. The rest – USD 122.6 million – came from table games, which Atlantic City has and Pennsylvania does not.

The share of revenue from slots is down 3.1 percentage points from the same period a year ago.

The top-grossing casino last month was the Borgata, which took in \$ 63.4 million – up 6.5 percent from a year ago. Next was Bally's at USD 48.9 million, despite a 7.5 percent drop over 2006. Third was Caesars at USD 44.4 million, which was up 7 percent.

„I expected it. It's definitely Pennsylvania,“ said Larry Mullin, chief operating officer and president of the Borgata. „You'd expect they would have a trial period when you bring that much slot capacity online.

„I think you're seeing that,“ he said. „It is competition, like any new emerging market.“

Mullin added: „Customers in Pennsylvania have the convenience now of no longer having to drive that extra half hour or 45 minutes. We expect them to be sharing trips in the coming months between us and the new parlors.“

Other operators also expressed concern.

Trump Entertainment Inc., which owns three casinos in Atlantic City, said in a conference call Wednesday that it wasn't ready to announce revenue and earnings estimates for the new year „because of uncertainty surrounding new competition from the new Pennsylvania casinos and the impact of the casino smoking ban.“

The three Trump casinos are refurbishing their hotels and adding amenities in an increasingly competitive landscape, and

have retooled marketing strategies to focus on attracting more overnight customers.

Last month, all three Trump properties showed a decline in revenue from a year ago. Trump Taj Mahal was down 1.0 percent, Trump Marina lost 1.9 percent, and Trump Plaza fell 3.9 percent.

Trump Entertainment shares fell 21 percent to USD 17.92 three days after the company lost a bid Dec. 20 for a license to build a casino in Philadelphia. Yesterday, Trump's shares on the Nasdaq exchange closed up 3 cents at USD 17.50.

Andrew Zarnett, a gambling analyst at Deutsche Bank AG in New York, said the smoking ban would affect Atlantic City casinos' revenues this year.

„The partial smoking ban will add to the pressure that Atlantic City feels from its core customer base, because some customers may choose to go elsewhere,“ Zarnett said.

Slots player Jaime Vargas, 35, of Ivyland, Bucks County, represents what Atlantic City casinos fear most.

Vargas said the smoking ban in Atlantic City would be a reason for him to stay on the Pennsylvania side more often.

„I like to do both,“ he said as he puffed on a cigarette Thursday at a penny slot machine at Philadelphia Park Casino. The racino – the industry term for a racetrack with slot machines – opened in December. So far, it has had USD 291.8 million in wagers.