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Bigger Than Las Vegas? That's Macao's Bet

By [KEITH BRADSHER](#)

MACAO, Aug. 22 — Las Vegas's days as the capital of excess may be numbered.

The \$2.4 billion Venetian Macao Resort, scheduled to open here Tuesday, will give Sin City more than a run for its money. The Venetian has more floor space than four Empire State Buildings. The hotel's slot machines, baccarat tables and other games of chance sprawl across a casino more than three times the size of the largest casino in Las Vegas. The 15,000-seat sports arena nearly rivals Madison Square Garden, the convention center has a 6,000-seat banquet hall and the luxury shopping mall has three indoor canals with singing gondoliers; the Venetian in Las Vegas has just one.

But what is most surprising about the 3,000-suite project is that it is merely the first of 14 interconnected hotels being built here by the [Las Vegas Sands Corporation](#). When completed, the complex will include a St. Regis, a Shangri-la, a Raffles, a Conrad, an Intercontinental and a Sheraton, with their own casinos, bars and restaurants. And the project, which will cost \$10 billion to \$12 billion, is just the largest of a series of giant gambling complexes being constructed here in Macao, on the southwestern lip of the mouth of the Pearl River.

China has already surpassed the United States in the manufacture of everything from steel and cement to DVD players and microwave ovens. Now, China is on its way to establishing itself as the global leader in a service industry: gambling.

Why? Money, naturally. When the Sands Macao, the first American-operated casino here, opened its doors three years ago, first-year profits exceeded the total cost of the project, according to the company and industry analysts. Thanks to a national passion for gambling in mainland China, where it is illegal, Macao surged ahead of Las Vegas last year in total money gambled.

But some experts predict that while the gambling industry here will continue to grow briskly, it may not expand as quickly as new casinos and hotels are set to open, resulting in narrower profit margins for the big American operators coming to Macao and for local companies as well.

“The margin will have to come down,” particularly for operators of older casinos, said Gavin Ho, a gambling analyst at CLSA, an Asian investment bank. “I think some of the worse players will be driven out of business.”

Currently, Macao resembles Atlantic City — attracting mostly residents of nearby cities, who appear less than glamorous. The Venetian represents the territory's biggest bet to transform itself into a Las Vegas-like attraction with customers from all over Asia and across the world.

But will there be enough high-stakes visitors to go around? Macao currently has 4,800 rooms in five-star hotels and another 4,000 in four-star hotels, but the Sands project alone will add 2,500 five-star rooms and 17,500 rooms in four-star hotels, including the four-star Venetian. [Wynn Resorts](#) opened a casino and hotel here late last year and [MGM Mirage](#) will open a 600-room five-star hotel late this year.

Until Portugal returned Macao to Chinese rule in 1999, the island had a reputation for violence, gangs, prostitution and pawn shops, as much as gambling. With an eye to changing that, Beijing broke the gambling monopoly of Sociedade de Jogos de Macau, controlled by Stanley Ho, a Hong Kong billionaire who owns extensive real estate and other investments in Macao.

But Macao's average gambler is still a day-tripper from Hong Kong or nearby Chinese cities in the Pearl River delta. These visitors are so frugal that they often bring their own food and do not rent hotel rooms. They spend an average of just 1.26 days in the territory — and even that average is inflated by the many Hong Kong residents who work in Macao Monday through Friday and go home on weekends.

By contrast, the average visitor to Las Vegas spends 3.4 days.

“If you look at Macao, there are no or virtually no nongaming revenues,” whereas nongaming revenues exceed gambling revenues in Las Vegas, said William P. Weidner, the president and chief operating officer of Las Vegas Sands.

There have been some successes in expanding Macao's offerings. A coming exhibition tennis match at the Venetian arena between [Pete Sampras](#) and [Roger Federer](#) sold out in less than a day; tickets will soon go on sale for two exhibition games featuring National Basketball Association teams.

The Venetian is offering an initial rate of \$140 a night for a 650-square-foot suite and advertising heavily in an attempt to persuade Hong Kong residents that Macao is changing. “They still perceive Macao as a pure gaming place and as a sin city,” said Billy Ng, an Asian

gambling analyst at [JPMorgan](#). On Wednesday afternoon, Mr. Ho's aging Hotel Lisboa and the nearby Wynn and Sands Macao casinos were all attracting sizable crowds — though each seemed to have its niche. Younger Chinese men and women seemed to be gravitating to the Sands. At the nearby Wynn, where every suite includes a private massage room, middle-aged Chinese occupied most of the tables, along with a handful of Westerners. At the Hotel Lisboa, older men seemed to predominate, with a sprinkling of gaunt young women in extremely short miniskirts and very high heels.

Gavin Ho said that while S.J.M. might have to close a few of its oldest casinos, the Hotel Lisboa would probably survive because it is well known. S.J.M. is also building new casinos of its own. S.J.M. officials did not return calls for comment.

MGM Mirage raised more than \$5 billion last week by selling a 9.5 percent stake in the company to Dubai World along with half a Las Vegas project, in a transaction widely viewed as an attempt to strengthen MGM's balance sheet at a time of turmoil in financial markets.

Mr. Weidner said that Las Vegas Sands had ample credit available and had not been affected by problems in credit markets.

Attracting non-Chinese could become more important because officials in Beijing periodically tighten the rules for issuing exit visas to mainland residents. A recent tightening of the rules for adjacent Guangdong Province slowed annual growth in visitors from that province to 11 percent in July, although overall growth in visitors to Macao is still over 20 percent because of strong interest from Hong Kong and Southeast Asia.

But the longer-term success of the gambling industry may depend on whether the Macao city government can improve a sometimes disorderly environment.

Las Vegas Sands has been working closely with the police in hopes of avoiding a repeat of the fiasco at the opening of the Sands Macao. Then, drawn partly by false newspaper reports of free \$25 chips for the first bettors, a mob police estimated at 20,000 trampled barriers and ripped doors off their hinges in a rush to get inside; still, no one was seriously injured.

Faced with pushing and shoving demonstrators four months ago, a police officer whipped out his pistol and fired five shots into the air to get the crowd's attention. He missed spectators who happened to be watching from a pedestrian bridge above, but a bullet of the same caliber as the officer's weapon seriously injured a man who was riding a motorcycle several blocks away.

Koc Soi Leng, a senior inspector at the Macao Police Department, said that the police had been working closely with the Venetian to prepare for Tuesday's opening. "The situation on that day will be closely monitored and backup police resources will be called upon if necessary," she said.

Ron Reese, a spokesman for the Venetian, said that the sheer size of the hotel and its huge entrances and exits should prevent problems.

With a series of arrests over the last decade, the police have had more success in tamping down what used to be chronic violence among local gangs, known as triads. Killings were so common here in the late 1990s that a senior police official tried to reassure visitors by announcing that the city had "professional killers who don't miss their targets."

Brad Stone, the company's executive vice president, said that the Venetian Macao had similar security to Las Vegas casinos, including metal detectors.

Government problems are tougher. The government of Macao has moved slowly to expand customs facilities to keep up with the torrent of visitors. The territory's casinos are busiest on weekends, but even at lunchtime on Wednesday there was a 35-minute line of people snaking through a handful of [immigration](#) lines to have their passports stamped for entry at the main ferry terminal for boats arriving from Hong Kong and the mainland.

The Venetian Macao is buying its own ferries to serve a second ferry terminal being built with more lines for passport checks.

"How in the world can you not have more lines to let people through?" Mr. Weidner said. "As a businessman, I just scratch my head."

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