

Tropicana's new owner says employee layoffs are mostly complete

Atlantic City – Tropicana Casino and Resort's new owner indicated Wednesday that it has completed most of its layoffs after making deep cuts that jolted the property over the last four months.

Tropicana's work force has fallen from 4,507 employees on Jan. 2 to 3,818 as of May 1, a 15 percent decline, according to figures compiled by the New Jersey Casino Control Commission.

On Jan. 3, Columbia Sussex Corp. took over the Tropicana along with three other casinos in Nevada and Indiana in a USD 2.75 billion buyout of Aztar Corp. Columbia owns Tropicana through its newly formed Tropicana Entertainment LLC subsidiary.

In their first extensive public comments about the layoffs, company officials said during a conference call Wednesday they were forced to slash Tropicana's work force to reduce costs and make the casino more competitive with its Boardwalk rivals.

"We have implemented significant changes in staffing levels at the Atlantic City property, which we had determined to be excessive," said William J. Yung III, president and chief executive officer of the privately held company. "The property had many more personnel than its competitors in the market, and that additional cost put the property at a competitive disadvantage."

Richard FitzPatrick, chief financial officer, said most of the job cuts were completed by early March, but he declined to say whether more layoffs were planned when questioned by gaming analysts during the conference call.

“We’d really not like to get into projections of where we’re headed, because we want to do the right thing by our employees and not be sending signals out of what our actions may or may not be,” FitzPatrick said. “We’re happy with the work force we have. We’re delighted with the position we’re in, and I’d just not like to comment on the future.”

Mass layoffs have shaken employee morale and prompted calls from New Jersey politicians over whether Columbia Sussex has violated labor laws. State Assemblyman James Whelan, D-Atlantic, a former Atlantic City mayor, has asked the New Jersey Department of Labor to conduct a formal investigation.

About 40 workers in Tropicana’s limousine department were the latest casualties of the job cuts. Tropicana confirmed this month that it had abolished the department and would outsource its limo service to a private contractor.

Tropicana was able to boost its gross operating profit in the first quarter by nearly USD 3.8 million, or 13.5 percent, by cutting jobs and keeping a lid on its marketing costs, the company reported.

However, gaming revenue fell almost USD 4.8 million, or 4 percent, during the same period. Columbia blamed construction disruptions that put hundreds of slot machines temporarily out of service to accommodate a remodeling of the casino floor.

To avoid further disruptions, Tropicana plans to suspend construction through the peak summer months and will resume work after Labor Day. Renovations to the casino floor and the refurbishment of Tropicana’s South Tower are expected to be finished by year’s end, according to Yung.

Although construction interruptions largely were blamed for Tropicana’s lower gaming revenue, Yung also cited increased competition from Pennsylvania’s newly opened slot parlors – a phenomenon affecting the entire Atlantic City market in recent months. In April, slot revenue slumped 12.3 percent citywide

and is down nearly 7 percent for the first four months of the year.

Hoping to retain market share, some casinos have engaged in a costly marketing war to woo customers with promotional gimmicks and giveaways. Fred A. Buro, Tropicana's president, said his casino has not participated in the marketing blitz.

"They're generally not very beneficial over the long term," Buro said of the return on investment from the promotional giveaways.

Tropicana is betting that its upgraded casino floor, along with customer-service improvements to cut down on the wait time for hotel check-in and restaurant seating, will draw more customers, executives said.

"Our facility is going to be a much better facility for the summer," FitzPatrick said. "We're expecting to have a great summer."