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Report calls for two new casinos

Del.'s current venues would see funds fall

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DOVER -- Building two new casinos would be "most advantageous" for Delaware's revenue picture, but would siphon money from the state's three established racinos, a study commissioned by the state says.

To counter potential competition from Maryland and Pennsylvania, the new gambling venues should be in the northeast and southwest corners of the state, it says.

That recommendation bodes well for backers of a proposed casino in Wilmington, but may work against the Del Pointe casino in Millsboro in south central Delaware -- a proposed \$520 million resort that includes a hotel, water park, indoor sports facilities and harness racing track.

The report was sponsored by the Sports and Video Lottery Commission, which was created by the last session of the <http://legis.delaware.gov/>>Delaware General Assembly to study the economic impact of adding new casinos and stand-alone sports betting parlors. <http://governor.delaware.gov/>>Gov. Jack Markell appointed Dennis Rochford, a Republican, to chair the commission, which includes seven legislators.

Del Pointe developer Preston Schell bristled, though, at TMG Consulting's recommendation that any new casino not have a racetrack because an increase in races would diminish purses offered by the established racinos and harm the racing industry overall. Schell noted that his proposed casino would be pitted in horse-racing competition with Ocean Downs, a harness racetrack in Berlin, Md.

"TMG seems very predisposed to come out with a report in which it favors no additional racetracks," Schell said after Suzanne Leckert, TMG project manager, discussed the report Tuesday with commission members from New Orleans via a videoconference hookup.

"We're going to stick with our racetrack," Schell said. "We're not afraid of Ocean Downs. We think we can be competitive."

Total gaming revenues -- what's left from wagers after winnings are paid out -- are expected to come in at \$565.8 million for 2009, drop off to \$481.5 million when new competition is fully implemented in 2013, then increase to \$754 million once the two new casinos are on line in the same year, according to the report.

At the same time, the new competition is expected to cut revenues of established casinos by \$422 million, or 12.4 percent, as of 2013, the year when TMG expects competition to be fully stabilized.

TMG estimates that the two new casinos would generate \$332 million a year in gambling revenues and account for about 5,000 direct and indirect jobs by 2013.

Because of competition from other states, the study says, Delaware's direct tax collections would be

expected to drop from \$257.8 million in calendar 2009 to \$215.7 million in 2013. Two new gambling venues without racetracks would increase the 2013 take to \$340.7 million.

Rochford said he expects the commission will decide at a meeting slated for 10 a.m. Tuesday whether to embrace TMG's report.

Several commission members expressed skepticism at the study's findings.

Sen. Colin Bonini, D-Dover South, said TMG usurped a commission prerogative by deciding to assess the impact of just two additional casinos, noting at least five pending proposals. Rochford said, though, that TMG's conduct of the study was in keeping with the state's request for proposals from prospective contractors.

"The point is, my understanding was I'd like to see what those numbers are with the five proposed casinos," Bonini said, prompting a pledge from Leckert to compile such figures as soon as possible. "I was under the impression it was our call."

Leckert said one casino would provide too little new money and that more than two would "splinter the market so much that existing facilities don't have money to invest" to remain competitive.

Given competition springing up in Maryland, Pennsylvania and New York, doing nothing is not an option, she said.

"Maintaining the status quo is not the answer," Leckert said. "The status quo won't work. The new competition is going to open up, and it's going to start sucking revenues from Delaware."

Last week, the three established casinos -- <http://www.doverdowns.com>">**Dover Downs**, <http://www.delawarepark.com>">**Delaware Park** in Stanton and <http://www.harringtonraceway.com>">**Harrington Raceway & Casino** -- reported that a poll they commissioned indicated that 56 percent of 600 Delawareans think three casinos is the right number.

Ed Sutor, who runs Dover Downs, dismissed the TMG study Tuesday, contending that the firm's methodology was flawed.

He criticized the company's use of a "gravity model" -- which, in TMG's case, was intended to "estimate where a population will shop or gamble based on travel distance and the size and quality of competing facilities."

Sutor also questioned the \$332 million revenue estimate for the two new casinos, given that TMG's poll of 500 residents indicated that 46 percent of respondents would be willing to drive no more than 30 minutes to patronize a casino. "It's inconsistent," he said.

William Fasy, president of Delaware Park, was drawn to figures showing that 39.5 percent of adults polled by TMG had visited a casino within the last 12 months. That number dropped to 21.8 percent when respondents were asked if they were regular visitors to Delaware casinos.

House Majority Leader Pete Schwartzkopf, D-Rehoboth Beach, a Del Pointe backer, dismissed the study commissioned by the established casinos as skewed.

He questioned TMG's decision to call for a casino in southwest Sussex County rather than Del Pointe's site in central Sussex. He said the consultants had given too little weight to 7 million people counted by the local chamber of commerce as annual visitors to the state's beaches.

TMG, Leckert said, employed an estimate of 3.2 million people by the Delaware Economic Development Office, saying experience showed that "most people who are going to the beach are going to the beach" and are not likely to stop at a casino.

Sen. Nancy Cook, D-Kenton, said the projected impact on the established casinos -- which Leckert described as "very significant to their bottom lines" -- would loom large in her vote.

"I think it's something the state has to look at closely, the impact on existing facilities," Cook said.

Several commission members questioned why proceeds from table games -- which Schwartzkopf described as a "foregone conclusion" -- were not included in the Delaware revenue figures, given that they could soften the impact of competition on the established casinos. Table games have been authorized by the Legislature, but have not been implemented. Leckert said TMG could come up with such figures, but probably not before the Delaware General Assembly convenes Tuesday.
