

Written by Administrator
Friday, 07 January 2011 23:29 -

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Mount Airy is dumping 6 percent of its slot machines because they aren't making money.

The state Gaming Control Board recently approved the removal of 150 slot machines from the casino's 2,451-machine

inventory.

"The rationale of this request is economic — Mount Airy simply has an excess supply of slot machines," casino attorney Michael Sklar said.

The reduction, as initially requested, would have saved the casino in excess of \$500,000 a year by eliminating replacement and operational expenses.

Mount Airy submitted two petitions — one to eliminate 26 slot machines because of a conflict with its elevators on the third floor, and one for 300.

At a hearing last month, the casino abruptly amended its request to 150 machines.

Its petition was based on an analysis of the occupancy, utilization and revenue generation of all of Mount Airy's slot machines.

Mount Airy's slot machines are underutilized, according to a Mount Airy consultant's private analysis made available to the board.

The average machine is occupied about 37 percent of the time, according to Matthew Landry, with Colorado-based Innovation Group, a consultant for the gaming, leisure and hospitality industries.

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The average weekday peak is 31.1 percent and 53.9 percent on the weekend.

But the most telling statistic, according to Landry, was Mount Airy's highest peak occupancy of 69 percent.

"Based on our experience with other operations " that level of occupancy is not optimal. What you're really looking for is closer to 80 percent," he told regulators last month.

Low revenue per machine

A second problem stemmed from the Mount Airy's machines not generating enough revenue.

While the state average is \$251 per machine per day, Mount Airy averaged \$167 per machine for the first nine months of 2010.

Landry said comparable casinos within and outside the state usually generate around \$210 per machine per day. Sands Bethlehem returns in the range of \$200 per machine per day.

Landry said competition from Sands Bethlehem hurt Mount Airy's average since the day the Lehigh Valley casino opened.

The reason, he said, was guest cannibalization. He said casinos in markets like Mount Airy's and the Sands' often draw more than 50 percent of their revenues from a population living within a 30-mile radius.

And a portion of each casino's 30-mile territory overlaps.

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That overlap cost Mount Airy's business, which Landry attributed to the greater accessibility of the Sands.

The number of slot machines won't determine how much the casino pulls in, according to Sklar.

"The machines don't translate to revenues if market demand isn't present," he said. "It's really a function of people."

Won't reduce revenue

Sklar said he didn't believe the reduction of machines at Mount Airy would reduce the revenue a casino generates after it pays out winning bidders. The state takes slightly more than 55 percent of those gross revenues.

The reduction will have direct benefits, according to Jim Tuthill, vice president of casino operations for Mount Airy.

A reduction of 300 machines, as initially proposed, would produce about \$500,000 a year in capital savings from not having to replace machines.

Tuthill said casinos like to replace their full complement of slot machines every five to seven years. Another \$40,000 a year for maintaining the machines would be removed.

"A used machine has virtually no value — about \$50 on the secondary market," he said. "We would be cannibalizing those units and using them in the spare parts inventory."

The games targeted for elimination are the lowest-performing machines, Tuthill said. The reductions in slots will not result in any layoffs, he said.

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The elimination could actually boost revenues by increasing traffic on the casino floor. How?

"By relieving some of what we call 'pinch points' around the center bar, which becomes very congested on weekends," Tuthill said.

Carousel machines

The casino has plans to install slot machines in carousels, arranging the machines in circular stations, which will also allow more guest circulation.

Tuthill said research has shown that carousels typically produce more revenues per machine.

Mount Airy isn't the only casino to request reductions in its slot machines.

"Casinos " reduce slot machines based on demand, because they do cost money to buy or lease, they do consume electricity, they do occupy surveillance staff, they do require slot attendants. And if demand is lower, removing games does make for wider aisles and a more spacious, comfortable experience for patrons," said Joe Weinart of the Spectrum Group, a New Jersey-based gaming consulting firm.

In fact, Mount Airy cited examples where machine reductions may even help. Mohegan Sun at Pocono Downs near Wilkes-Barre added 200 machines over a year, but lost more than a \$1 million in its take.

Michael Sadowski contributed to this report.

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Mount Airy's unarmed bandits: Casino to cut loose 6 percent of its slots - Pocono Record

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