

Louisiana casinos thriving, but watch out

New Orleans – Minus stout competition from the Mississippi Gulf Coast and with thousands of recovery workers with time and money on their hands, Louisiana's casino industry is enjoying its biggest boom ever – thanks to the double punch of hurricanes Katrina and Rita.

But Mississippi, with a reconstruction plan featuring land-based casinos that are attracting billions of dollars in investments, will be back in the hunt soon and positioning itself to reclaim its gambling dominance in the South, industry analysts say.

Flocks of gamblers have provided a revenue boost for Louisiana, which faced dire predictions of deep cuts in spending after the storms. Through the first 11 months of the current fiscal year, the state's take was USD 473.8 million, up sharply from USD 413.9 million a year ago.

That's despite the closure of three casinos since Katrina and Rita, and the exodus of many south Louisiana residents.

„The people who have come here to rebuild the city have a lot of money in their pockets and not a whole lot of entertainment options,“ said industry analyst Nick Danna of Stern, Agee & Leach in New Orleans.

In May, gamblers left behind USD 220.2 million at the state's 16 casinos, a big jump from USD 199.5 million in May 2005. In April, gamblers lost USD 213.9 million, compared with USD 189.4 million lost in April 2005. The month before, casinos pulled in USD 239.1 million, compared with USD 198.6 million the previous March.

Most of the increase has been centered in New Orleans and

Baton Rouge, which both saw big population shifts because of Katrina, and in Lake Charles, where an influx of workers repairing Rita damage has joined regular throngs from nearby Texas.

How long the boon will last, however, is anyone's guess.

Analysts and industry figures suggest the planned USD 5 billion of investments to rebuild the Mississippi Coast's casino resorts will again relegate Louisiana's gambling outlets to second-class status.

Some picture the Coast, already one of the nation's top gambling markets before Katrina, ranking behind only Las Vegas and Atlantic City in terms of prestige, size and the number of gamblers within a few years.

Nationally, gambling has picked up after a period of slow growth following the 9/11 terrorist attacks, which sharply cut travel. According to the American Gaming Association, state-licensed casinos won USD 30.3 billion in 2005, up from USD 28.9 billion in 2004, USD 27 billion in 2003 and USD 26.5 billion in 2002.

„The Mississippi Gulf Coast will emerge as the third-best gaming market,“ Danna said. „The amount of capital being spent there makes that market comparable with the best markets.“

Already, despite catastrophic damage from Katrina, business in Mississippi has made a stunning rebound.

The three casinos that have reopened since Katrina grossed a total of USD 246.6 million from January through April, according to the Mississippi Gaming Commission. That's more than half of what 12 Coast casinos took in during the same period of 2005.

„It's really amazing,“ said Biloxi Mayor A.J. Holloway. „A lot of people say this is FEMA money and insurance money, but I

don't believe that. We're getting a lot of people from out of town coming here. The casinos tell me their base is coming back."

Reaction to destruction of the two states' gambling industries was a huge contrast and, perhaps, a telling sign why many predict profitable days ahead for the Magnolia State.

Within weeks after Katrina, Gov. Haley Barbour got the Legislature to allow casinos on shore. Until then they'd rested on barges moored along the beach, though hotels and other amenities were built ashore.

In Louisiana, New Orleans Mayor Ray Nagin's idea of opening up the city's downtown area to more casinos went nowhere. Gov. Kathleen Blanco has opposed any gambling expansion.

Andy Holtmann, editor of Casino Journal, a Las Vegas-based trade publication, said if New Orleans wished to challenge the Coast head-on for gambling tourists, it may have missed its chance.

Nagin's proposal was a long shot at best, considering Harrah's Entertainment Inc.'s New Orleans casino has a state monopoly – granted in 1992 – on land casinos in the downtown area.

Harrah's, which was used as an emergency staging point in Katrina's aftermath, is moving ahead with plans to open a 450-room hotel adjacent to its casino in September. The casino, which reopened in February, had its best-ever month in May, winning USD 35.7 million.

„We're very excited and very bullish on the region from Houston to Mobile," said Jim Hoskins, the casino's vice president and general manager.

Analysts agree Harrah's, and its deep pockets, has a definitive advantage in New Orleans in the two-state fight for players. Louisiana's riverboat casinos are another matter,

especially when compared with the upscale resorts getting started in Biloxi and elsewhere on the Mississippi Coast.

Karen Sock, Grand Casino Biloxi's senior vice president and general manager, said it'll be a long time before Coast casinos have to worry about hitting a wall in revenue growth.

„Years ago, people looked at Las Vegas and said, ‚Oh, it's getting too big.‘ It still hasn't gotten too big. And I think we have that same opportunity here on the Gulf Coast,“ she said.