

Casinos in W.Va. to lose their edge

March 28, 2012 7:24 pm

By Mark Belko / Pittsburgh Post-Gazette

Jim Green gambles at Mountaineer Casino, Racetrack and Resort in West Virginia about six times a month, but he'll cash out for good once table games arrive in Pennsylvania.

At that point, Mr. Green, a North Fayette resident who plays only table games, plans to take his business to one of his home state casinos, probably the Rivers in Pittsburgh.

"It's a 50-minute drive for me to get here and it will be a 12-minute drive to get to the other place," he said Friday while taking a break from play at Mountaineer.

"I won't be back here. The only way I'll come back is if they have a good band [playing]. On a regular basis, I won't be back."

West Virginia casino operators are hoping people like Mr. Green will be the exception, not the rule.

But industry experts say there are probably a lot of others like him who will stay on their home turf once table games debut, probably this summer, in Pennsylvania.

With their advent, the two West Virginia casinos closest to the Pennsylvania border, Mountaineer in Chester and Wheeling Island Hotel-Casino-Racetrack, will lose their primary competitive advantage. And it will have an impact, experts said.

"I think it will be significant," said Paul Girvan, managing director of the Innovation Group, an industry consultant.

In projections done for a group of casino operators in Pennsylvania, the Innovation Group estimated that table games will generate \$864.5 million in revenue by 2012. Of that amount, \$502.8 million will come from players who currently are gambling out of state, mainly in West Virginia, where table games were legalized in 2007, and Atlantic City.

Mr. Girvan said West Virginia casinos could "get hammered" from two sides with the introduction of table games in Pennsylvania and the legalization of casino gambling in Ohio in November. The West Virginia venues draw customers from both states.

"They're going to be put in a squeeze," he said. "I would have been a happy camper if I had invested in West Virginia [casinos] 20 years ago and got out two or three years ago. They've had a good run."

Mr. Girvan also predicted that Pennsylvania's legalization of table games will have a "noticeable impact" on Atlantic City casinos, which already have lost business to Keystone State slots venues, particularly near Philadelphia.

"It won't be catastrophic because the vast majority of the revenue [in Atlantic City] comes from slots, but it will be noticeable," he said.

Harvey Perkins, senior vice president of Spectrum Gaming Group, another industry consultant, also sees trouble for West Virginia casinos with Pennsylvania's decision.

"It won't be helpful. Whenever you have equalization of the product supply, people will naturally gravitate, in most cases, to the product in closest proximity to them," he said.

West Virginia casinos may be able to lessen the impact by increasing promotions, adding new amenities, and renovating their facilities to compete, Mr. Perkins said.

Whether they will be able to do so is another matter. The loss of business to Pennsylvania could prevent the casinos from spending money on improvements or beefing up promotions, Mr. Girvan said.

Like the experts, West Virginia Sen. Ed Bowman, D-Hancock County, believes casinos in his state's northern panhandle will take a hit when table game play starts across state lines.

He said 90 to 95 percent of the license plates in the parking lots at the Mountaineer and Wheeling casinos are from Pennsylvania or Ohio. Mr. Bowman said the state already has seen some reduction in slots revenue from competition from The Meadows Racetrack and Casino in Washington County and others in Pennsylvania.

"Obviously, when you have competition that is so close to our gaming facilities located here in the northern panhandle, I think it's obvious we will see some reduction in the revenue we derive from our gaming facilities," he said.

To help the casinos compete, Mr. Bowman has been advocating a reduction in the tax on table games, from the current 35 percent to at least Pennsylvania's 16 percent.

"I think it's something they're going to have to take a look at," he said of the West Virginia Legislature.

He also believes West Virginia casinos will have to offer the best service and amenities possible to continue to attract players from across the border.

"There's a lot at stake here but I do think management is up to the task and they will survive," he said.

For the fiscal year ending June 30, 2009, the 35 percent tax on table games in West Virginia generated \$34.2 million. That would put overall revenues at close to \$100 million.

If the odds are stacked against the casinos, the operators themselves are keeping a poker face. They don't think the losses will be as bad as some others are predicting.

Bob Griffin, president and CEO of MTR Gaming Group Inc., which owns Mountaineer, said he expects to lose some table game business to Pennsylvania, but not a lot.

"The majority of customers come from Ohio. They will continue to come to Mountaineer. A small percentage [of players] from Pennsylvania go to West Virginia. We will lose some of them but not all of them," he said.

Mountaineer has 65 tables for games like blackjack, craps and roulette and 40 poker tables.

Likewise, it doesn't appear as if the Wheeling Island Hotel-Casino-Racetrack is expecting big losses from the table game competition in Pennsylvania.

Mike Maestle, Wheeling Island vice president of gaming operations, said it was too soon to determine what the full impact would be, but he added he expects most of his patrons to stay put.

"We believe our players will continue to come to our casino in the future even with Pennsylvania getting table games," he said.

Although there "can always be variations in business levels" given the competitive environment, he thinks Wheeling can more than hold its own because of its level of amenities, including a hotel.

"We believe we have a first-class product to offer and we can compete. We believe our players love what we have to offer and will continue to visit us," he said.

Wheeling currently has 64 table games, including 20 poker tables. It offers much the same mix, including blackjack, craps, and roulette, that the Rivers Casino and The Meadows will have.

The casino has added a number of different table games and slot machines within the last year, but Mr. Maestle said that was not a response to competition from Pennsylvania. Rather, it was to provide the kind of entertainment patrons wanted, he said.

He added the casino is always making adjustments. Some, he said, are based "on what happens in the regional market. Others are based on what players want."

"As I said earlier, we are in a very competitive market. All operators, all casinos, are going to be putting their best games forward and thriving to gain market share and protect market share. That's what we're going to do," he said.

While Mr. Green, meanwhile, doesn't see himself returning to Mountaineer much once table games get rolling in Pennsylvania, some others playing at the West Virginia casino on a snowy Friday morning were of a different mind.

Louis Harris of West Middlesex, Mercer County, said he drives to Mountaineer once a month and plans to continue to do so regardless of Pennsylvania's legalization of table games, which he doesn't play. While Mr. Harris could go to the Rivers Casino to do his gambling, he prefers Mountaineer because of the food and the "nice drive down here."

"It's an hour to Pittsburgh and it's an hour to here," he said. "It's as close as anything else and I started coming here when there weren't other options."

Likewise, Fred Gardner of New Castle, Lawrence County, plans to continue traveling to Mountaineer about once a month to gamble. He also goes to The Meadows and Rivers.

He said he likes the free hotel rooms, the free food, and the other perks awarded by Mountaineer as part of its promotions. But there is a limit to his loyalty.

"Now if they ever put that [casino] in New Castle ..."

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First Published January 10, 2010 12:00 am