

centage points) was the fourth largest ever recorded. (Consecutive monthly declines of -0.9 percentage points occurred three times in the 1950s.) Most importantly, the most recent jobs report suggests that private sector hiring—the key to the economy’s recovery—has begun to pick-up. Private sector payrolls added 222,000 jobs in February, the largest increase since April, 2010. Gains were broad based with the largest increases recorded in professional and business services, construction, manufacturing, health and social services, and transportation and warehousing. A decline in public sector payrolls of 30,000 brought the total change in payroll jobs to 192,000.

New Jersey. Recent jobs and unemployment data suggest that the pace of the Garden State’s recovery from the Great Recession remains anemic. In December, employment in New Jersey was contracting at a 0.8% year-on-year pace. (Figure 1) As Table 1 shows, New Jersey lost 4.9% of its employment base between December,

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seen its jobs base shrink an additional 1.5%, ranking it 47th among the states. Alternatively, only three states (Nevada, Rhode Island, and

Georgia) have recorded larger job losses (in percentage terms) since the recovery's official onset. Finally, while the state's unemployment rate improved steadily last year, this largely reflected a shrinking labor force during the

Last fall brought preliminary signs that Atlantic City's economy was beginning to stabilize. More recent employment data indicate that the road to stabilization will be bumpy. Year-on-year job losses improved to an average -800 between July and October of last year compared to 8,100 in 2009 and 5,200 in the first half of last year. Job losses in the final two months of last year, however, averaged 2,300. (Figure 2) In December, establishment employment in the metropolitan area was contracting 2.3% year-on-year—significantly worse than New Jersey's -0.8% and the nation's +0.9%.

Unemployment in the Atlantic City metropolitan area—a seasonally adjusted 12% in December—remains extremely elevated. New Jersey's unemployment rate stood at 9.1% in December. The number of unemployed individuals in the metropolitan area was approximately 16,400 in December. While the number of unemployed in Atlantic City has declined since mid-2009 (when the national recession officially ended), it remains two times its December 2007 level (the official onset of the national recession).

Atlantic City 2010 in Review

Last year marked the fourth straight in which establishment employment declined in Atlantic City. (Camden and Vineland-Millville-Bridgeton also recorded their fourth consecutive year of job losses in 2010.) Last year's job loss, which totaled 3,200, was far less than 2009's decline (-8,100), though greater than 2008's loss of -2,000. (Figure 3)

The key leisure and hospitality sector (which includes hotel casinos, restaurants/bars, and arts and entertainment) saw

23-0.2% 15

Table 1: Employment Losses and Gains Across the States

State	Peak-Trough		Since Trough	
	December 2007-June 2009	Rank	June 2009-December 2010	Rank*
Nevada	-11.6%	50	-3.1%	50
Rhode Island	-6.0%	35	-2.1%	49
Georgia	-6.6%	39	-1.9%	48
New Jersey	-4.9%	28	-1.5%	47
Alabama	-6.3%	37	-1.4%	46
Missouri	-4.2%	21	-1.3%	45
Delaware	-5.3%	30	-1.2%	44
California	-7.3%	44	-1.2%	43
Colorado	-4.8%	27	-1.2%	42
New Mexico	-4.5%	23	-1.1%	41
West Virginia	-1.5%	4	-1.1%	40
Montana	-3.8%	18	-0.9%	39
Ohio	-6.9%	41	-0.9%	38
Kansas	-3.2%	11	-0.8%	37
Illinois	-5.6%	32	-0.7%	36
Florida	-8.9%	47	-0.7%	35
Connecticut	-4.8%	26	-0.6%	34
Washington	-4.6%	24	-0.6%	33
Wyoming	-2.6%	9	-0.6%	32
Mississippi	-5.3%	31	-0.5%	31
New York	-2.7%	10	-0.5%	30
Oregon	-7.4%	45	-0.5%	29
Wisconsin	-4.9%	29	-0.4%	28
Maine	-4.4%	22	-0.2%	27
Hawaii	-5.9%	34	-0.2%	26
North Carolina	-6.4%	38	-0.2%	25
Vermont	-4.1%	20	-0.2%	24
Maryland	-3.4%	13	-0.1%	23
Idaho	-7.5%	46	-0.1%	22
Michigan	-9.8%	48	-0.01%	21
Virginia	-3.5%	14	0.03%	20
Iowa	-3.3%	12	0.05%	19
Minnesota	-4.6%	25	0.28%	18
Arizona	-9.8%	49	0.3%	17
Utah	-6.1%	36	0.3%	16
Tennessee	-7.2%	42	0.3%	15

employment decline by 1,600 jobs last year, a 3.2% decline. While last year's job loss in leisure and hospitality was less than 2009's, it accounted for 51% of all job losses in the metropolitan area, up from 43% in 2009 and 22% in 2008. (The sector's losses accounted for all job losses in the metropolitan area in 2007). The leisure and hospitality sector's share of total metropolitan area employment has declined to 36% from 38.7% in 2005.


The remainder of last year's job loss was broad based. The most significant losses (in absolute terms) occurred in construction (-700), manufacturing (-400), and professional

focuses solely on revenues and thus captures but one part of the story.

All of the data referenced in the text that follows are presented in the tables and figures that appear on pages 7 and 11-14. All data were derived from New Jersey Casino CeTr-oml-20

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over the past seven years (from 2004 to up several important caveats that caution 2010)! While the analysis reveals several against assuming that this (unsurprising) insights – some obvious, others less so – finding implies that there is but one model for among the most important appears to be that “success” in Atlantic City’s gaming industry. (at least on the revenue side of the equation) Indeed, as the Great Recession recedes into the correlation between size (as measured the past, and as the region’s gaming market by room market share) and total revenue embarks on its next phase, it will face a new market share increased during the period. In set of market conditions which may or may other words, “bigger” increasingly came to not validate models that proved successful mean “better” in terms of revenue—at least during the past several years. Finally, it should over this period which was marked not only be pointed out that the ultimate financial by heightened regional gaming competition success of industry operators is a function but also by the most significant national of both revenues and costs (as well as larger recession since the Great Depression. At the issues related to the financial health of parent same time, the analysis that follows turns corporations). The analysis presented here



Mahal). A similar relationship exists between Showboat and Tropicana. Next, consider a comparison of Tropicana, Taj Mahal, Bally's, and Caesars. Tropicana's room share (12.5%) is greater than these other operators' and yet its revenue market share is considerably less.

Putting the two foregoing paragraphs together, the conclusion would seem to be: a positive relationship between size (in terms of room market share) and total revenue market share holds for the top and bottom strata of the industry (where top and bottom are measured in terms of revenue market

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quadrant). Showboat, it should be noted, does represent an exception. Whereas Showboat saw its share of casino revenue rise modestly during the period, its market share of total revenue remain unchanged.

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total room inventory is nearly double that of Caesars' its share of total industry revenue is only nominally greater (11.2% vs. 11%).

however, Harrah's enjoyed an 18% increase in total revenue between 2004 and 2010, while the Taj Mahal recorded an 11% decline. Of course, it should also be noted that Harrah's share of the industry's total room inventory, at 15.2%, remained larger than the Taj Mahal's (11.8%). Still, despite this important difference, the foregoing suggests that the relationship between rooms and total revenue is far from clear cut—the capture of significant room market share and room revenue did not insulate an operator from declining revenue during the period.

As noted, Showboat maintained its market share of total industry revenue (8.1%) during the period, despite an 18.7% decline in total revenue between 2004 and 2010. Thus, while Showboat's decline in revenue was significantly worse than the gainers' it was far better than the operators that lost market share during the period. Comparing Showboat with these operators is especially illustrative. As noted, every operator that lost market share over the period recorded declines across all revenue categories during the period. Showboat, however, managed to double its

the period recorded losses in market share across all revenue and room categories. The three remaining operators (Caesars, Tropicana, and Showboat) present more mixed pictures—and thereby seemingly provide important exceptions that caution against drawing any hard and fast conclusions regarding “best” models in the industry. All three of these operators lost room market share during the period. Caesars and Tropicana's revenue increased despite market share declines in some revenue categories. Harrah's revenue increased despite market share declines across all revenue categories. Showboat's revenue increased despite market share declines in some revenue categories.

Finally, adding Caesars to the above story “other revenue” over the period (+99.6%), further complicates it. In particular, Caesars while market share-losing operators (as a room inventory remained unchanged during the period, which translated into a smaller share of the industry's room inventory (6.7% in 2010 vs. 7.5% in 2004). Moreover, unlike Harrah's and the Taj Mahal, Caesars saw a considerably more modest increase in room revenue's (which fell to 7.8% from 8.6%). share of total revenue (to 7.4% from 5.8%), as well as a much smaller percentage increase in room revenue (+12.5%). Despite this, Caesars' decline in total revenue (-12%) was only slightly larger than the Taj Mahal's (-10.7%). And, interestingly, the three operators that Caesars' decline in casino revenue over the period (-13.2%) was significantly less than the market share during the period (Borgata, Taj Mahal's (-19%). Most importantly, Caesars' Harrah's, and the Taj Mahal) gained market share of industry-wide revenue increased share across all categories shown. While these 0.8 percentage points (to 11%), while the gains translated into increases in total revenue Taj Mahal's increased 1 percentage point (to 11.2%). The last point is worth underscoring: Taj Mahal. On the other end of the spectrum, whereas the Taj Mahal's share of the industry's five operators that lost market share during

Table B: Revenues, Composition of Revenues, and Changes in Market Share across Revenue Categories in Atlantic City's Gaming Industry, 2004-2010

Increase/
Decrease
in Market

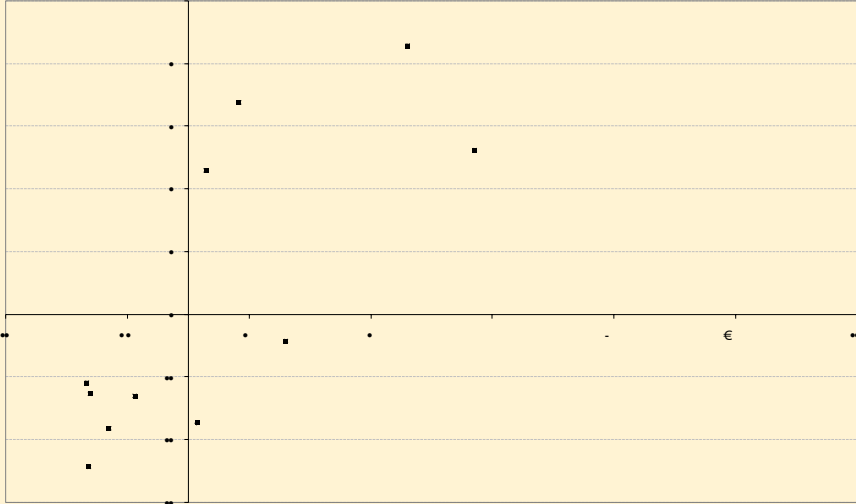
2004

2010



Table B: Revenues, Composition of Revenues, and Changes in Market Share across Revenue Categories in Atlantic City's Gaming Industry, 2004-2010

Increase/ Decrease in Market \$ 000 Share (ppts.)	Casino/Revenue Category	2004						2010				
		Lost/Gained Market Share in Category 2004-2010						% Change in Category Revenue 2004-2010				
		Rooms	Casino	Room Revenue	Food & Beverage	Other	Total Revenue	Casino	Room Revenue	Food & Beverage	Other	Total Revenue
5.1	Borgata	gained	gained	gained	gained	gained	gained	2.1%	34.6%	22.2%	83.3%	10.4%
4.2	Harrah's	gained	gained	gained	gained	gained	gained	4.0%	63.9%	59.1%	220.7%	17.9%
1.0	Trump Taj Mahal	gained	gained	gained	gained	gained	gained	-18.9%	71.5%	-1.2%	30.5%	-10.7%
0.8	Caesars	lost	gained	lost	lost	lost	gained	-13.2%	12.5%	-14.9%	-17.3%	-12.0%
0.6	Tropicana	lost	gained	gained	lost	gained	gained	-21.9%	43.9%	-12.4%	25.8%	-12.9%
0.0	Showboat	lost	gained	lost	gained	Showboat	lost		gained			



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importantly, it seems increasingly likely that the national unemployment rate will remain rather elevated over the coming year – likely market share (Caesars and the Tropicana); arranging between 8-9%. While the corporate increasingly diversified revenue base supported sector is currently flush with cash, the pace gains in market share; and, finally, gains in casino of the economy as well as the health of the revenue share were a necessary condition for labor market will be closely tied to decisions gains in total revenue market share.

regarding where this cash is ultimately invested. If a significant portion of it continues over the past seven years have undoubtedly to find its way into equity markets (which been complex as operators have been buffeted seems to have been a key contributor to rising by a host of forces. While rising regional equity markets as of late) the probability of a gaming competition has surely been among growth recession will increase as household the most important of these forces, equally incomes will advance at a relatively slow important it would seem (especially in light of the above analysis) are competitive dynamics in the Atlantic City market. A significant question among Atlantic City's existing operators. At a minimum, while size clearly matters, and will ostensibly continue to matter going forward, there are clearly a variety of interacting factors, besides rooms, that played important roles in determining success in the industry during this period. As gaming operators map their courses for the years ahead, among the most important risks they face may be that in trying to differentiate themselves from the growing collection of regional convenience gaming competitors, they simultaneously fail to differentiate themselves from one another. Should adoption of a single "model" prove necessary for success in Atlantic City's gaming industry, it seems likely that the industry will grow increasingly oligopolistic. Whether such an outcome will benefit the industry as a whole in the long-run—and, more broadly, Atlantic City's economy—remains to be seen.

The Year Ahead

National Economy. Barring another financial crisis, it seems likely the US economy will continue to recover—albeit at a pace well below potential—over the coming year. The more significant question facing the national recovery is whether or not the economy settles into a prolonged period of relatively slow growth, i.e., a growth recession—in which it grows at a pace below its long-run trend rate (approximately 3% or so). Perhaps most

ENDNOTES:

¹ 2004 represents the first full calendar year of operations for Borgata.

² A cubic function would seemingly fit the scatter plot better than a linear one.

³ The difference between Figure A and C is that the former shows the relationship between total revenue market share in 2010 and room market share in 2010 while the latter shows the relationship between the change in total revenue market share (between 2004-2010) and room market share in 2010.

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