

Melco Crown to Open City of Dreams in Second Quarter

(Bloomberg) – Melco Crown Entertainment Ltd., a venture between Australian billionaire James Packer and Macau magnate Stanley Ho's son, said its City of Dreams casino will open in the second quarter of this year.

“The worst time has probably gone” for Macau, Chief Executive Officer Lawrence Ho said at a press conference in Macau today. The opening of the USD 2.1 billion project in the world's largest gambling hub will create about 7,000 jobs, he added.

Macau's workers have seen jobs cut as the credit crunch and tightening travel restrictions by China, the city's biggest market, hurts gambling revenue. Las Vegas Sands Corp. has halted construction worth about USD 12 billion in the city, leading to at least 9,000 job losses, while Galaxy Entertainment Group Ltd. has delayed the opening of a resort.

“We expect Macau gaming revenue to decline by 10 percent this year based on a slower Chinese economy, the credit crunch and visa restrictions,” Morgan Stanley analysts Praveen Choudhary and Corey Chan said in a note to clients late yesterday.

The visa restrictions probably won't ease before the end of this year, said Choudhary and Chan, who downgraded the stock of Ho's Hong Kong-listed Melco International Development Ltd. to “underweight” from “overweight.”

China Curbs

Lawrence Ho said he expected China to relax its visa restrictions. “In the next few months we are confident that there will be policies announced,” he said.

China began curbing arrivals of its citizens to Macau last

year. Among its measures was restricting residents of Guangdong, its southern province bordering Macau, to one visit every three months starting from October 2008, instead of one trip every two months.

Still, Melco Crown, which shifted its focus from middle-class gamblers to VIP players who spend at least 1 million patacas (USD 125,000) per visit, won't be the immediate beneficiary from any relaxation in these curbs, according to Karen Tang, an analyst at Deutsche Bank.

Relaxation of travel curbs will affect mainly the so-called mass market, instead of the VIP segment, Tang said in a Jan. 8 report. "VIP credit tightening has a much larger impact on Macau, and this is quickly worsening."

Melco Crown last month said it will offer staff three days of unpaid leave each month and sabbaticals.

Shares of Melco Crown dropped 16.5 percent to close at USD 3.13 in Nasdaq trading yesterday.

Average monthly revenue at Macau's casinos may fall to 7 billion patacas (USD 876 million) next year, Edmund Ho, Macau's chief executive, said Nov. 11. Casino revenue in the third quarter last year was 26 billion patacas, according to government statistics.

Casino revenue in Macau was 83 billion patacas in 2007, double the figure in 2004, when the government ended the 40-year monopoly of Stanley Ho, not related to the chief executive, and allowed foreign companies Las Vegas Sands, Wynn and MGM Mirage to operate.