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## **FOXWOODS AND MOHEGAN SUN GENERATE \$3 BILLION IN 2005**

**Rhode Island VLT parlors generated \$448 million**

**Bay State and Ocean State residents spent \$1.7 billion  
at Connecticut casinos and Rhode Island VLT parlors in 2005**

Massachusetts and Rhode Island residents in 2005 continued their unprecedented embrace of southern New England's gaming venues, spending nearly \$1.7 billion at Connecticut destination casinos and Rhode Island video lottery terminal (VLT) parlors, according to the 2006 New England Gaming Update released today by the UMass-Dartmouth Center for Policy Analysis (CFPA).

The third annual study, which tracks spending patterns at southern New England's four gaming establishments, found Massachusetts residents again led all others, spending an estimated \$1.1 billion. In CY05, Bay Staters spent an estimated:

- \$889.3 million at Foxwoods and Mohegan Sun casinos (a 6.5% increase over CY04's \$831.5 million); and
- \$190.2 million at Rhode Island's Lincoln Park and Newport Grand slot parlors (a 5.7% increase over CY04's \$179.9 million).

Massachusetts residents constitute 36% of Foxwoods, 21% of Mohegan Sun's, 35% of Lincoln Park's, and 73% of Newport Grand's patron base.

Rhode Islanders spent about \$580 million at the region's gaming establishments in CY05. Ocean Staters spent an estimated:

- \$322.5 million at Foxwoods and Mohegan Sun (a 7% increase over CY04's \$311.3 million); and
- \$257.4 million at their home state VLT parlors (a 9.9% increase over CY04's \$234.3 million).

Rhode Islanders constitute 15% of Foxwoods, 6% of Mohegan Sun's, 65% of Lincoln Park's, and 27% of Newport Grand's patron base.

The two Connecticut casinos generated an estimated \$3 billion in spending in CY05 --- \$1.57 billion at Foxwoods (a 1.9% increase over CY04's \$1.54 billion), and \$1.42 billion at Mohegan Sun (an 8.4% increase over CY04's \$1.31 billion).

In CY04, Foxwoods achieved a win-per-machine (wpm) per-day of \$326. In CY05, the world's largest destination casino achieved a wpm of \$312 per-day for a 4.3 % decrease over the previous year.

In CY04, Mohegan Sun achieved a wpm per-day of \$378. In CY05, Connecticut's second destination casino achieved a wpm of \$398 per day, a 5.3% increase over the previous year.

Foxwoods and Mohegan Sun offer their patrons 7,300 and 6,200 slot machines, respectively. Both destination casinos also offer table games, high-stakes keno, and state-of-the-art race books. Foxwoods also offers high-stakes bingo and "live" poker.

Rhode Island's VLT parlors generated an estimated \$447.6 million in CY05 --- \$362.2 million by Lincoln Park (a 9.4% increase over CY04's \$331.2 million), and \$85.4 million by Newport Grand (a 1.6% *decrease* compared to CY04's \$86.8 million).

In CY04, Lincoln Park achieved a wpm per-day of \$336. In CY05, the facility achieved a wpm per-day of \$309 for an 8.1% *decrease* compared to the previous year.

In CY04, Newport Grand achieved a wpm per-day of \$212. In CY05, the facility achieved a wpm per-day of \$204 for a 3.7% *decrease* compared to the previous year.

Both VLT facilities have added VLTs to their gaming floor over the past year. The average number of VLTs at Lincoln Park increased by about 19% compared to the previous calendar year, while the number of VLTs at Newport Grand increased by 2.5% compared to the previous calendar year. Lincoln Park is authorized to offer 4,752 VLTs and Newport Grand is authorized to have 2,101 VLTs, concurrent with the completion of planned renovations. Lincoln Park and Newport Grand also offer simulcasting of thoroughbred and greyhound racing and Newport Grand offers jai alai simulcasts.

In February 1999, the CFPA undertook the first-ever study of spending patterns at Connecticut's destination casinos. The analysis of CY1998 data found that Massachusetts residents spent an estimated \$620 million and Rhode Islanders an estimated \$226 million, respectively, at Foxwoods and Mohegan Sun. The CY2005 estimates represent a 44% and 43% increase in spending at Connecticut's casinos by Massachusetts and Rhode Island residents, respectively, during the past seven calendar years.

“The story has not changed,” said Clyde W. Barrow, director of the CFPA. “Once again, Massachusetts and Rhode Island residents provide more than 40% of the combined revenues fueling the phenomenal growth and success of Foxwoods and Mohegan Sun.”

Barrow also said that Bay Staters have evolved into a critical underpinning of Rhode Island’s VLT revenue growth, accounting for about 45% of the estimated \$448 million spent last year on VLTs at Lincoln Park and Newport Grand.

“Per capita,” Barrow said, “there is no other state in America that so massively impacts the gaming economies of two bordering states as Massachusetts does with Connecticut and Rhode Island.”

The monies spent at Foxwoods and Mohegan Sun by residents of the other New England states and New York include:

- Connecticut, \$1.1 billion;
- New York, \$410 million;
- New Hampshire, \$73 million;
- Maine, \$35 million; and
- Vermont, \$17 million.

There is no measurable spending by those states’ residents at Lincoln Park and Newport Grand’s VLT parlors.

The monies spent by Massachusetts and Rhode Island residents at the region’s four gaming establishments also generate hundreds of millions of dollars in tax revenues to Connecticut and Rhode Island state governments.

During CY05, spending at Foxwoods and Mohegan Sun by Massachusetts and Rhode Island residents contributed an estimated \$167.4 million in gaming taxes to the Connecticut state treasury, which is a 5.1% increase over CY04. Massachusetts residents contributed \$122.9 million to the Connecticut state treasury and Rhode Island residents contributed another \$44.5 million in CY 2005. In CY04, the two states’ residents are estimated to have contributed \$159.3 million to the Connecticut state treasury --- \$116.6 million and \$42.7 million, by Bay Staters and Ocean Staters, respectively.

The CY05 casino-related tax revenues generated for the Connecticut state treasury by residents of the other New England states and New York include:

- Connecticut, \$157.6 million;
- New York, \$58.3 million;
- New Hampshire, \$10 million;
- Maine, \$4.8 million; and
- Vermont, \$2.3 million.

Through spending at Lincoln Park and Newport Grand, Massachusetts and Rhode Island residents contributed an estimated \$246.5 million to the Rhode Island state treasury in CY05 ---103.2 million and \$143.3 million, respectively, a 7.0% increase over CY04. In CY04, the two states' residents are estimated to have contributed \$230.3 to the Rhode Island state treasury --- \$97.8 million and \$132.1 million, respectively.

On November 4, 2005, Maine joined Rhode Island as New England's only other state offering a form of gaming commonly referred to as "convenience gambling." Hollywood Slots, a 475-machine facility, opened in downtown Bangor. In the final two months of CY05, Hollywood Slot's gross gaming revenues (GGR) were \$4.2 million, which was well above initial projections,

The facility achieved a \$138 wpm-per-day in November, growing by 11.1% in December to a \$153 wpm-per-day. The facility is authorized to install up to 1,500 slot machines and plans are now underway to build a new and larger \$71 million facility to accommodate the additional slot machines.

"The ongoing success of Rhode Island's and Connecticut's gaming industries rest squarely on the uninterrupted patronage by Massachusetts residents of those four gaming facilities," Barrow said.

In CY05, the Connecticut state treasury took in more than \$430 million from the casinos' slot machines, while the Rhode Island state treasury garnered about \$246.5 million from its VLT's. Gaming revenues are the third-largest contributor to the Rhode Island state budget.

"Mohegan Sun just finished a \$1 billion expansion and they are preparing to announce another expansion later this year, while Foxwoods is in the midst of a \$700 million expansion," Barrow said. "They are branding their facilities as four-season destination resorts offering a variety of non-gaming amenities. At the same time, they're also seeking ownership and management opportunities at gaming facilities in several other states to diversify their business portfolio and to diminish their vulnerability to future competition for the New England-New York patron base."

The two casinos are developing into national gaming enterprises by expanding geographically into new markets. On January 25, 2005, Mohegan Sun purchased Pocono Downs in Pennsylvania. Mohegan is planning a \$140 million to \$160 million investment in Pocono Downs to construct a 400,000 square foot gaming and entertainment facility with 2,000 slot machines, 20,000 square feet of retail space, an 18,000 square foot night club, and several food and beverage outlets. Mohegan has also signed casino development and management agreements with the Cowlitz Indian Tribe in Clark County, Washington and the Menominee Indian Tribe in Wisconsin.

Foxwoods Development Corporation has proposed a major gaming facility for south Philadelphia to be known as Foxwoods Casino Philadelphia. Foxwoods' proposal to the City of Philadelphia and the Pennsylvania Gaming Control Board is for a \$350 million

gaming facility that would include up to 5,000 slot machines, a 500-room hotel and health spa, several restaurants, and an entertainment venue. Foxwoods is one of five operators vying for two licenses in Philadelphia along with Trump Entertainment Resorts, Inc., Planet Hollywood, and others.

Both casinos are also using their resort and conference amenities to draw potential customers from the entire country. Barrow said “both casinos are now using their resort, conference, and entertainment amenities to attract new casino patrons instead of using the casinos to attract customers to their non-gaming businesses.”

He said the two destination casinos have aggressively marketed their convention and meetings services throughout New England and the nation. “Their emerging position within the convention and meetings market will only become more competitive as they complete their planned expansions.” The two casino’s resort and entertainment amenities are even attracting visitors who do not gamble. Based on its 2004 gaming behavior survey, the Center for Policy Analysis estimates that about 5% to 6% of the two facilities’ customers do not gamble at the casinos, but visit the resorts exclusively for their non-gaming amenities.

The two casinos have also diversified their operations in other ways. Foxwoods Development Corporation has become a major real estate developer and lodging establishment owner in southeastern Connecticut, where it benefits from the regional tourism traffic that it helped generate over the last decade. Mohegan Sun owns the Connecticut Sun, a member of the Women’s National Basketball Association. The CFPA analysis found that non-gaming revenue is now growing faster than gaming revenue at both casinos and it is driving much of their continued growth and investment.

Lincoln Park and Newport Grand “are no different in trying to enhance their lure,” Barrow said. Lincoln Park is in the midst of a \$125 million build-out to house additional VLT’s and to refurbish its aging facility, while Newport Grand just announced an expansion plan to house additional VLTs and to construct a 90-room hotel. “But Rhode Island’s VLT parlors face a quandary that Foxwoods and Mohegan Sun do not.”

Barrow said that “while Connecticut’s destination casinos draw from all six New England states, the greater New York City and Long Island region, and are a minor draw for northern New Jersey and eastern Pennsylvania residents, Lincoln Park and Newport Grand rely on a patron base that originates exclusively from Rhode Island and Massachusetts.” And that dependency, Barrow added, “makes Rhode Island particularly vulnerable if Massachusetts approves slots at its racetracks.”

Two years ago, the CFPA undertook a patron study and telephone survey, partly for the purpose of determining the percentage of Massachusetts and Rhode Island residents visiting all four facilities and their spending patterns.

The study and survey data found that Massachusetts residents make more than 4.4 million visits annually to Foxwoods and Mohegan Sun, and about 1.1 million visits each year to Lincoln Park and Newport Grand.

Rhode Islanders visit Foxwoods and Mohegan Sun over 1.6 million times annually, and also make about 1.6 million visits each year to their home state VLT parlors.

Barrow said that he originally thought that slots at Massachusetts race tracks could cannibalize Rhode Island's VLT revenues by upwards of \$100 million, "but the most recent data supplied by the Rhode Island Lottery shows that Lincoln Park's rate of growth may be slowing, while Newport Grand actually experienced a decrease in revenues compared to last year."

According to Barrow, the most recent data suggests that Lincoln Park and Newport Grand may be reaching the limits of their ability to mine a demographically and geographically limited patron base. From CY 2004 to CY 2005, total net terminal income at Lincoln Park increased by 9.2% despite an 18.9% increase in the average number of VLTs. At Lincoln Park, net terminal income per VLT per day fell by 8.1% from \$336 per day in CY 2004 to \$309 per day in CY 2005.

At Newport Grand, total net terminal income decreased by 1.3%, despite a 2.5% increase in the average number of VLTs. Net terminal income per VLT per day at Newport Grand fell by 3.7% from \$212 per day in CY 2004 to \$204 per day in CY 2005.

Barrow said "if the trend continues, Rhode Island's two slot parlors will reach a point where the addition of new VLTs alone will no longer generate new net revenue -- and that's not even factoring in potential competition from Massachusetts."

He said that upgrading both Lincoln and Newport may help short term, "but Massachusetts convenience gamblers who now visit Lincoln Park and Newport Grand will quickly switch their allegiance to Massachusetts tracks if slots are approved in that state."

These are convenience gamblers, Barrow said, "and they're not going to drive to a Rhode Island VLT parlor if there's an opportunity to play slots at a Massachusetts track that's even closer to home."

In fact, Barrow said, Rhode Island could face an additional competitive disadvantage other than drive-time, because "Lincoln Park and Newport Grand offer VLTs, an electronic version of a slot machine. If Massachusetts approves slots at the tracks," he added, "the commonwealth is likely to approve traditional slot machines, similar to those offered at Foxwoods and Mohegan Sun." It is well known in the gaming industry that slots players prefer coin-drop slot machines over electronic, push-button VLTs.

Allowing slot machines would give the two southeastern Massachusetts tracks near the Rhode Island border a distinct competitive advantage in the convenience gaming market,

since the bulk of southern New England's convenience gamblers currently reside in that region.

Barrow also said that "since Rhode Island has a long term contract with GTech to lease its VLTs, that will likely preclude Rhode Island's VLT parlors from competing with the traditional slot machines that would likely be offered at any Massachusetts racinos."

Barrow said that Rhode Island's VLT parlors and Connecticut's destination casinos have distinctly different clientele. "The slot parlor patrons are convenience gamblers. They want to get there quickly. They are not there to eat in the facility's restaurants. They are not there to listen to a band. They are there to play the VLTs. And when they are finished, they want to get home quickly, which is why most convenience gamblers live within a 30-45 minute drive of each facility."

Destination casinos, Barrow said, lure a different clientele, "People have to make a conscious decision to travel to it. The fact that the majority of Massachusetts and Rhode Island gamblers prefer driving one-or-two hours to visit southeastern Connecticut's destination casinos rather than visit a nearby VLT parlor is an indication of the distinct difference between a VLT parlor patron and a destination casino patron."

Among both the Massachusetts and Rhode Island patrons of Connecticut's destination casinos, 82% of those who visited Foxwoods said they did not patronize Lincoln Park, and 89% said that they did not visit Newport Grand. Among both states' Mohegan Sun visitors, 78% said they did not visit Lincoln Park, and 87% said that they did not patronize Newport Grand.

Barrow said that Bay State and Ocean State residents who visit Foxwoods and Mohegan Sun "are not just there to gamble. They are there to eat in the casino's upscale restaurants. They are there to stay in the casino's four-star luxury hotels. They are there to see world-name entertainment. They are there to visit the spas. They are there to shop in the many boutiques. And they are there to sightsee and to linger. It's a destination experience that many turn into a mini-vacation experience."

Barrow cited Mohegan Sun's Project Sunburst expansion in 2002, which not only led to an increase in the number of visitors to that casino, but lengthened the average duration of their stay at the facility.

Conversely, Barrow said that if the commonwealth approves one or more destination casinos, "a southeastern Massachusetts casino alone will likely capture hundreds of millions of dollars that Bay Staters and Rhode Islanders now spend at Foxwoods."

That also holds for a Narragansett Indian Casino that has been proposed for a site about ten minutes south of Providence in the town of West Warwick, Rhode Island, Barrow added. "The destination casino proposed for Rhode Island, if built, would be accessible from Route 95 and would capture a significant portion of the Massachusetts and Rhode Island patron flow now headed to Foxwoods.

Barrow said that Foxwoods first opened in the early 1990's as a \$30 million high-stakes bingo facility and Mohegan Sun opened in October, 1996 as a \$350 million casino. Both evolved during the past decade into \$1 billion-plus destination casinos that have helped turn southeastern Connecticut into New England's premier gaming, entertainment and hospitality region.

“To initially compete with either Foxwoods or Mohegan Sun, a Massachusetts or Rhode Island casino will require a minimum \$600-700 million capital investment,” Barrow said. “But over time, either state's casino(s) will mature and build out, capturing more and more revenues that otherwise would have gone to Foxwoods and Mohegan Sun. That's why Foxwoods' and Mohegan Sun's diversification strategies are predicated on the need to insulate themselves against this potentiality.”

The full report can be accessed at [www.umassd.edu/cfpa](http://www.umassd.edu/cfpa). Click on “What's New!” to find the report.