

Message from the Chair



Linda M. Kassekert

Thirty years ago in 1978, Resorts International Hotel Casino opened its doors and ushered Atlantic City into a new era. The headline splashed across the front page of the local newspaper proclaimed, “Queen of Resorts Reigns Again.” The opening of Resorts opened the floodgates for billions of dollars of new investment, tens of thousands of new jobs and tens of millions of annual visitors.

But in 2008 we find ourselves in the middle of what may be the worst economic downturn since the Great Depression and that, along with a number of other factors, is taking its toll. The slowdown in the national economy, increased competition, spiraling gasoline prices and the collapse of the credit markets combined to make 2008 the most challenging year for Atlantic City’s casino industry and for the Casino Control Commission.

A curtain of competition has been drawn around the borders of New Jersey, and new gaming venues that have opened in the last couple of years, have captured some of the customers who used to visit the Atlantic City’s casinos. As a result, the next couple of years still won’t be easy.

Nowhere else outside of Nevada can you find so many casino hotel complexes concentrated into such a small area. We have 11 large, full-service casino resorts shoehorned into a very small city. Unlike other nearby jurisdictions, a person can easily walk from one casino to another in Atlantic City. With eight properties along the Boardwalk, it is easy to come to Atlantic City and stay at one casino yet have the attractions and amenities of several casinos just steps away. The casinos in Atlantic City offer a concentration of restaurants, shops, entertainment and other attractions that cannot be matched in the neighboring states. Go to any of the new gaming facilities in Pennsylvania, or New York and you will see that each has one or two nice restaurants. Come to Atlantic City and you find dozens of them in and around the casino hotels.

Atlantic City also has a concentration of hotel rooms that can’t be matched by gaming venues in surrounding states. With the opening of three new hotel towers in 2008 – one at Harrah’s, one at Borgata and another at the Trump Taj Mahal – the number of hotel rooms jumped by approximately 2,500 to bring the room base

Continued on next page

Message from the Chair
(continued)

over 17,000. That's enough to accommodate more than 12 million overnight visitors. Those additional rooms will help casinos to weather the economic slowdown and will position it well for a rebound in the future.

Unfortunately, the weakening economy and competition have taken a toll. Casino revenue declined for the second year in a row which translates to lower tax revenue for the Casino Revenue Fund. To cope with declining revenues, casinos have cut costs and reduced their payrolls.

In recognition of the challenging economic times, the commission has cut its operations as well. Over the course of 2008, we reduced the number of employees from 325 to 295 and that number will be reduced even more in 2009. With the passage of additional regulatory reform legislation, the commission has been able to further streamline its operations and reduce the regulatory burden on the gaming industry.

Despite the reductions, the commission continued to maintain its focus on integrity. That is one area where the commission will not compromise. In addition, the staff has risen to the challenge to do more with less. The commission dealt with a number of highly complex issues throughout the year which required an enormous effort and the dedication and professionalism of the staff was obvious.

One issue that consumed a great deal of time and effort through 2008 was the status of the Tropicana Casino and Resort. The commission ruled in December 2007 that its new owners were not suitable and the commission denied the casino's license renewal request. Instead, a conservator was directed to sell the property. Before that could be done, the commission had to defend its decision before the Appellate Division of Superior Court and later before the New Jersey Supreme Court. Those appeals interrupted the sale process and the conservator was unable to complete a sale before the end of the year.

Through the year the commission developed a number of regulatory changes and approved a variety of new initiatives that streamline the regulatory process and make it easier for operators to grow their businesses. For example, the commission implemented recent legislative changes and approved promotional gaming credits which give casino operators a valuable marketing tool to attract new customers and better serve their existing ones. The commission also authorized a variety of new games, including electronic poker tables and a roulette game that links a real roulette wheel with players at electronic wagering stations.

Although gaming revenues were down, the commission collected over \$500 million in various taxes and fees over the course of the year. That included almost \$400 million in taxes that went into the Casino Revenue Fund to support programs for the state's senior citizens and persons with disabilities.

