



the **G2E**
future watch series

an insider look at new trends in gaming

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Executive Summary




AMERICAN
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Featuring:
**casino
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Global Gaming Expo's (G2E) family of events showcases the best and brightest in the gaming industry today. But G2E is about more than the here and now; it's also about the cutting-edge nature of our business. The G2E Future Watch Series, an original research series released in conjunction with G2E events each year, serves as a tool to help examine the most significant industry trends.

This edition of the Future Watch Series investigates the status of the Gulf Coast's recovery through the eyes of the community leaders and gaming industry executives who have been on the front lines of this campaign since hurricanes Katrina and Rita hit the region in 2005. Our respondents represent an extraordinarily accomplished and knowledgeable segment of the local population, from college professors and bank presidents to Chamber of Commerce directors and leading figures in the public sector on economic development and community rebuilding. Gaming industry leaders comprise only 25 percent of interviewees. Sixty percent of respondents live and work in Mississippi, and 40 percent hail from Louisiana. In fact, 45 percent of respondents have lived and worked on the Gulf Coast for more than 20 years.

In addition to providing an inside look at the status of the recovery, these experts provide their thoughts on what the future holds for the region. We hope our findings, detailed on the following pages, will give show attendees and interested parties a unique snapshot of how far the Gulf Coast has come and where it is going.

The American Gaming Association and Reed Exhibitions, organizers of G2E Institute, would like to thank all the participating experts for taking the time to help us complete this Future Watch survey.

General Attitudes on the Gulf Coast Recovery

Divided Opinion on the Current State of the Economy. Given the extent of the devastation caused by Hurricanes Katrina and Rita, it should come as no surprise that respondents' ratings of economic conditions on the coast are mixed. On one hand, not a single respondent termed conditions as being "excellent;" on the other hand, very few (10 percent) considered them to be poor either. In fact, a majority (60 percent) think the economic conditions in their area are "very good" these days. Just fewer than one-third (30 percent) of those surveyed chose a rating of "not so good" on this question.

Region's Economic Resilience Better than Most Anticipated. Three-quarters of interviewees think the economy in their area has responded either "much better" (25 percent) or "somewhat better" (50 percent) than they had anticipated following the hurricanes. When asked in an open-ended question what industry sectors have proven the strongest with respect to aiding in the region's recovery effort, 36 percent cited the casino industry, while 23 percent noted the construction industry has been the most helpful. Conversely, the housing sector was noted as the weakest component of the economy's revitalization effort by 21 percent of respondents, receiving more votes than any other industry sector in that category.

The Challenges that Remain

There is Still Much Work to be Done. The housing market and the availability of affordable insurance continue to be major concerns. Nearly everyone interviewed said there is either a "severe" (65 percent) or "moderate" (30 percent) shortage of housing for low- and middle-income residents along the parts of the Gulf Coast impacted by the hurricanes. When asked what is the single most important problem to be solved in order to advance recovery on the coast, a plurality responded "making insurance available and affordable" (45 percent). This ranked ahead of rebuilding and repairing infrastructure (25 percent), ensuring the receipt of federal reconstruction dollars (15 percent) and restoring government services to normal (10 percent).

Employee and Housing Shortages Will Take Time to Correct. Many businesses, casinos in particular, have had a difficult time finding enough qualified employees in the recovery zone. According to the leaders surveyed, most think it will be a matter of one to two (40 percent) or three to five years (50 percent) before the employment base returns to pre-hurricane levels. The time frame by which our respondents expect the housing shortage to be resolved is even more discouraging — a majority (58 percent) thinks that it will be three to five years before it is corrected, while another third (32 percent) puts its resolution in the six- to 10-year range.

The Gaming Industry on the Gulf Coast Today

The Casino Industry is a Major Component of Regional Recovery Effort. When asked to what extent casino companies operating in their area aided in local communities' recoveries, a significant majority (65 percent) of our interviewees said the industry "very much helped" in this regard. Another 30 percent said the industry "somewhat helped" get the region back on its feet.

Level of Recovery Varies Among Different Segments of Gaming Industry. Respondents were asked, in a series of questions, to assess how close various components of the industry are to returning to pre-hurricane levels. Casino gaming revenues were considered to be the furthest along in terms of returning to where they once were (90 percent say they have either "fully" or "mostly returned"). Revenues are followed by employee and staffing levels (65 percent), customer visitation (60 percent) and hotel facilities (50 percent) with respect to how close each one is to returning pre-hurricane levels. Non-gaming amenities, such as restaurants, retail and clubs (35 percent), are thought to have the longest way to go in terms of recovery.

The Outlook for the Gulf Coast

● **Move to Land Expected to Have Significant Impact in Mississippi.** Fully 95 percent of survey respondents agree that the decision to allow casino operators on the Mississippi Gulf Coast to site their facilities on land will have a significant impact on the growth of the market there. The chart below indicates experts think the impact will be significant across the board:

<i>Looking ahead five to 10 years from now on the Mississippi Gulf Coast, how much of an impact do you believe the decision to allow casino operators to site their facilities on land will have on the following:</i>	VERY OR EXTREMELY SIGNIFICANT IMPACT
Producing more secondary economic benefits for the region	89%
Introducing more non-gaming amenities	85%
Increasing revenues from casino gaming operations	85%
Drawing more tourists from greater distances	80%
Protecting facilities and people from another natural disaster.	70%

Additionally, 95 percent of respondents think the move to land will be at least somewhat successful at attracting more business and convention travelers to the region.

● **Competition is the Greatest Threat to the Health of Gaming on the Gulf Coast.** When asked to choose among three potential challenges to the health of gaming in the years ahead, a plurality (47 percent) of respondents chose “increased competition from other jurisdictions” as the greatest threat, while another 42 percent picked “weather-related catastrophe.” Only a fraction (11 percent) think increased state regulation and taxation pose the greatest threat to the industry’s well-being, a positive sign for future development.

● **No Consensus on Impact of Industry Consolidation on the Gulf Coast.** Reaction was mixed when interviewees were asked the effect that recent consolidation among commercial casino gaming companies will have on the Gulf Coast casino industry. Fully 45 percent think it will have at least a somewhat positive effect, while 35 percent predict it will have a somewhat negative effect. Another 10 percent think consolidation in the region will have no effect, while the remaining respondents (10 percent) are unsure.

● **Significant Growth in the Cards for Gulf Coast Casino Industry.** Respondents are nearly unanimous in their belief that the casino industry will grow more quickly than the rest of the Gulf Coast economy over the next five to 10 years (95 percent agree). The same percentage of respondents thinks the number of casino properties along the coast will increase at least somewhat over this time frame.

● **Restaurants and Retail Hold Most Promise in Region.** When asked what non-gaming amenities will prove most successful in the future, 34 percent of respondents think retail and shopping venues hold the most promise, while 31 percent think high-end restaurants have the best chance for success. Fourteen percent say golf courses will be tops, with 10 percent of respondents selecting spas and clubs/nightlife, respectively.

● **Despite the Challenges, Optimism is Pervasive.** Fully 80 percent of interviewees think that the overall level of tourism in the Gulf region will be greater 10 years from now than it was prior to Hurricanes Katrina and Rita.

