

Harrah's Plans USD 1 Billion Expansion for Caesars Palace in Vegas

Las Vegas (AP) – Gambling giant Harrah's Entertainment Inc. announced a USD 1 billion expansion Thursday for its flagship Caesars Palace hotel-casino in a bid to compete with a wave of new megaresorts planned for the Las Vegas Strip.

The company plans to build a 665-room tower called Octavius, three pool villas for high rollers, add an extra 263,000 square feet of convention space and upgrade 512 of its oldest rooms.

The expansion, which adds a sixth tower and will bring the room count to 4,013 by early 2009, is the most expensive for the 41-year-old property at the corner of one of the Strip's most famous intersections.

„When people come here, they will still feel like they are at their father's Caesars Palace, but they'll also feel that they're at the Caesars Palace for the new generation,“ said the property's president, Gary Selesner.

The expansion, which comes after shareholders agreed in April to be bought by private equity firms Apollo Management Group and Texas Pacific Group for USD 17.1 billion, shows the new owners' continued appetite to spend more capital.

In May, Harrah's announced the first phase of what will be a USD 1 billion Margaritaville Casino & Resort in Biloxi, Miss.

Harrah's Entertainment is the world's largest gambling company by revenue and second-largest on the Las Vegas Strip, where it also operates the Flamingo, Paris, Ballys, Rio and Harrah's hotel-casinos.

Caesars' expansion will allow the property to raise room rates in line with a raft of upscale, multibillion dollar megaresorts planned for the Strip, Selesner said.

They include Las Vegas Sands Corp.'s USD 2.6 billion Palazzo set to open by the end of the year and the Wynn Resorts Ltd.'s USD 2.1 billion Encore scheduled to open in 2009. The USD 7.4 billion CityCenter mixed-use project planned by MGM Mirage Inc. is targeted for late 2009 and the USD 4.8 billion Echelon development by Boyd Gaming Corp. is set for late 2010.

„We think we've put together a program and a package that will now allow Caesars Palace to compete with whatever is coming down the line,“ Selesner said.

The move also is intended as an incentive for customers who gamble and earn frequent player points at Harrah's 39 casinos in the U.S., Canada and Uruguay. Those gamblers can spend points at Caesars or vice versa. Harrah's also is seeking to expand the Caesars brand from properties in Las Vegas, Atlantic City and Indiana into the Bahamas, Slovenia and Spain.

„We're building value into the Total Rewards network at all the properties,“ Selesner said.

New rooms will feature flat-panel TVs, clock radios with iPod docking stations, TVs embedded in bathroom mirrors and upscale linens. Renovated rooms will include marble „surround showers“ that accommodate two people.

The expansion follows recent additions at Caesars Palace, such as opening a version of the exclusive Harlem restaurant Rao's, and the signing of Bette Midler as a headline performer to replace Celine Dion next year.

The property also is expanding its pool complex with more cabanas, a cafe and an outdoor spa and wedding venue, and upgrading its sports book, buffet and food court.

The company plans to hire 1,000 more people to staff the property in addition to the 7,500 current employees.