

Has the Rivers Casino Hit Its Stride?

Much rides on the success of the Rivers casino—a new hockey arena, community projects, and payments to the City of Pittsburgh and Allegheny County. In past *Policy Briefs*, we have documented the progress of the casino from its tumultuous start. In its first full year, 2010, we noted that revenues from slot machines fell very short of both the Gaming Board's and the casino's own projections. Then in 2011, after two full years of slots and one full year of table games, the casino posted stronger gains, although still short of the initial projections. This *Brief* looks at the casino's performance in 2012 to see whether it has at long last achieved its original projections.

Before the first slot machine was installed the casino's management predicted that the first full year of operations would yield \$427.8 million in gross terminal revenues (GTR) from slot machines (table games were not even proposed at the time). The Gaming Board weighed in with a projection of \$362 million. In its first full year (2010) the Rivers' GTR from slot machines only reached \$241.6 million. The addition of table games in July of that year lifted overall revenues to only \$267.3 million—still well short of initial projections which were predicted solely from slot machines. 2011 was a much better year for the casino as the yearly take from slot machines reached \$274.8 million and added another \$67.5 million from their table game revenues. The combined revenue from these two sources pushed the casino closer to the Gaming Board's initial predictions (\$342.3 million vs. \$362 million).

A possible explanation for the weak start at the Rivers could be the national recession of 2008-2009 and the very sluggish recovery that has followed. As the area grappled with this economic weakness, the amount of discretionary income available to spend on recreational activities such as gambling was being limited. With recovery, and the boom in Marcellus Shale activity underway, employment levels in the area began to rise significantly. This could explain the nearly fourteen percent increase in slots revenues at the Rivers casino in 2011. So how did the casino fare in 2012?

The Rivers' GTR from slot machines reached \$280.1 million in 2012, an increase of just less than two percent over 2011. Compared to the other nine established casinos across the Commonwealth open for the whole year (a tenth, Valley Forge, opened in 2012), the Rivers had the third highest total slots revenue behind only Parx in Philadelphia (\$381.4 million) and Sands Bethlehem (\$288.5 million). Meanwhile, only two other casinos

(Mount Airy and Sugar House), in addition to the three above, had increases to their slots revenue during this time. The area's other casino, Meadows, had held relatively level revenue with very slim decline of less than a quarter of a percent.

Nearly all casinos, including the Rivers, showed improvement in the second full year of table games operations. Revenues from table games at the Rivers increased three percent to \$69.7 million—the fifth highest annual total in the state. Combining with the slots revenue, the Rivers gross revenues from both gaming options totaled \$349.9 million for 2012. While they are inching closer to the Gaming Board's pre-opening prediction, they are still woefully short after more than three full years of operation and the addition of table games.

But what are the odds the Rivers can continue its steady climb in revenues? As we noted in a previous *Brief* (Volume 12, Number 45) casinos in neighboring Ohio began operating in 2012, with Cleveland's casino opening in May. As mentioned above, nearly all Pennsylvania casinos had an increase to table games revenues. The only exceptions are Parx (-4.8 percent) and Presque Isle in Erie (-12.4 percent). Presque Isle not only had the largest decline in table games revenue, but also the largest decline in slots revenues from 2011-2012 (-9.6 percent). Presque Isle's is the casino closest to the Ohio border and less than a two hour drive from Cleveland. Undoubtedly the reduction in revenues at Presque Isle is directly related to this new and close competition as Ohioans are now able to gamble closer to home.

While the Rivers Casino in Pittsburgh has apparently not as yet been impacted significantly by the Cleveland casino, as evidenced by the increase to gaming revenues, the experience of Presque Isle could be a harbinger of things to come as more Ohio casinos begin operations. As we reported in the 2012 *Brief*, there are plans to locate a casino in the Youngstown area as well as the Akron-Canton area pending state approval (which as of this writing has not been granted). If they were to open, there will be two casinos very close to the western Pennsylvania border which could seriously impact the Rivers Casino. This would not only hinder their ability to grow revenues it might even cut into them.

Frank Gamrat, Ph.D., Sr. Research Associate

*Policy Briefs may be reprinted as long as proper attribution is given.
For more information about this and other topics, please visit our website:
www.alleghenyinstitute.org*

<p>Allegheny Institute for Public Policy 305 Mt. Lebanon Blvd.* Suite 208* Pittsburgh PA 15234 Phone (412) 440-0079 * Fax (412) 440-0085 E-mail: aipp@alleghenyinstitute.org</p>
