

Sands not so adored in Macau these days

Its image has taken a hit along with profits

Macau was the place where Las Vegas Sands was going to step out from the shadows of its rivals.

Its bold strategy – to grab the biggest share of the Chinese enclave’s gaming market with an Asian version of the Las Vegas Strip – swamped the company with debt that has taken it to the brink of bankruptcy.

Now, image problems are cropping up in Macau, where the company’s chief executive, Sheldon Adelson, had been hailed as a visionary.

Sands’ Macau resorts – which include the area’s first U.S.-owned casino and the world’s largest – have helped transform Macau from a seedy gambling town into a tourist destination, the goal of foreign investment in the region. And yet, Adelson’s aggressive growth plan and the arrival of new competitors turned out to be too much too soon, resulting in thousands of layoffs. Those layoffs, according to Macau experts, have hurt the company’s image.

Macau casino boss Stanley Ho recently urged people to “unite against foreign capital.” It’s unclear what motivated the comments, which come at a convenient time for Ho, when his competitor is weak and aggressive capitalism is a popular target amid the global downturn. (It also sounds like sour grapes from a man who had a casino monopoly until 2002, when the government opened Macau to foreign operators.)

On top of those problems, Sands is fighting two Macau-related lawsuits that have not gone the company’s way.

Last year, Chinese businessman Richard Suen won a USD 58.6 million judgment against the company. Suen, who set up a meeting between Sands executives and officials from China's central government, said he was promised money for his help in paving the way for the company to receive its gaming license in Macau.

Casino operators and others doing business in Macau say that not paying Suen, regardless of the lawsuit's merits, has damaged the company's reputation in Asia, where handshake agreements are common and verbal promises are honored in spite of changed circumstances.

The six-week trial exposed details that are believed to have embarrassed the Chinese government, including that Adelson used his connections in Congress to help kill legislation opposing China's bid to host the 2008 Olympics, Macau experts say. Another potential source of embarrassment were discussions about the role the Chinese government may have had in awarding the Macau casino licenses.

Some observers believe it's not a coincidence that the Chinese government stepped up travel restrictions from mainland China, Macau's primary feeder market. The restrictions, ostensibly aimed at controlling growth in Macau, have hurt Las Vegas Sands more than other operators.

Sands is fighting to overturn the Suen verdict.

In February, a Macau court ruled that a company-owned ferry service used to bring customers to its Cotai Strip resorts received an operating license unlawfully because it wasn't subject to public bidding. The company says it "relied on the advice of counsel" in obtaining the license and will appeal.

This also might be sour grapes, from a ferry competitor who filed the suit. Sands built the Cotai Strip concept and the infrastructure for it, which will benefit other companies' developments.

At an investor conference in New York this month, Adelson sounded confident about the company's plan in Macau, saying he thinks he can sell luxury malls at two resorts to pay down debt. His convention-based resort model, he said, still makes sense.

Adelson's conviction hasn't stemmed the tide of negative sentiment surrounding his company.

One major investor recently unloaded 40 million shares, and a growing number of Wall Street analysts have distanced themselves from Sands, viewing it as the investing equivalent of roulette.

Or, given the uncertainties and complexities of global commerce, more like a game of craps.