

Video Lottery Gaming in NY Where are we now?

The Big Picture

Let's start with the broad statistics. As of January 1, 2007, there are 11,302 video lottery terminals in New York State. They are now at eight racetracks across the state with 4,107 of the terminals at Yonkers Raceway. Seven of the racetracks are harness tracks. The only thoroughbreds track with VLT's is Finger Lakes.

While 11,302 machines may seem like a huge number, the state of Connecticut at its two Indian gaming facilities (Foxwoods and Mohegan Sun) has 13,400 machines. Atlantic City (with the closing of the Sands Casino in November) has more than 36,000 slot machines.

Subtracting the Sands figures, the average win per machine per day in Atlantic City for the first 11 months of 2006 was approximately \$280. For the 2006 fiscal year, the average win per machine per day in Connecticut was about \$350.

The numbers for New York do not come close to the numbers for the major casino areas. For 2006, the average win per machine per day in New York was \$178. The total revenue to the State for education was \$218 million. 28.25% of this figure comes from Saratoga Harness. Saratoga Harness combined with Finger Lakes produced nearly half (48.5%) of the State's revenue.

Other than the pre-Christmas holiday season, handle and average win at the New York racinos tend to be fairly constant throughout the year. The numbers are somewhat better during the summer, but the only significant drops occur during the weeks before Christmas.

A Look at the Tracks

Saratoga Harness

The numbers per track in New York differ markedly. There has been one clear winner, and that has been Saratoga Harness, which now bills itself as Saratoga Gaming and Raceway. Saratoga Harness with about 1,325 machines for most of the year produced a net win of \$246 per machine per day.

While revenue is excellent at Saratoga during the six week thoroughbred meet in the summer, it is fairly consistent throughout the year. The revenue per machine per day during the thoroughbred meet is about \$275. Yet there were weeks throughout the year where the per machine revenue figure was greater than the average during the thoroughbred meeting. For the week ending 6/3, daily revenue per machine was \$282, and it was \$297 for the week ending 7/8/2006. Daily revenue per machine per week only fell below \$200 three weeks during the year in 2006 (the weeks of 2/18, 12/9, and 12/23.)

In fact there were only five weeks during the year, where per machine revenue fell below \$220. Saratoga Harness works well throughout the year. Its proximity to the thoroughbred track certainly doesn't hurt, but Saratoga Harness is not a seasonal phenomenon.

Finger Lakes

The other clear success has been Finger Lakes. Finger Lakes with 1,010 machines has a per machine per day win of \$226. Again, while Finger Lakes' numbers are down somewhat in December and January, it does well throughout much of the year. Its best week was the week ending 7/8 with a daily win per machine of \$288. Daily revenue per machine was only below \$190 six weeks during the year, and five of those weeks were the Christmas shopping period between 11/25 and 12/23. Daily revenue per machine averaged in excess of \$220 every week from mid-February through September.

Tioga Downs

Tioga Downs has to be viewed as a qualified success. The track opened in early July with 750 machines. The machines produced per diem revenue of \$153. Opening week produced per diem machine revenue of \$206, and the returns per machine never exceeded \$200 in any subsequent week. Nonetheless, the returns at Tioga, after opening week, were fairly uniform. Per diem revenue per machine was below \$135 on only three weeks (the three weeks before Christmas). The revenue figures at Tioga were maintained even after its initial race meeting concluded in September and even after slot machines opened at Pocono Downs in Wilkes Barre, Pennsylvania, about 85 miles away, on November 15. The numbers at Tioga decreased somewhat after Pocono Downs opened, but this may have more to do with the Christmas seasonal doldrums (which seem to have been experienced by nearly all NY tracks) than by increased local competition. For the five weeks before Christmas, per diem win per machine at Tioga was down 15.3% from the yearly average. At Finger Lakes the per diem win was 21.2% below the yearly average. At Saratoga, the per diem win was down 12.4% during that period, and at Monticello the number decreased by

Buffalo Raceway

Now known as Fairgrounds Racing and Gaming, this track has to be regarded as an understandable disappointment. It is an old facility. It faces significant competition from the Seneca Casino in Niagara Falls, other casinos in Niagara Falls, Ontario and slot machines at Fort Erie. Its 957 machines produced per diem revenue of \$118. Its best weeks were 7/8 (per diem revenue per machine of \$144) and 3/18 (per diem revenue of \$141). While the summer is normally the best time for Northeastern casinos, Buffalo had two of its worst weeks in August with daily revenues of \$94 for the week of 8/12 and \$98 for the week of 8/19. There were few seasonal variations at Buffalo. During only four weeks of the year did the daily machine handle dip below \$100. During the five weeks before Christmas, the daily per diem win at Buffalo was \$105 only 11% less than the yearly average.

Batavia Downs

Batavia Downs can only be regarded as a disappointment. Its per diem win per machine for 2006 was the lowest in New York at \$112. It also had only 586 machines compared to 957 at Buffalo. Batavia is also, in theory situated better than Buffalo. It is further from the competition in Niagara Falls and Ontario, and it is not significantly further from Rochester than the more successful facility at Finger Lakes. Batavia's best week was 7/8 with a daily net machine win of \$152. It experienced 12 weeks where the daily per machine win was below \$100. On average, daily per machine win was below the \$100 mark throughout January and February of 2006. During the five weeks before Christmas, daily win per machine was \$92, approximately 17.9% less than its yearly average.

Monticello

Monticello Raceway also has posted substandard numbers. Part of this may be due to the fact that Monticello may have many more machines than needed. With 1,587 machines, it has more terminals than any racetrack other than Yonkers. Monticello's daily win per machine was \$133, but considering that its location made it (for most of the year) the closest gambling machine parlor to New York City, the number is not very good. Daily per machine win hit a peak of \$214 during the week of 7/8. Monticello had five weeks where its daily win per machine was less than \$100. All these weeks occurred during November and December of 2006. During the five weeks before Christmas, daily per machine win was 36.5% less than the yearly average. This included one week where the daily per machine revenue hit the lowest mark in the State for the year (\$73 for 12/23). The drop at Monticello in November and December was especially precipitous, and it may be that competition both from Yonkers which opened in early October and from Pocono Downs may be affecting Monticello's VLT operations. Yonkers and Wilkes Barre, Pa. are both about 90 miles from Monticello. On the other hand, Monticello's Christmas season numbers in 2005 are very similar to its 2006 figures, and it may be that the additional competition has had no effect on Monticello's VLT's. Christmas season may just be a particularly down time for VLT's at Monticello.

Yonkers

The results are not fully in, but Yonkers' numbers are not that much better than Saratoga's. Yonkers opened on October 11 with 1, 870 machines. The number of machines increased throughout the rest of 2006, so that by December 28, Yonkers had 4,107 machines. For much of its time in operation in 2006, Yonkers utilized 2,365 machines. Yonkers' daily win per terminal was \$265. While this is the highest number in the state, expectations were for much higher numbers. The slot machines at the casinos in the suburbs of Chicago all have extraordinarily high daily win numbers. (For example, the daily win per machine at the Elgin Illinois casino in October of 2006 was \$868. All the nine Illinois casinos averaged \$468 daily win per machine in October of 2006. Win per day per machine throughout Illinois in 2005 was \$437.) New York is a better market than Chicago, and Yonkers is far closer to the center of New York than the Illinois

casinos are to Chicago. A \$400 daily win per machine at Yonkers would have been considered not just easily achievable before October 11, but arguably a letdown. Perhaps the numbers will improve markedly once there is greater public knowledge of the racino. But if these trends continue, Yonkers will be a major disappointment. These low numbers might also diminish the expected contributions both to racing and to state government that could be achieved by racinos at Aqueduct and Belmont racetracks.

Vernon

Vernon opened its VLT operations on Thursday October 26. Opening day was a smash with 777 machines producing a win per machine of \$381.05. During its first three days of operation, the daily win per machine was \$299. Since opening week, the numbers have been dropping. Vernon's average daily win per machine was \$138. In the five weeks before Christmas, the average daily win per machine was \$112. Track officials projected a net win of \$1,000,000 per week. That mark was achieved only once, during the racino's first week of operation. During December, the net win per week at Vernon was about \$600,000. One could reasonably anticipate – based on the pre-Christmas doldrums – that daily win per machine should increase by about 20% during the rest of the year. If that is the case, then Vernon might expect to maintain its \$138 daily win per machine average. That would produce a net weekly win figure (assuming 777 machines) of approximately \$750,000 which is still far below the track's estimate of its revenue. One bad note for Vernon is that in the week after Christmas its daily win per machine was only \$103. Some facilities did better than their annual average during this week, and no tracks (other than Vernon) fell below 10% of their annual average during this week. In no way can this \$103 number be considered a good sign for Vernon.

Someone needs to take an in-depth look at what is going on at New York's racinos. Why are the numbers – especially at Yonkers – so low? Are there problems with the facilities, the marketing, the quality of the games, the game manufacturers used by the Division of the Lottery for approved machines, the cycle utilized by the Division of the Lottery for replacing underperforming machines? Why are New York's overall numbers below the regional competition? Additionally, what has made Saratoga Harness and Finger Lakes so successful as distinguished from the other racetracks? So far, we have learned that if you build racinos in New York, they will not all come. We need to know why.