

# Tribal Gaming Firms Reach Out Far Beyond The Region's Casinos

*Tribes looking to diversify holdings as competition looms across state's borders*

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As competition continues to nibble at Connecticut's gaming monopoly at the Foxwoods Resort Casino and Mohegan Sun, its owners are looking elsewhere — far away in some cases, from San Diego to St. Croix — to diversify their holdings and keep their tribes healthy, and wealthy, for the long term.

Once the only gaming halls in New England, the two casinos now face encroaching competition just across the state's borders. Massachusetts is on the verge of deciding whether to allow casinos, with the governor's recommendation due by Labor Day. And two “racinos” featuring slots and horse racing — at Twin River in nearby Lincoln, R.I., and the Empire Raceway in Yonkers, N.Y. — are already taking a slice of the Connecticut casinos' lucrative slots earnings.

“It looks like the days of Connecticut's monopoly on casino gambling in New England is going to rapidly come to a close,” said the Rev. Richard McGowan, a Boston College economist and expert on lotteries and gambling.

Both casinos certainly understand the threats and are working quickly to develop new sources of revenue.

The Mohegan and Mashantucket Pequot tribal nations have development projects under way for casinos in the Midwest and West, and are eyeing commercial ventures in the Northeast, where their “brands” are most recognizable. The Mashantucket Pequots, owners of Foxwoods, also have targeted resort sites with some gaming in the mix in the U.S. Virgin Islands.

Diversifying beyond reservation borders is a natural outgrowth of the tribes' need for revenue for their Native American governments and for sustained help with housing, health care and education, say the casinos' chief executive officers, John O'Brien of Foxwoods and Mitchell Etes of the Mohegan Sun.

“We're not in the mindset to take everything to make ourselves wealthy,” Mohegan Tribal Chairman Bruce “Two Dogs” Bozsum said, “just healthy.”

The Mohegan Tribal Gaming Authority already has successfully developed a racino at the Mohegan Sun at Pocono Downs outside Wilkes-Barre, Pa., and has four other projects in the works around the country: in New York and Palmer, Mass., and with two different tribes in LaCenter, Wash., and Kenosha, Wis.

Foxwoods Development Co. is at work on projects involving tribes north of San Diego and in Sumner County, Kan., as well as a proposal for a waterfront casino in Philadelphia. The company also is working with a nongaming tribal agency, the Tribal Business Advisory Board, to develop projects in St. Croix and the Bahamas.

“Mohegan Northeast,” said Tribal Chairman Bruce “Two Dogs” Bozsum, musing about the possibility of a casino-related project in Palmer, Mass. “It’s got a good ring to it.”

Both tribes already have plenty else on their plates. Foxwoods and Mohegan Sun are moving ahead with casino-and-entertainment expansions that together total nearly \$1.5 billion.

Foxwoods’ O’Brien said diversification efforts take shape in two ways: re-investment in the original casino, hotel and entertainment offerings, and expanding in other venues, much the way a stockholder manages a portfolio to diversify risk.

The reason, O’Brien explained, is “to give folks a reason why they’d want to travel past other gaming operations to come here” or to new sites elsewhere bearing the Foxwoods brand.

That need to compete is what will push the tribes’ projects ahead while there is still a fertile gaming market left to capture, said Clyde Barrow, a professor at the University of Massachusetts at Dartmouth who directs the university’s New England Gaming Research Project and its Center for Policy Analysis.

“I think the driving force is the need to find new markets in order to cushion themselves from competition from other jurisdictions,” Barrow explained. “If you’re going to lose customers to another jurisdiction, better to lose them to yourself. From their business standpoint, it makes complete sense. And they are, in a sense, doing what any other business would do.”

Massachusetts’ motive in allowing casinos is driven by its interest in capturing the millions of dollars of gaming revenues it’s missing out on — money that could pay for social needs through a possible compact with the Mashpee Wampanoag tribe in Cape Cod.

“If Massachusetts allows one Native American casino and another commercial casino, clearly it’s going to negatively affect both Mohegan Sun and Foxwoods,” McGowan said. “They’re probably trying right now to hedge their bets.”

“No company wants their cash flows centralized in one location,” Etes said. “So the more we can have cash flows in other areas, the better it is for the future.”

Gary Armentrout, managing director of the Foxwoods Development Co., makes no apologies for using the Foxwoods brand at a proposed casino for which the firm received a gaming license in Philadelphia. Many unsolicited calls for other types of development followed, he said.

“We recognize the brand is particularly strong on the East Coast and particularly in New England because people here have had the opportunity to see and experience the brand for themselves,” Armentrout said. “That’s why we’ll use the Foxwoods brand in Philly. Getting the license gave us national exposure and has led to us getting telephone calls we wouldn’t have gotten a year ago.”

North of San Diego, the Foxwoods Development Co. is moving ahead with land-use approvals for an expanded casino owned by the Pauma Band of Mission Indians. Foxwoods Development Co. would develop and manage that casino, Armentrout said.

“In San Diego, Foxwoods is known, but we don’t believe the brand is as strong,” he said. “So we won’t be branding it as Foxwoods. We will develop a new brand.”

For the Mohegans, the success of their racino at Pocono Downs “proves to the banking community we can execute a project, and it’s allowed us to develop new leaders, so it’s deepened our talent bench,” said Jeffrey Hartmann, executive vice president and chief operating officer.

When the Mohegans assess whether or not to diversify in a given market, Hartmann said, they take into account tax rates in the state, accessibility of a site from a major highway, demographics within a 100-mile radius, what other competition could operate in the market place, and whether marketing can be leveraged between the home casino in Uncasville and the new market.

A venture with Capital Play Inc. of New York and Australia would add Mohegan Sun’s entertainment and gaming expertise to the Aqueduct and Belmont race tracks in New York if that state’s attorney general recommends the Mohegans’ proposal as the winning bid in early September.

Both tribes also are aware of the possible saturation of gaming in the Northeast. “If Massachusetts was to put up three full-blown casinos, you would be at or near saturation in the Northeast market,” Barrow said.

But Connecticut’s gaming executives aren’t worried. Besides inquiries to both casinos from overseas, there’s “more to come” at Foxwoods’ Development Co., Armentrout said. That’s true for Mohegan Sun, as well, Hartmann added. The Mohegan tribe has so many gaming opportunities to consider that the possibility of developing separate hotel projects remains on the back burner.

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**Matt Rourke** - *Charles Hoyt, of Shavertown, Pa., tries his luck on a slot machine at the Mohegan Sun at Pocono Downs racino outside of Wilkes-Barre, Pa., which opened last November.*



- *Mohegan Tribal Chairman Bruce "Two Dogs" Bozsum*

