

Macau's Casinos Urged to Target Mass-Market Gamblers

Macau's casino industry, which surpassed the Las Vegas Strip in gaming revenue in 2006, should lure more mass-market tourists instead of relying on high rollers from China, analysts and industry officials said.

The former Portuguese colony, the only place in China where casinos are legal, is in a „perilous situation“ because companies are chasing „growth that cannot be sustained,“ Norman MacKillop, the Macau head of gaming industry investigator Spectrum OSO Asia, said in an interview.

Las Vegas Sands Corp. and Wynn Resorts Ltd. are among those investing at least USD 25 billion in Macau, where gaming revenue may more than double within three years to more than \$ 20 billion. That's mostly driven by catering to gamblers who spend at least a million patacas (\$ 124,000) each visit. VIP gaming accounted for 67 percent of Macau's total gaming revenue last year, up from 63 percent in 2006, according to the city government.

Investing in „VIP rooms is actually more risky and less sustainable“ than targeting slot-machine players and tourists who play low-stakes table games, Ricardo Siu, associate professor of gaming management and economics at the University of Macau, said in an interview yesterday. The VIP market's „profit margin is much smaller than in the mass market.“

Before Las Vegas Sands opened Macau's first foreign-owned casino in 2004, 78 percent of gaming revenue in the city came from high-rolling gamblers taken to the casinos by junket operators, who also lend money.

Higher Margins

Some VIP rooms are run by franchise owners who share the house's winnings with the casino operators and pay junket operators commissions for gaming chips they sell.

The growth fuelled by high rollers, who provide about two-thirds of gaming revenue for MGM Mirage's Macau casino, „isn't sustainable in percentage terms," said Gabe Hunterton, MGM Grand Macau's vice president for casino operations. „Profit margins in the mass market are much, much higher than in the VIP segment," he said in an interview yesterday at the Global Gaming Expo Asia 2008, an industry conference held in Macau.

The Crown Macau, run by Nasdaq-listed Melco PBL Entertainment (Macau) Ltd., last year reached an agreement with A-Max Holdings Ltd. unit AMA International to ferry wealthy gamblers from nearby Hong Kong and China.

Macau's gaming industry „hasn't been able to get away from the old framework," the University of Macau's Siu said. „For a while it seemed we were moving into a new era of a bigger mass market, but in the past two years it has actually taken a step back."

Mainland Gamblers

Macau gaming revenue grew 45.7 percent last year to 83.8 billion patacas. That may expand 29 percent in 2008, according to Las Vegas-based gaming research firm Globalysis Ltd. More than half of 23 analysts and casino executives surveyed by the American Gaming Association said the Chinese city will probably maintain its revenue growth for at least a further three years.

Most gamblers in Macau come from mainland China, an economy of 1.3 billion people that's grown at least 10 percent in each of the past nine quarters.

Macau's government said in March the city's economy grew 27.3 percent in 2007 from a year earlier, the fastest pace in three

years. Fourth-quarter growth was 22.1 percent.

Macau Chief Executive Edmund Ho said in April the city will stop approving land for new casinos and stop granting new licenses. It will also limit the number of gaming tables and slot machines run by existing casino operators.