

# SOUTHWEST LOUISIANA ECONOMIC INDICATORS

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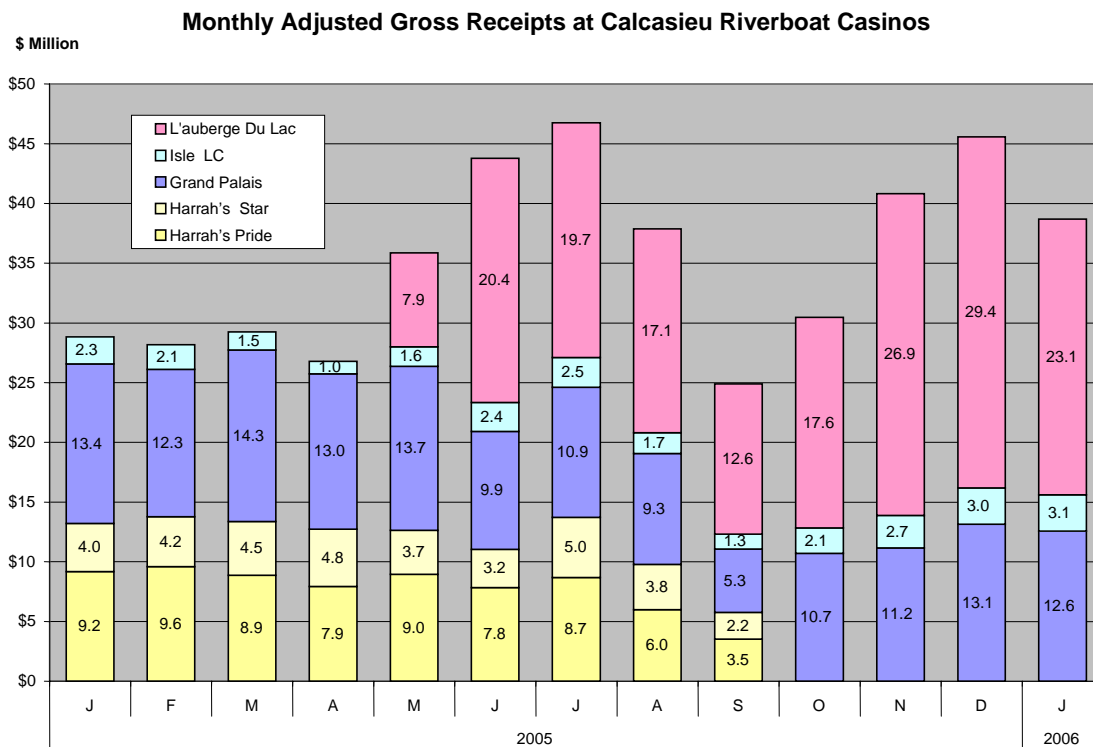
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## Riverboat and Racino Gaming Activity in Calcasieu Parish

Prior to Hurricane Rita, there were five riverboat casinos operating in Calcasieu Parish near Lake Charles. These included two riverboat casinos operated by Harrah's (Harrah's Pride and Harrah's Star), two riverboat casinos operated by the Isle of Capri (Grand Palais and Isle Lake Charles), and the newest and largest riverboat operated by Pinnacle Entertainment (L'auberge Du Lac). Another significant player on the gaming scene in Calcasieu Parish is the Delta Downs Racino—a slot machine casino at the horse racing track near Vinton.

### Calcasieu Riverboat Casinos

A common measure of activity at the casinos is adjusted gross receipts (AGR)—the difference between gaming dollars in and gaming dollars out (the net win for the casinos). The following chart tracks the monthly AGR at the five Calcasieu Parish riverboat casinos from January 2005 through January 2006.



In April of 2005, the two Harrah's casinos combined generated an AGR of roughly \$12.7 million and the two Isle of Capri casinos combined generated an AGR of almost \$14.1 million for a parish-wide total of almost \$26.8 million. This was the last month before the riverboat casinos operated by Harrah's and the Isle of Capri in Calcasieu Parish faced competition from the newest entrant—L'auberge Du Lac.

The L'auberge Du Lac Casino opened on May 23, 2005. As is apparent from the chart on the previous page, the results of this new entry into the market are truly impressive:

- In May of 2005 when the L'auberge Du Lac casino was open for business only during the latter part of the month, the total AGR for the five Calcasieu riverboat casinos rose by over \$9 million or 34% to almost \$35.9 million. L'auberge accounted for nearly \$7.9 million of the increase.
- In June of 2005, the first complete month of operation for the L'auberge Du Lac casino, the AGR at five Calcasieu casinos rose by another \$8 million or about 22% to almost \$43.8 million. L'auberge generated over \$20.4 million in AGR. When compared to their April benchmarks, the AGR at the two Harrah's casinos dropped about \$1.7 million and the AGR at the two Isle of Capri casinos dropped about \$1.8 million.
- In July of 2005 the AGR at the five Calcasieu riverboats grew another \$3 million to reach \$46.8 million.

Viewed in comparison to April (the month before L'auberge opened), in just over two months of operation the net affect of the fifth riverboat casino entering the local market was to grow the Calcasieu monthly AGR totals by almost \$20 million or nearly 75%. Clearly the L'auberge AGR in July of almost \$19.7 million accounted for the lion's share of this growth. When compared with their April figures, the Harrah's casinos together had a net AGR gain of \$996,800 in July, while the Isle of Capri casinos together had a net AGR loss of \$691,410 in July. The \$305,390 net gain for the combined AGR of the Isle of Capri and Harrah's casinos meant that the L'auberge entry for the most part resulted in growing the market rather than cannibalizing the business of rivals.

For skeptics who worried that the L'auberge entry into the market might simply reapportion the slices of a similar size AGR pie, the latter outcome was a truly amazing and welcome result. It set the stage for a great leap forward in the contribution of the riverboat gaming industry to the Calcasieu economy in terms of both employment and income generated. Unfortunately, Hurricanes Katrina and Rita were waiting in the wings to at least temporarily reverse these positive trends.

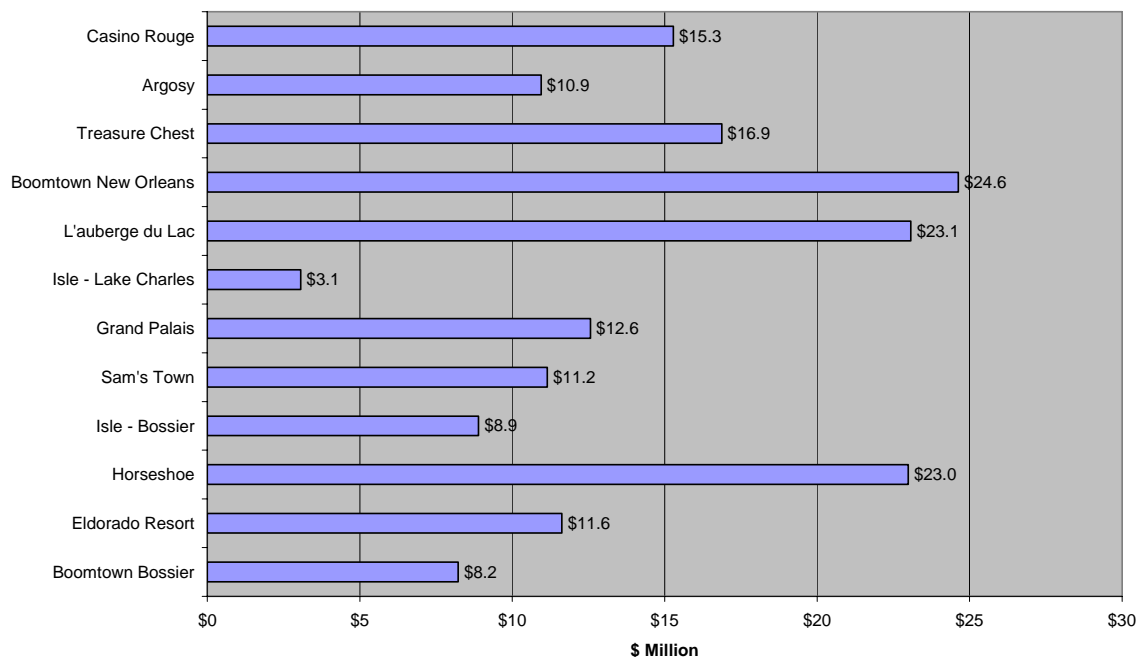
The impact of the hurricanes is reflected in the declining AGR figures for the five Calcasieu Parish riverboat casinos during August and September of 2005. All five casinos remained open throughout August, but AGR declined by almost \$8.9 million (19%) from July to August as evacuees from Hurricane Katrina clogged local hotels and the flow of gaming traffic from the Houston market was disrupted in late August.

Less than a month later came the direct hit on Calcasieu by Hurricane Rita. All five riverboat casinos shut down in late September. As a result, AGR at the five Calcasieu riverboat casinos dropped by almost \$13 million or 34% in September.

Gaming activity at the Calcasieu riverboat casinos began to rebound in October as the L’auberge and Isle of Capri casinos eventually reopened. The Harrah’s casinos were so severely damaged that they have remained closed. Harrah’s management has not yet announced whether they intend to rebuild and reopen. As shown in the chart on the first page, AGR at the three remaining Calcasieu riverboat casinos reached \$45.6 million in December of 2005—just slightly below the peak reached in July before the hurricanes disrupted the market.

The post-Rita rebound at the L’auberge operation has been record-setting. In November of 2005 the L’auberge Du Lac casino generated AGR totaling \$26.9 million. This was the first time a Calcasieu riverboat generated a larger AGR than any other riverboat casino in the state including those in Shreveport and New Orleans. The top-ranking statewide performance at L’auberge continued through December. The chart below shows that Boomtown New Orleans edged out L’auberge for top ranking in January of 2006 (the most recent month for which AGR data are currently available).

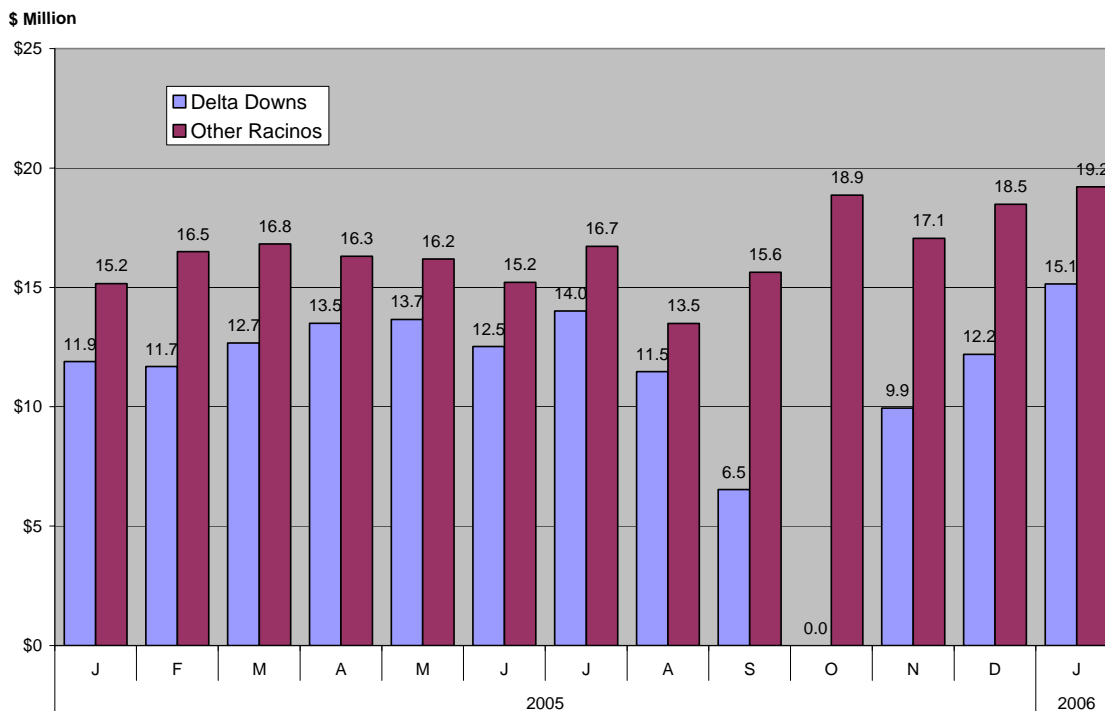
**Adjusted Gross Receipts - Louisiana Riverboats  
January 2006**



**Slots at Delta Downs Race Track—Calcasieu’s Racino**

Since February of 2002, Delta Downs has operated a slot machine casino at its race track near Vinton. The chart on the next page shows monthly adjusted gross receipts generated by slots at Delta Downs as well as the other two “racinos” in the state—Harrah’s Louisiana Downs and Evangeline Downs.

### Monthly Adjusted Gross Receipts from Slots at the Tracks



Slots at the Delta Downs Racino in western Calcasieu Parish generated \$13.5 million AGR in April of 2005. This was slightly more than the combined total AGR for the two Harrah's riverboat casinos (\$12.7 million), and slightly less than the combined total AGR for the two Isle of Capri casinos (\$14.1 million) all located in Lake Charles.

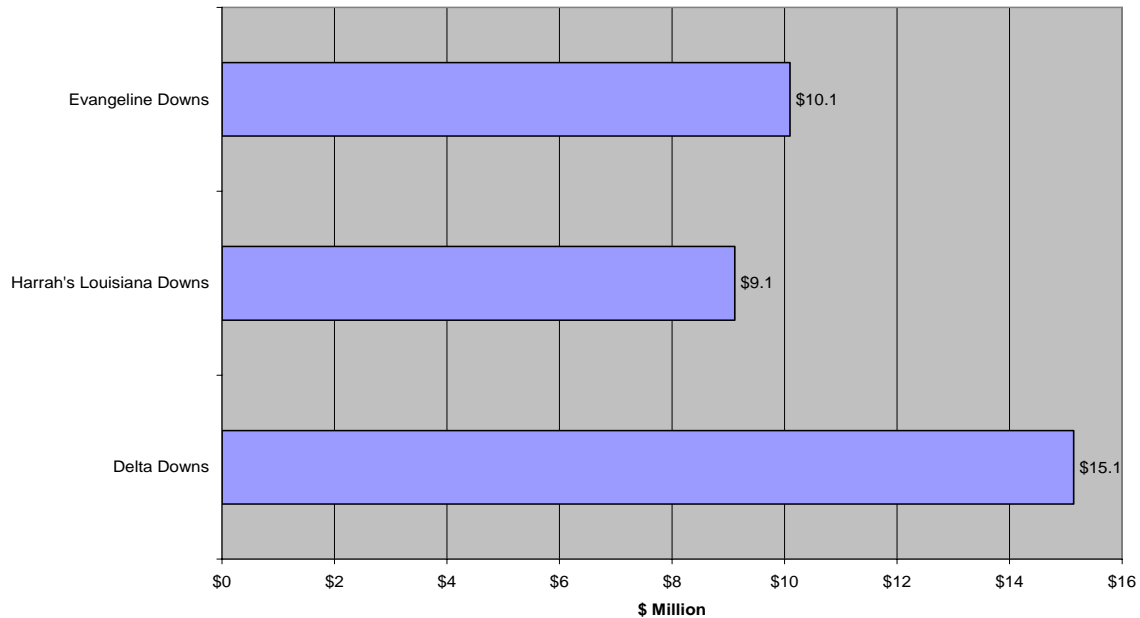
Subsequent monthly patterns in Delta Downs AGR from slots at the track appear to be similar to those experienced at the Harrah's and Isle of Capri riverboats in Lake Charles. Most significantly, the opening of the L'auberge Du Lac riverboat casino in Lake Charles in late May of 2005 did not appear to be associated with any significant decline in business at the Delta Downs Racino.

- From April to May, the AGR generated at Delta Downs rose slightly (about 1.2%) while the AGR from slots at other race tracks in the state fell slightly.
- In June the AGR generated at Delta Downs dropped about 8 %—about two percent more than the drop at the other racinos in the state.
- In July the AGR generated at Delta Downs rebounded by 11.8%—about two percent more than the gain at the other racinos in the state.
- The impact of Hurricane Katrina on the August AGR was almost the same at Delta Downs as at the other racinos in the state—a drop of 18-19%.

The impact of Hurricane Rita was much more devastating for Delta Downs, which was forced to close in late September and could not reopen until November. The AGR at Delta Downs finally surpassed its pre-Katrina/Rita levels in January of 2006 when it reached \$15.1 million—only a half million less than the \$15.6 million AGR generated by the two Isle of Capri riverboat casinos in January of 2006.

The chart below shows how adjusted gross receipts from slots at the Delta Downs Racetrack compare with the AGR generated by slots at the other two Louisiana racetracks in January of 2006. With the exception of the Hurricane Rita impact months of September and October of 2005, the AGR for Delta Downs has been greater than the AGR generated by either of the other two racinos in the state over the last two years.

**Adjusted Gross Receipts From Slots at Louisiana Racetracks  
January 2006**



*You Are Invited to the Annual McNeese*  
**ECONOMIC OUTLOOK SYMPOSIUM**  
 Wednesday, April 5 at 5 PM in  
**Hardtner Hall -- College of Nursing Building**  
 Located at the Corner of Sale Rd and Common St

The symposium will include a review of economic conditions in Southwest Louisiana and a look forward. The special guest speaker will be Tom Cunningham, Vice President and Associate Research Director of the Federal Reserve Bank of Atlanta. Tom's research group was responsible for the Atlanta FED's initial analysis of the economic impact of Hurricanes Katrina, Rita, Wilma and Dennis—available in the Bank's *EconSouth* publication for the 4<sup>th</sup> Quarter of 2005. Tom recently returned from an update tour of the hurricane damaged areas along the Louisiana and Mississippi Gulf Coasts. His perspective on the status of the recovery and prospects for the future should be of great interest. He will also take questions from the audience.

The *Southwest Louisiana Economic Indicators Reports* are distributed electronically through the **H.C. Drew Center for Economic Development Information Services** in the College of Business at McNeese State University in Lake Charles, Louisiana.

Visit our webpage for more detailed information depicting recent economic trends in Southwest Louisiana—including Calcasieu, Cameron, Allen, Beauregard, and Jefferson Davis Parishes.

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