

Adelson bets on Macau for world's biggest casino

Macau (Reuters) – The world's biggest casino opens in Macau on Tuesday, the most ambitious throw of the dice yet in a USD 24 billion effort to build a Las Vegas-style „neon alley“ in this once-sleazy Chinese gambling enclave.

The hopes of more than a dozen hotel, casino and retail operators building on the „Cotai Strip“ – 4 square km (1.5 square miles) of reclaimed land fusing two islands – are pinned on the Venetian Macao, built by U.S. operator Las Vegas Sands Corp.

Gaming revenues in Macau, on the southern tip of China, overtook those of the iconic Las Vegas Strip last year, and if the Venetian succeeds, analysts say it will help double that annual income to USD 13.7 billion by 2010.

Construction delays, funding problems, infrastructure bottlenecks and the risk of an oversupply of both hotel rooms and baccarat tables could threaten such rosy forecasts for the only place in gambling-mad China where casinos are legal.

But, buoyed by the roaring success in the last couple of years of his first Macau casino, the Sands, Las Vegas Sands Chairman Sheldon Adelson told Reuters the USD 2.4 billion spent on the Venetian would be recouped within three to five years.

„You think I'm spending 12 billion dollars because I'm a wild-eyed, blue-skied craps shooter,“ Adelson, the world's 14th-richest man, said of his firm's total investment plans for the Cotai Strip.

„I know what I'm doing. We've already done this in Vegas. There is no question about this,“ he said in an interview on Monday.

Surrounded by the casino's grand Italian architecture, with marble floors, high arched roofs, frescoes, fountains and gold statues, Adelson said: „All we're doing is taking the fully matured, completely evolved capital of entertainment called Las Vegas, and picking it up and dropping it here.“

„Changing Face“

A day before its opening, some of the casino's 16,000 employees were practicing dealing cards in the echoing halls.

The Venetian boasts 3,000 hotel suites, 1,150 gaming tables, 7,000 slot machines, 350 shops, a 1,800-seat conference centre and a 15,000-seat entertainment arena.

„It's changing the face of Macau,“ said Adelson, the 75-year-old son of a Boston taxi driver.

The Macau government and casino operators hope the Cotai Strip will persuade gamblers, mainly from China, to stay a couple of days and spend more money. Many of the 20 million visitors who visit the former Portuguese colony each year do not book into a hotel, preferring to gamble to dawn or visit massage parlors.

The Cotai Strip has drawn investment from a raft of casino and hotel operators, including Nasdaq-listed Melco PBL Entertainment, MGM Mirage and Macao Studio City – a venture involving ESun Holdings Ltd..

„The Venetian is a very important event because it marks the beginning of the diversification process in Macau,“ said David Freeman, chief executive of Macao Studio City.

„It may take time for the full extent of success to kick in, but there's no doubt in my mind it will be very successful.“

Some analysts think the huge new supply of hotels, shops and gaming tables will cut profit margins in the short-term.

Daily revenue per gaming table in Macau has already dropped to around USD 12,000 from USD 22,382 in 2002, when a four-decade monopoly owned by casino mogul Stanley Ho expired and other players, including U.S. operators, were allowed in.

In a sign of concern about mounting competition, Wynn Resorts Ltd. has toned down plans for major expansion in Macau.

The firm run by Steve Wynn, a fierce rival of Adelson, plans to open another 25,000 square foot (2,300 square meter) gaming space at its Wynn Macau casino this year instead of the planned 123,000 square feet.

In the last couple of weeks, the global credit crunch sparked by the U.S. subprime mortgage crisis has also raised questions over funding for casino operators. Bankers have said Melco PBL Entertainment will restructure a USD 2.75 billion loan deal because of problems with a USD 1.5 billion tranche aimed at U.S. investors.

CLSA gaming analyst Gavin Ho thinks the Venetian's opening will lift gaming revenues in Macau in the same way the Sands and the Wynn casinos have. But because it is remote from other casinos, and the first on Cotai, it is likely to take market share from incumbents rather than give a spillover boost.