

James Packer may lose Las Vegas casino

James Packer's Crown Limited may have received regulatory approval for its USD 1.75 billion acquisition of three Las Vegas casinos, but it could end up with only two following an 11th hour hiccup.

A dispute over whether Crown can buy the leasing rights to Rampart Casino from the JW Marriott hotel group could leave it with less reach in the famed gambling mecca. The two casino moguls who are selling Cannery Casinos to Crown announced last week they may hold on to Rampart, which is west of the famed Strip, in Summerlin, if an agreement could not be reached between the hotel owners and Crown.

Crown's chief executive, Rowen Craigie, told regulators for the state of Nevada last week that removing Rampart from the deal and allowing the moguls, Bill Wortman and Bill Paulos, to continue running it would lower the final purchase price. Craigie did not reveal how much lower the price would be.

The deal to buy the US casinos for USD 1.75 billion was made in December 2007, at the top of the market, but the company has not yet handed over the cash. It is awaiting a decision of gaming regulators in Pennsylvania, where it is also planning to buy a racetrack-casino.

Packer is expected to appear before the Pennsylvania regulators in coming weeks. Since the purchase price was set, in 2007, revenues at the three Las Vegas casinos have slumped as a result of the global credit crisis. Only the Pennsylvania casino has performed well, largely because it is operating in a newly developed market where there are very few poker machines per head of population.

While Crown casinos in Melbourne and Perth have provided

steady revenues, investors have been wary of the company's ambitious international developments. Analysts feared that the three Las Vegas casinos would fail to hit their earnings guidance of USD 200 million by the 2010 financial year.

However, without Rampart, casino earnings will certainly be lower. It is the smallest of the casinos, with 1245 poker machines and 26 table games, compared with Eastside Cannery's 9000 poker machines and 73 tables. Two other US casino investments made by Crown last year and in 2007 have already been criticized as ill-timed.

A gambling industry analyst with Citi, Jenny Owen, said last month that two small stakes in two debt-laden US casino companies were now worthless. She blamed „the highly leveraged nature of the private-equity-owned casino operators and the downturn in industry revenue“.

Crown spent USD 172 million on a 2.5 % stake in Harrah's Entertainment in January and USD 242 million on a 4.9 % stake in Station Casinos Group in August last year. The purchases were made at the top of the market and before the casinos were hit by the worst of the fallout of the credit crisis.

In August Crown was forced to write them down by USD 258 million, blaming their exposure to the ailing Nevada gambling market and their high debt levels. Since then both have had further falls in visitor numbers and their debt costs have risen.