

IMPACTS OF THE STRUCTURE OF THE CASINO INDUSTRY

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MONOPOLY OR COMPETITIVE

- Among the issues in the casino legalization process has been the subject of whether casino establishments should be singular, that is, monopoly, entities in a specific location or should they operate in an open market free competitive manner.

Competitive Concentration of Las Vegas Casinos



Monopoly and Competition: Macau



HYPOTHESES

- It is hypothesized that (1) monopoly casinos offer artificially higher prices to customers, and (2) that monopoly casinos offer their customers lower service quality by utilizing fewer employees, and by having fewer amenities at their gaming properties.

CLOSED VENUES

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- At the start of 2012, thirteen states had commercial casinos. In seven, there was a fixed number of casinos operating either as monopolies or in an oligopoly structure. Six other states allowed open competition with the possibility of granting additional licenses.
- Table 1: The Order of States—Most Monopolistic to Most Open
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- Venues with a CLOSED numbers of casinos
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- West Virginia 4 monopoly casinos
- Pennsylvania 14 monopoly-oligopolistic casinos
- Michigan 3 oligopolistic casinos
- Illinois 10 monopoly-oligopolistic casinos
- Indiana 13 monopoly-oligopolistic casinos
- Missouri 13 monopoly-oligopolistic casinos
- Louisiana 16 monopoly-oligopolistic casinos
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OPEN VENUES

The six remaining venues do not limit numbers of casinos: OPEN Venues

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- Iowa 17 monopoly-oligopolistic casinos
- New Jersey 13 limited location-competitive casinos
- South Dakota 30 limited location-competitive casinos
- Colorado 40 limited location-competitive casinos
- Mississippi 30 competitive casinos with some limits on locations
- Nevada 300+ competitive casinos

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- Table 2. Monopoly Structures and Pricing: Slot Machine Payoff Percentages
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- Closed States Slot Machine % Payoff (median casino)
- West Virginia 89.78
- Pennsylvania 90.76
- Michigan -----
- Illinois 91.58
- Indiana 91.28
- Missouri 90.85
- Louisiana 90.90
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- Open States
- Iowa 90.86
- New Jersey 91.28
- South Dakota 90.99
- Colorado 92.32
- Mississippi 92.56
- Nevada 93.80
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- (Median—all states: 91.09 7 closed states-minus MI: 90.88 6 open states: 91.80)

- Table 3. Casino Revenues, Jobs and Amenities (2009)

	Seven Closed States	Six Open States
Gaming Revenues	\$14.208 Billion	\$19.019 Billion **\$8.626 Billion
Jobs	79,246	259,340
Revenues Per Job	\$179,290	\$73,336 **\$105,268
Hotel Rooms	14,185	182,484
Revenues Per Room	\$1,0011,621	\$104,223 **33,509
Convention Space	642,675	12,992,434
Revenues Per Sq.Ft.	\$22,108	\$1464 **\$6592
Restaurants	345	1738
Revenues Per Restaurants	\$41,182,608	\$10,943,037 **\$18,958,241
Entertain. Venues	108	514
Revenues Per Venue	\$131,555,556	\$37,001,945 **\$62,057,553

- **Casino Gaming Revenues per unit for Five States Excluding Nevada

- Parting Discussion—Of all Industries, Why Should Casinos Be Monopolies?
- The literature suggests that some industries are appropriate ones for having monopoly enterprises. Do casinos fit the bill as part of such industries?

- 1. Monopolies may be established if authority figures are concerned that society's need for the product of the monopoly is critical and that the monopoly may not be successful if confronted with vigorous competition.
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- 2. Monopolies are supported with the notion that certain businesses need especially large capital investment.
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- 3. Monopoly protections are supported with the hope that profits guaranteed by monopoly status may be used to develop new innovative products that will be beneficial for society
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- 4. Efficiency is often offered as a reason to support monopolies. One scenario holds that many competitive establishments operate with the same customer base, then one performs more effectively and with greater efficiency.
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- 5. There is an argument that monopolies may exist, if they are subject to strict government regulations. Some may even suggest that monopolies are good because they necessitate strict regulation.

- None of the rationales supporting monopoly status for a business enterprise applies to casinos.