

Tropicana to freeze top salaries, may lay off 117 dealers

Atlantic City – Tropicana Casino and Resort will freeze the pay of top-earning employees and may lay off more than 100 dealers in a series of belt-tightening measures at the troubled gaming hall.

Employees making at least USD 50,000 will not receive a pay increase this year, while lower-earning workers will see their raises capped at a maximum of 2 percent, Tropicana President Mark Giannantonio said.

Tropicana expects to save USD 820,000 annually through the pay restrictions. The casino also plans to cut costs by reducing work hours, requiring employees to pay more for their medical coverage and eliminating its matching contribution for 401(k) retirement accounts held by senior executives, according to Giannantonio.

„We’re working very hard to do what we can so we don’t have to lay off employees, but I can’t rule out anything at this time,“ Giannantonio said in an interview Tuesday. „It depends on where the economy goes.“

Tropicana, now in the middle of contract negotiations with the United Auto Workers union, is warning that it may lay off 117 dealers in addition to the other cost-cutting moves.

„We’re still negotiating over that. That’s their proposal,“ UAW representative Scott Montani said while confirming the number of possible job cuts.

Tropicana and Atlantic City’s 10 other casinos have been squeezed by the economic crisis and extra competition from

Pennsylvania slot parlors. Recession-wary customers have curbed their discretionary spending on such things as gambling outings, hotel rooms and dinners at high-end restaurants in the casinos.

Casino revenue plummeted 18.7 percent in December in the biggest monthly drop ever in Atlantic City's 30-year history of legalized gambling. For all of 2008, revenue declined 7.6 percent to USD 4.55 billion.

Tropicana is not alone among casinos in laying off workers and imposing pay restrictions as the recession has deepened. However, Tropicana's troubles have been magnified by difficulties in selling the property following the loss of its gaming license in December 2007.

The New Jersey Casino Control Commission yanked the license, citing mass layoffs, regulatory violations and customer complaints of unsanitary conditions ranging from filthy rooms to overflowing toilets under Tropicana's former owner. Since then, the casino has been under the control of a state-appointed conservator who has been trying to sell it.

Gary S. Stein, a retired New Jersey Supreme Court justice serving as Tropicana's trustee and conservator, will ask the commission today to extend the deadline for completing the sale to Feb. 4. Originally, Stein was supposed to complete the sale by last April, but repeatedly was granted more time as the process dragged on due to the weak economy, the global credit crisis and legal disputes over Tropicana's ownership.

Stein says he needs two more weeks to wrap up contract negotiations with leading bidder Cordish Co., a Baltimore real estate developer that previously offered USD 700 million in cash and notes or USD 575 million in an all-cash deal.

However, Stein revealed in newly filed papers with the Casino Control Commission that Cordish has lowered its offer because Tropicana's cash flow for 2008 fell short of projections. Just

how much Cordish is willing to pay now hasn't been disclosed yet.

„We absolutely remain enthusiastic about buying the Tropicana,“ Jonathan Cordish, a vice president of the family-owned company, said in a brief e-mail statement.

Once the commission approves the proposed contract with Cordish, Stein plans to auction off Tropicana in a bankruptcy sale. Although Cordish has been designated the leading bidder, other would-be buyers will have an opportunity to make higher offers in bankruptcy court. Barring delays, the bankruptcy sale is expected to take between six and eight weeks.

Mirroring the slow-motion pace of Tropicana's sale are the drawn-out contract negotiations with the UAW. Tropicana's dealers voted to unionize in August 2007. But despite regular contract meetings, the UAW alleges the casino has been bargaining „in bad faith,“ going as far as filing an unfair labor practice charge with the National Labor Relations Board in September. Any findings have yet to be announced, an NLRB spokeswoman said Tuesday.

In the filing, the UAW accused Stein and Tropicana's management of „surface bargaining,“ claiming that the conservator said he would not negotiate a complete contract because he does not want to bind a prospective purchaser of the casino to it.

Tropicana's management has denied the union charges.

Meanwhile, the UAW has been unable to negotiate first-ever contracts with three other gaming halls – Trump Plaza Hotel and Casino, Bally's and Caesars – where dealers also voted to unionize. There is no law that says when a contract must be ratified.