



Pittsburgh's Casino Posts Strong Gains in 2011

To say that the Rivers Casino in Pittsburgh had a tumultuous start is an understatement. As we have documented in previous *Policy Briefs*, since it won the gaming license for Pittsburgh the casino has undergone an ownership change, a reduction in its credit rating, and its revenues have come in been well below pre-opening projections. But after beginning operations in mid-2009 and now having experienced two full years of slots operation—and one full year of table games—has Pittsburgh's gaming parlor risen to its hoped for potential?

Keep in mind that the pre-opening projection by ownership for the Casino's first year revenues was \$427.8 million. The Gaming Board had forecast \$362 million. To achieve the Board's projected revenues the Casino would have to average about \$7 million per week in gross terminal revenue (GTR). During the few months following the August 2009 opening it became apparent that both the two pre-opening projections were out of reach as the actual weekly GTRs were coming in at just under \$4 million.

Calendar 2010's average weekly GTRs increased to \$4.6 million as the Casino brought in \$241.6 million in slots revenues for the year. 2010 also saw the introduction of table games in July that added another \$1 million per week in total revenues at the facility. However, the combined revenues from slots and table games, \$267.3 million, still left the Casino woefully short of initial expectations (which were projected solely from slot machines).

It is possible that the national recession of 2009-2010 played a role in keeping revenues down. As the area's employment levels fell, some people did not have the disposable income available to spend on recreational activities such as gambling. However, the national recession came to an official end at the close of 2010 and in the Pittsburgh area employment levels began to rise rather briskly. All-in-all 2011 was a much better year economically, but how did the Rivers Casino fare in the improving environment?

In 2011, the Rivers collected \$274.8 million in GTR from their slots operation, an impressive increase of nearly 14 percent over 2010. The average weekly GTR increased as well to \$5.3 million. Adding in the \$67.5 million in table games revenue and the

Rivers' total revenues reached \$342.3 million—approaching the Gaming Board's initial revenue projection.

The monthly numbers indicate a consistency to the increase in the Rivers' slots GTR. Every month but two in 2011 had a double digit increase percentage change from the same month in 2010 ranging from 11.3 percent in July to a 19.2 percent increase in May¹. The lone exceptions were in August and October which still showed good gains of 7.2 and 7.3 percent respectively.

Among the established casinos in Pennsylvania, the Rivers' 2010 to 2011 increase in slot GTRs was by far the largest. In fact, only three other casinos reported year to years gains—Sands Bethlehem (4.8 percent), Mohegan Sun (3.3 percent), and Mount Airy (1.1 percent). The remaining five experienced lower slots revenues in 2011 than in 2010 including the Meadows with a small decrease of -0.60 percent.

While some casinos pared back the number of slot machines, presumably in favor of table games (Mohegan Sun, Meadows, Mount Airy, and Sands Bethlehem), some did not and actually increased the number of slot machines (Parx, Presque Isle, and Penn National). The number of slots machines at Rivers stayed basically the same as their average weekly number of machines in operation for 2010 and 2011 stood at just under 3,000. Once another full year of table games has passed can we will be better able to address any possible substitution effects between slots and table games play.

It is too soon to say that the Rivers has reached its potential after only two full years of operation. Its total revenue from slots and table games is still short of initial projections but clearly made good gains in 2011. Moreover, the weekly average revenues from slot machines for 2011 came in at \$5.3 million, second best in the state behind Philadelphia's Parx Casino (\$7.2 million). This is good news for Allegheny County taxpayers as there is lot riding on the ability of the Rivers Casino to generate revenues including \$7.5 million annual payments towards the debt on the new hockey arena and host fees for local governments.

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¹ February 2011's monthly GTRs were 24 percent better than February 2010. However in February 2010 there was a major snow storm closing the casino for two days.