

LAS VEGAS
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LAS VEGAS

Half a World Away

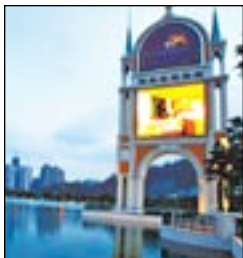


JEFF SCHEID/REVIEW-JOURNAL

Review-Journal gaming reporter Howard Stutz and director of photography Jeff Scheid traveled to Macau to see how some of Nevada's largest gaming companies have helped the Chinese enclave pass the Strip in annual gaming revenues.

Las Vegas, Half a World Away

STORIES by HOWARD STUTZ • PHOTOS by JEFF SCHEID • REVIEW-JOURNAL



PART 1

PUBLISHED: OCTOBER 21, 2007

Macau is in the cross hairs of a multibillion-dollar building boom largely fueled by Nevada's major gaming companies, which are exporting Las Vegas-style casinos into a market starving for action.

- ▶ **Chinese enclave of Macau booms with Las Vegas-style casinos, changing its character, future**
- ▶ **Once a monopoly, Macau's gaming scene has several players now**
- ▶ **With rising number of visitors comes problem of keeping up with transportation needs**
- ▶ **Macau Map**

PART 2

PUBLISHED: OCTOBER 22, 2007

Thanks to the growing casino industry, unemployment is just 3 percent in Macau. But where will all the workers come from to staff the new casinos now under construction?

- ▶ **A giant 'Help wanted' window**

ON THE WEB: Photo slide show and video of Macau from Review-Journal reporter Howard Stutz and director of photography Jeff Scheid ▶ www.reviewjournal.com/webextras/macau.

ABOUT THIS DIGITAL NEWSBOOK: This digital newsbook was produced for the Review-Journal at the Donald W. Reynolds Journalism Institute in Columbia, Missouri. ▶ www.rjionline.org

DIGITAL NEWSBOOK

Las Vegas, Half a World Away

STORIES by HOWARD STUTZ • PHOTOS by JEFF SCHEID • REVIEW-JOURNAL



PART 3

PUBLISHED: OCTOBER 23, 2007

More than 80 percent of the table games in Macau are dedicated to the game of choice for Asian gamblers: baccarat. But the use of slot machines is growing, and Nevada's slot makers are trying to capitalize on the market.

- ▶ Slots gain foothold in baccarat-dominated Macau
- ▶ Bringing more to the table in Macau

PART 4

PUBLISHED: OCTOBER 24, 2007

Macau's Cotai Strip has more than 20,000 hotel rooms in various stages of construction. By 2010, the Cotai Strip will resemble the heart of the Strip in Las Vegas.

- ▶ Cotai mirroring style, size of Las Vegas
- ▶ Cotai Strip map

PART 5

PUBLISHED: OCTOBER 25, 2007

American gaming giants Las Vegas Sands Corp., Wynn Resorts Ltd. and MGM Mirage are establishing footholds in Macau. But an Australian company, in partnership with the son of Macau's casino pioneer, is ready to challenge the experienced casino operators.

- ▶ Melco PBL challenges LV companies in Macau



A couple watches the light and water show on the man-made lake at the entrance to Wynn Macau, located in the downtown region on the Macau Peninsula.

Chinese enclave of Macau booms with Las Vegas-style casinos, changing its character, future

On the island of Coloane, Restaurante Fernando harkens to a time when the Portuguese controlled this picturesque area of southern China.

The open-air eatery looks out on the black sands of Hác-Sá beach,

where cool breezes help stem the area's natural humidity. The aroma of barbecued beef, roasted suckling pigs and freshly cooked seafood wash over the restaurant.

Customers partake in a traditional Portuguese menu, in which

the entrees are paired with freshly grown vegetables and meals are enjoyed with bottles of chilled vinho verde, Portuguese green wine. Credit cards are not accepted. The restaurant is cash-only.

Reggie Martin, a native of East Chicago, Ind., has lived in China for almost five years. Martin, the senior manager of special events and sports for The Venetian Macau, grew quite familiar with Restaurante Fernando during his

time as general manager of the nearby Westin resort in Coloane. He still eats there at least once a week.

Hong Kong residents, Martin said, will often make the hour-long trip to Macau across the South China Sea by the high-speed hydrofoil ferry just to dine at Restaurante Fernando.

In contrast, the massive \$2.4 billion Venetian Macau, with 3,000 hotel rooms, sits about 10 minutes from Restaurante Fernando on the



The Venetian Macau's man-made lake reflects the high-rise apartment buildings on Taipa Island. The hotel is located on the Cotai Strip.

fast-developing Cotai Strip, where an estimated 20,000 rooms housed in more than a dozen hotel-casinos are under construction. The Venetian has its own Portuguese restaurant, with about 30 other dining establishments.

Still, Martin believes The Venetian, which has been averaging between 40,000 and 60,000 visitors a day since its Aug. 28 opening, will not harm Restaurante Fernando. In fact, the new resort might mean a few more customers for the restaurant.

"It will never change, no matter what happens around it," Martin said.

While Restaurante Fernando might survive competition, change is something the 510,000 residents of Macau will be facing through the end of decade and possibly beyond.

'IT WAS A VERY SCARY, SCARY PLACE'

Macau — which includes the urbanized Macau Peninsula, the islands of Taipa and Coloane, and the Cotai Strip, an area of reclaimed land between the two islands — is in the cross hairs of a multibillion-dollar building boom

largely fueled by Nevada's major gaming companies, which are exporting Las Vegas-style casinos into a market starving for action.

In 2002, Macau's government, which operates separately from the People's Republic of China as a special administrative region, opened the way for casino expansion.

At the time, Macau had 11 decaying gambling halls under the direction of one operator, a consortium headed by controversial Hong Kong billionaire Stanley Ho, now 86 years old and the chairman of Shun Tak Holdings Ltd. It is one of the largest publicly traded companies on the Hong Kong Stock Exchange, with interests in real estate, transportation, hospitality and gaming.

For years, U.S. and international law enforcement authorities have thought Chinese organized crime triads secretly controlled the casinos operated by Ho, much in the same manner Nevada's gambling industry was controlled by organized crime syndicates in the 1960s and 1970s.

A decade ago, Macau did not have a hospitable environment.



Mark Brown, president of the two Las Vegas Sands Corp. casinos in Macau, first visited the city in 1993 when he was handling international marketing for Caesars Entertainment. He didn't think he would ever return.

"It wasn't much, and it was a very scary, scary place," Brown recalled. "The casinos were very dingy and very smoky."

But like Las Vegas, which rid itself of its mob image when corporate America invaded the Strip, Gaming Inc. has transformed Macau.

At the end of 2006, there were 26 casinos, including glittering Las Vegas-style resorts operated by Las Vegas Sands and Wynn Resorts Ltd. Three new hotel-casinos have opened this year, including the Sands-owned Venetian, which has a 546,000-square-foot casino, the largest single gambling hall in the world, and 10.5 million square feet of public space.

A fourth resort, the \$1.1 billion MGM Grand Macau — which is a 50-50 joint venture between MGM Mirage and Pansy Ho, the daughter of Stanley Ho — will be unveiled by year's end.

"The Macau market is really different from the Las Vegas market," said MGM Mirage International CEO Bob Moon, who is overseeing development of the MGM Grand Macau.

"Las Vegas is a destination resort, and that's what Macau wants to be."

GAMING REVENUES — MACAU AND THE STRIP

in billions of U.S. dollars

YEAR	MACAU	STRIP
2000	\$1,985	\$4,803
2001	\$2,247	\$4,702
2002	\$2,673	\$4,654
2003	\$3,472	\$4,760
2004	\$5,023	\$5,334
2005	\$5,591	\$6,033
2006	\$6,708	\$6,688
2007 Estimated	\$9,700	Not available

(Macau gaming revenues are already up 47 percent year to date)

2008 Projected	\$12,000	Not available
2009 Projected	\$14,000	Not available

Source: Deutsche Nank, Nevada Gaming Control Board, Macau Special Administrative Region—Gaming Inspection and Coordination Bureau

GAMING REVENUES SOAR

Walter Power, senior vice president of operations for Las Vegas Sands' two Macau casinos, was one of the gaming company's first employees on the ground in China.



Lights from the Lisboa, one of the original gambling halls in the Chinese enclave of Macau, reflect off the man-made lake in front of Wynn Macau.

His initial goal was to investigate what the competition was offering.

“Four and a half years ago, Macau was a very hard-core intensive gambling experience,” Power said. “It was a monopoly. There was a lack of competition, and the offerings were pretty bare.”

One of the first places Power visited was the Ho-operated Lisboa, a dark and smoky gambling parlor with low ceilings, a no-frills

personality and a male-dominated customer base playing baccarat, the overwhelming game of choice among Asian gamblers. Lisboa casino bosses immediately spotted him and his fellow Sands executives.

“They knew what we were doing, and they certainly didn’t make us feel welcome,” Power said. “But this was a way for us to determine what the market was like. It was a testosterone-driven,

male-dominated gambling hall. It had slot machines, but there were no seats around the slots.”

Not much has changed at the Lisboa in the past five years. Asian prostitutes still circle a rundown retail area in the hotel’s lower levels under the watchful eyes of their pimps, who sit in the promenade’s noodle bar, and hotel security guards, one of whom admonished a Review-Journal photographer for secretly trying to take pictures of the working girls.

What has changed are the total gaming revenues coming from Macau. In 2002, Ho’s casinos won \$2.67 billion from customers. At the end of 2006, gaming revenues in Macau topped more than \$6.7 billion, surpassing the total revenues earned last year by Las Vegas’ lucrative casinos on the Strip by about \$20 million. Through August, Macau’s gaming revenues were up 47 percent from a year ago.

Gaming analysts predict the gap between Macau and the Strip will widen. They estimate Macau casinos could produce annual gambling revenues of more than \$14 billion by 2009.

**Mark Brown**

Las Vegas Sands Corp. official runs two casinos in Macau but in 1993 saw little to like

**Walter Power**

Las Vegas Sands Corp. official scouted the “hard-core” gaming environment

**Bill Lerner**

Gaming analyst says companies are getting higher returns on their Macau investments

On those revenues, casino operators pay a 39 percent tax to the Macau government.

Baccarat accounts for roughly 80 percent of all table games.

“We have one craps table at The Venetian,” Brown said of the casino, which has 870 table games. “Good luck if you can find it.”

COMPANIES COMMIT BILLIONS

Las Vegas gaming companies have invested substantially in Macau. Las Vegas Sands spent \$265 million on the Sands Macau in 2004 and since has put another \$100 million into the property. In addition to the \$2.4 billion for The Venetian, the company is spending more than \$12 billion to build 11 resorts on the Cotai Strip. Wynn

Resorts' total investment is more than \$1.1 billion in the 600-room Wynn Macau, and the company expects to spend \$600 million to add a second hotel tower by 2009.

Deutsche Bank gaming analyst Bill Lerner, who has visited Macau several times in the past year, said gaming companies stretch their construction costs because labor and materials are cheaper than in



The under-construction Grand Lisboa, left, Wynn Macau and the MGM Grand Macau, which is scheduled to open later this year, are viewed across the harbor from the Crown Macau on Taipa Island.

the United States.

“Development is less expensive, but it doesn’t mean they are not spending billions of dollars,” Lerner said while sitting at an outdoor cafe at Wynn Macau. “They are getting more for the money by doing it here. Because this is a limited-license environment, it leads to higher returns on investment, and there is evidence of that.”

Las Vegas Sands officials said they recovered their investment on the Sands Macau in less than a year. Lerner said Wynn Resorts was getting about a 30 percent return on its investment in Wynn Macau. But when factoring in the \$900 million payment the company received from Australian casino operator Publishing and Broadcasting Ltd. for its lucrative casino sub-concession, the return is more than 100 percent.

“It’s so much different than you see in Las Vegas,” Lerner said.

The number of hotel rooms in Macau — about 800 in 2004 — is expected to hit 8,900 by the end of this year. The Venetian alone brought 3,000 hotel rooms to the market.



MACAU CASINO STATISTICS

GAMING TABLES

2002	339
2003	424
2004	1,092
2005	1,388
2006	2,762
2007	*3,952
Projected by 2010	9,520

SLOTMACHINES

2002	808
2003	814
2004	2,254
2005	3,421
2006	6,546
2007	*12,334
Projected by 2010	31,156

HOTEL ROOMS

2004	795
2005	1,664
2006	4,251
2007	*8,901
Projected by 2010	31,017

*Includes Venetian Macau and MGM Grand Macau

Sources: Macau Special Administrative Region
– Gaming Inspection and Coordination Bureau;
Deutsche Bank

The growth is an effort to change visitation in Macau, from that of a 24-hour day-trip market, to one where customers are willing to spend three or four days staying in luxury hotels, gambling, eating in fine restaurants, shopping in upscale retail malls and viewing shows, actions that would replicate those of the typical Las Vegas tourist.

The Venetian's Grand Canal Shoppes covers more than 1 million square feet and eventually will house 300 retailers. Wynn houses about a dozen upscale retail tenants, and the MGM Grand will benefit from One Central, a retail, dining and entertainment project being built next to the resort by the company's joint-venture partner, Pansy Ho.

The Venetian will unveil a Cirque du Soleil show in the spring, and Wynn is building a theater for a yet-to-be named show.

"Compared to The Venetian, we're a boutique operator now," said Ian Michael Coughlin, president of Wynn Macau, which opened a year ago and is in various stages of three expansion plans.



Visitors pose for photos Sept. 11 in the St. Marks Square area of the Grand Canal Shoppes at The Venetian Macau.

"We do see the destination traveler as a growing part of our business," Coughlin said. "Macau has been a strong day-tripper's market, but that's been Macau's history. We're seeing a significant increase in the destination travel market, which is good. No one wants to be one-dimensional."

Brown said the early days of The Venetian have been consistent with Macau's history. Most of the

guests are staying just one night. He believes the figure will change over time.

“It reminds me a little bit of the Atlantic City market,” said Brown, who ran Donald Trump’s casinos on the Boardwalk before joining Las Vegas Sands. “Because we have so much to offer (at The Venetian), we think our customer will want to stay longer.”

A record 22 million visitors came to Macau in 2006, 86 percent of whom traveled from mainland China and Hong Kong. This year, Macau tourism officials expect the number of visitors to increase to 25 million.

In the neighboring mainland Chinese jurisdictions that surround Macau, such as Guangzhou, Zhongshan, Jiangmen and Foshan, the



Diners enjoy lunch at the 1,000-seat food court in The Venetian Macau’s Grand Canal Shoppes.

Chinese government estimates 314 million residents are eligible to travel. Las Vegas Sands executives like to point out that 3 billion people are within a five-hour plane flight to Macau.

While China is still a communist nation, business development has created an expanding middle- to upper-middle class of citizens with disposable income. Casino gambling is one vehicle for that spending opportunity.

“People are coming to discover Macau as almost their first step out of their country, and it’s an easy step for people,” Coughlin said. “We’re seeing new players coming all the time, and we’ve become the venue of choice. We have about 22,000 people a day come here. We compete with other casinos, but we have carved out a niche for ourselves. We’re not about scale and volume right now. We are about luxury and quality.”



Jonathan Galaviz, a partner in Las Vegas-based Globalysis, which advises companies about business in Asia, reflects on a question Sept. 11 at the Macau Tower Convention Center.

LAS VEGAS MODEL TRANSLATES WELL

The Gaming Asia Pacific Summit, held in September at the Macau Tower and Convention Center, carried two days of discussions on the growth of gaming throughout the region.

Jonathan Galaviz, a partner in Las Vegas-based Globalysis, a research and consulting firm that advises companies in several travel-related industries on the Asian market, led several discussions during the summit. Galaviz,

who has traveled extensively in Asia, said Macau is capitalizing on the booming Chinese economy.

“Productive workers are reaping the benefits of the wealth they have generated, and now they want to be able to spend it somewhere to have entertainment,” Galaviz said. “What’s interesting is that the Las Vegas model of tourism development, which uses casino gaming as a fundamental

driver of economic growth, is at play here in Asia. This is why Las Vegas companies are so successful in the region.”

Galaviz said Nevada casino operators are able to transfer their experience to the Chinese market.

“Las Vegas knows how to do it and do it right,” Galaviz said. “They understand regulation and the competitive dynamics, where new entrants into the marketplace ac-



The Wynn Macau employees await customers at the Macau Ferry Terminal. High-speed ferries shuttle casino customers between Macau and Hong Kong.

tually refresh the marketplace and benefit all the players. It's like you see on the Las Vegas Strip, where one new property ends up benefiting all the players."

Macau has one gambling aspect that defines the market as different from the one in Las Vegas: high-end play inside luxurious private gaming salons, tucked away from the main casino floor, which is dominated by mass-market players.

The Venetian, Sands, Wynn and the soon-to-open MGM Grand, house elaborate private gambling areas with features similar to private country clubs.

At The Venetian, guests checking into the Paiza Club never have to venture into the main casino, unless they want to visit the Grand Canal Shoppes. Wynn has private salons on the hotel's upper floors. The Crown Macau on Taipa operates its private gaming salons on the hotel's 37th floor, offering views of the Macau Peninsula.

Crown Macau CEO Greg Hawkins said a high-end customer is required to put up \$30 million in Hong Kong dollars — about \$3.9 million in U.S. currency — for gambling purposes

to gain access to the private salon.

"We're looking for the top of the VIP market, as is our competition," Hawkins said.

The reliance on high-end play shows in a percentage breakdown of Macau gaming revenues. Of the \$6.7 billion won by Macau casinos last year, roughly 70 percent came from the VIP customer base, a figure that stands out to Nevada gaming officials.

"We look at Macau and see the casino floor fairly busy, but the story is what's happening in the private rooms," said Gaming Control Board member Mark Clayton, who spoke at the summit. "It's almost opposite of Las Vegas, where most of the action is up front. We see minimal business in the back of the (Strip's) private gaming areas."

Gaming analysts and Macau casino leaders think the mass market will cut into VIP percentage as more casinos are added to the mix. Brown said his two casinos have seen an influx in mass-market customers since The Venetian's opening.

"We have gamblers on the floor who wager \$5,000 to \$10,000 a hand



Security personnel near the Casino Lisboa watch as a pedicab shuttles a customer to the Grand Lisboa across the street. Both casinos are owned by Hong Kong billionaire Stanley Ho.

with us,” Brown said. “That same guy in Las Vegas is in the baccarat pit with 12 pit bosses standing around and staring at him.”

Another difference between casinos in Macau and Las Vegas is that photography inside Macau casinos is prohibited by the Macau government because of privacy issues for the customers.

Media outlets can petition the government for permission, but Venetian Macau spokesman Buddy Lam said the paperwork can take up to two weeks or longer.

‘NOT A MARKET FOR AMERICANS’

Macau, despite its rapid growth, is not competition for Las Vegas. The markets are completely different.

Southeast Asia — about 14 hours travel time by airplane from Los Angeles to Hong Kong — is too far to travel for Americans interested in a gaming vacation. Those consumers have Las Vegas at their disposal, gaming industry insiders said.

“This is not a market for Americans,” Power said. “The market here is growing, but it’s Asians that are transforming this market.”

Clayton said Nevada regulators are not concerned that Macau is slicing into Silver State gaming revenues.

“The operators I’ve spoken with tell me the market is the People’s Republic of China,” Clayton said. “It’s a complement to the Las Vegas experience and furthers a person’s desire to visit Las Vegas. The profits made by our Las Vegas licensees in Macau may lead to further development in the state of Nevada.”

Galaviz believes Macau offers Las Vegas the opportunity for even greater riches. Southern Nevada could be the center of the core innovations for casino gaming and entertainment, he said, much like New York City is for financial markets.

“The industry will go into other emerging markets over the next 10 to 20 years,” Galaviz said. “As innovation takes place globally, most of the intellectual property development and the new, creative ideas will be coming from Las Vegas.”

MODERN MINGLES WITH ANCIENT

The under-construction Grand Lisboa hotel tower, designed in the shape of a lotus flower, rises high above the Macau skyline.

About 20 minutes away by foot, the Ruins of St. Paul’s sit on a hill above the city, a short walking distance from Senado Square, Macau’s centuries-old, Portuguese-themed urban center.

Senado Square is paved with a wave-pattern mosaic tile. The Ruins of St. Paul’s is a two-level stone facade, which is all that remains of the area’s first Jesuit church.

The structure, built in the early 17th century, was destroyed by a fire in 1835.

The blended images of the history and the future symbolize Macau, where museums and historical landmarks mix with shimmering gambling halls.

The A-Ma Temple, a shrine that existed before Macau was even developed, still welcomes a representation of all Chinese cultures: Confucianism, Taoism and Buddhism.

The casino cluster that includes the Lisboa, Wynn, Star-World and MGM Grand is just a

10-minute walk away.

“There is strong central culture, with an old colonial Portuguese influence here,” Coughlin said. “As much the casino industry grows, that’s something that will always be part of Macau.” ■

▶ A LOOK AT THE KEY PLAYERS



A couple check out their digital photos at the Ruins of St. Paul's, the remnants of a 17th-century church on a hilltop above Macau. Mixed with the Portuguese architecture is the under-construction Grand Lisboa hotel, which will be the tallest building in Macau.



The Lisboa, built in 1970 and expanded in 1991, stands in contrast to the Wynn Macau, which opened a year ago, and the MGM Grand Macau, far right, scheduled to open later this year.

Once a monopoly, Macau's gaming scene has several players now

Gaming has been part of Macau since 1937, when two Chinese citizens converted the city's Central Hotel into a casino. The pair held the

monopoly until 1962, when controversial Chinese businessman Stanley Ho and his partners won Macau's exclusive gaming license, which they held until 2002.

Law enforcement has alleged Chinese organized crime triads influenced Ho's casinos.

The Portuguese colonized Macau in the 16th century as the first European settlement in the Far East.

In 1987, China and Portugal signed an agreement to create the Macau Special Administrative Region and return the area to Chinese rule by December 1999. China's government promised Macau would not fall under the country's communist economic system and would be autonomous in all matters except foreign affairs and defense.

Macau's government soon established the Casino Concessions Committee to select three new concessionaires with final approval given to the Macau SAR's chief executive, Edmund Ho (no relation to Stanley Ho).

In March 2002, the concessions were awarded to Stanley Ho, a partnership between Galaxy Entertainment and Las Vegas Sands Corp., and Wynn Resorts Ltd.

The three concession holders were allowed to each award a single sub-concession.

SJM — STANLEY HO

The 86-year-old Hong Kong billionaire, who is the executive chairman of Hong Kong-based Shun Tak Holdings Ltd., headed the original consortium of casino investors. The group, known as Sociedade de Turismo e Diversões, held the casino monopoly for 39 years.

The original Lisboa was built in 1970 with its 12-story rounded hotel tower that resembles the old Sands Las Vegas. The smoky, aging casino continues to operate with 146 table games and 107 slot machines.



The Lisboa hotel was expanded in 1991 to a total of 927 rooms.

SJM opened the neighboring Grand Lisboa, a \$375 million casino, in February with 240 gaming tables and 480 slot machines. A 500-room hotel tower, being constructed in the shape of a giant lotus flower, is expected to open in February.

Including the Lisboa properties, SJM operates a total of 18 casinos in Macau, including the Babylon Casino on Fisherman's Wharf, Greek Mythology on Taipa Island,

Grand Emperor, Golden Dragon and the Fortuna.

SJM also has several land parcels in Macau for future casino development, including the Shun Tak Nam Van site. It is adjacent to the Macau Tower, a Stratosphere-like observation tower, retail center and convention location.

GALAXY ENTERTAINMENT GROUP

A Hong Kong-based company that originally bid on the Macau casino market with Las Vegas Sands Corp., Galaxy operates five casinos in Macau, including the President and the Grand Waldo on the peninsula.

In October 2006, Galaxy opened the \$325 million Star World Hotel and Casino, a 34-story, 500-room hotel that features a casino with 500 slot machines and 211 table games.

Galaxy is building the Mega Resort near the Sai Wan Bridge, one of three arteries that connects the Macau Peninsula with Taipa Island and the Cotai Strip. Scheduled to open late next year, the Mega



Resort is expected to include 2,500 hotel rooms in two towers and a casino with more than 300 table games and 1,000 slot machines.

LAS VEGAS SANDS CORP.

The first American casino operator to enter Macau, Las Vegas Sands split with Galaxy and took control of the sub-concession. The company opened the \$265 million Sands Macau in May 2004 with 300 gaming tables and 666 slot machines near the Macau waterfront. Within a year, the casino was paid off through cash flow.

The Sands Macau casino was expanded this year to include more than a 1,000 slot machines and more than 650 table games. A new 289-room hotel tower opened in September to complement the casino's original 51 rooms.

In the meantime, Las Vegas Sands has moved to become Macau's dominant casino operator.

In August, the company opened the \$2.4 billion Venetian Macau on the Cotai Strip. With 3,000 hotel rooms and suites, The Venetian



almost doubled the hotel offerings in Macau. The 546,000-square-foot casino, with 4,100 slot machines and 870 table games, is easily the world's largest gambling hall. The



Venetian also includes 1 million square feet of retail space, 1.2 million square feet of convention space, and 15,000-seat sports arena.

Las Vegas Sands is not done building on the Cotai Strip. The company is developing five other casino sites on Cotai, with plans to spend more than \$12 billion to build 11 hotel-casinos with almost 20,000 rooms. The hotels will include some of the world's most well-known brands and will open in phases through 2009.

The first of the new Cotai resorts, a 1,000-room Four Seasons Hotel, will open in February. Las Vegas Sands will operate the casinos at each of the Cotai hotel properties.

WYNN RESORTS LTD.

The \$700 million Wynn Macau opened in September 2006 and immediately set out on an expansion plan.

The 600-room resort, which is a scaled-down version of Wynn Las Vegas, opened with 220 table games and 365 slot machines. A \$450 million expansion to the casino, which added 25 table games and 200 slot machines, opened in September. Another casino expansion, adding 25 table games and 545 slot machines, is scheduled for completion in January.

A second hotel tower, the \$600 million Wynn Macau Diamond Suites with 400 rooms, is expected to open by 2009.

Wynn also has secured a 52-acre site on the Cotai Strip where the company is formulating plans to develop up to three hotel-casinos.



MELCO PBL GAMING

A joint venture between Australia's Publishing and Broadcasting Ltd. and Lawrence Ho, son of Stanley Ho, is targeting four casino locations in Macau on four different sites.

The partnership purchased a casino sub-concession from Wynn Resorts for \$900 million last year.

The company's first casino is

the \$585 million Crown Macau, on Taipa Island, which opened in May. The 216-room upscale resort has a multilevel casino with 220 table games and 500 slot machines.

Melco PBL is spending more than \$2.8 billion to develop the City of Dreams site across the street from The Venetian on the Cotai Strip. Expected to open in 2009, City of Dreams reportedly has shunned the idea of an underwater casino, but still plans a 420,000-square-foot gaming space with 450 tables and 3,000 slot machines. The site is expected to have multiple hotels totaling more than 1,700 rooms, including a Hard Rock and Grand Hyatt.

Melco PBL also is listed as the gaming partner in Macau Studio City, a multihotel and entertainment project being developed just down the road from City of Dreams on the Cotai Strip.

Melco PBL controls a potential casino location on the Macau Peninsula that is near the Sands Macau where the company plans to open a resort by 2010. Melco PBL also operates the Mocha Clubs, a chain of Macau slot parlors.

MGM MIRAGE/PANSY HO

SJM sold its sub-concession in 2004 to a 50-50 joint venture between MGM Mirage and Pansy Ho, Stanley Ho's daughter. MGM Mirage paid \$200 million cash and agreed to share 50 percent of all future earnings from the venture with Pansy Ho.

The \$1.1 billion MGM Grand Macau is expected to open by December with 800 slot machines and 380 table games. The unusual hotel tower — three different levels marked by three different shades of gold glass — will have 600 rooms and suites and a glass-enclosed atrium, twice the size of the conservatory at Bellagio. Separately, Pansy Ho is heading a partnership that is building a nongaming hotel, retail and entertainment complex adjacent to the MGM Grand Macau.

The MGM Mirage-Pansy Ho partnership recently announced plans to pursue a site on the Cotai Strip for further gaming development.

OTHER POTENTIAL DEVELOPMENTS

Speculation centers on 2009, when Edmund Ho leaves office. Some analysts believe additional casino concessions might be awarded.

Meanwhile, a consortium of U.S. and Chinese developers is spending more than \$1.7 billion on Macau Studio City, a development on the Cotai Strip that will include theater, television and film production studios, four hotels totaling 1,900 rooms, retail shops and a casino large enough for 400 table games and 1,000 slot machines. Melco PBL will operate the casino.

Former Las Vegas Sands gaming executive David Friedman is part of the development team on Studio City, which is under construction

and scheduled to open in 2009.

Harrah's Entertainment entered the Macau picture last month when the casino operator purchased the 175-acre, 18-hole, Macau Orient Golf Course, just behind Studio City on the Cotai Strip.

The site is near the Lotus Bridge, one of two border crossings from mainland China into Macau. The company, which does not have a gaming concession, said it plans to operate the golf course for now. ■

► A TRANSPORTATION CHALLENGE



Arriving visitors pass through the Macau Ferry Terminal on the way to shuttle buses, cabs or private town cars that are headed to one of the Chinese enclave's growing number of hotel-casinos.



Visitors disembark from a shuttle bus at the Sands Macau after a short trip from the Macau Ferry Terminal.

With rising number of visitors comes problem of keeping up with transportation needs

The booming casino industry is taxing Macau's infrastructure. How to move potential customers from the peninsula to the Cotai Strip and back concerns gaming operators.

"Getting people to Macau is not a problem," said MGM Mirage International CEO Bob Moon. "It's

getting them around once they are here that is the issue."

Macau has about 750 taxicabs, and the hotel-casinos operate their own fleets of private cars. Still, with new hotel-casino construction planned through the end of the decade, Macau's infrastructure is being stretched.

"This is a city of 500,000 people, and the development here in the last five-to-seven years has been remarkable," said Wynn Macau President Ian Michael Coughlin. "The level of infrastructure development that everybody would like to happen automatically doesn't in any city of the world."



Bob Moon
MGM Mirage
International

Typically, visitors to Macau arrive one of two ways.

From mainland China, casino tour buses transport customers from one of two border-gate crossings.



Ian Michael Coughlin
Wynn Macau

Most visitors travel for an hour from Hong Kong by high-speed hydrofoil ferry boats. The ferries and the ferry terminal are operated by

Chinese billionaire Stanley Ho's Shun Tak Holdings. Ho operates 18 Macau casinos.

Las Vegas Sands Corp. built a second ferry terminal, which opened last week on Taipa near the under-used Macau International Airport. The company will operate almost two dozen ferries that will run between the terminal and Hong Kong. Sands operates two Macau casinos and is building 11 resorts on the developing Cotai Strip.

"There is no question that infrastructure is a concern," said Mark Brown, president of the Sands Macau and Venetian Macau. "That's why we're doing a lot of things on our own. All the things that are being brought up and talked about help everyone."

Other infrastructure projects are on the horizon:

- A light rail system that would connect the Macau Ferry Terminal with the area housing Wynn Macau, Lisboa, StarWorld and the MGM Grand Macau, could be in place by 2009.
- A foot tunnel between Macau and the mainland China region of Zhuhai is pending government approval but has a target date of 2010.
- The most ambitious project on the charts is an 18-mile bridge

across the South China Sea that would connect Hong Kong with Macau and Zhuhai.

The bridge has a possible completion date of 2011, and it would allow travelers to take a 30-minute trip by car between Hong Kong and Macau.

“Certainly, there is a lot more to come, such as making better use of the Macau airport with flights from various parts of Asia and China,” said Deutsche Bank gaming analyst Bill Lerner.

Crown Macau CEO Greg Hawkins said that resolving the infrastructure issue is the most critical matter facing Macau.

“The demands on Cotai alone are a particular concern,” Hawkins said. “We’re adding about 150,000 customers a day on top of the current requirement. There are issues when you think about moving that number of people through the current infrastructure mechanism.”

Coughlin is confident infrastructure issues will be resolved.

“I believe (infrastructure) is



A mainland Chinese resident heads back to the border crossing between Macau and mainland China aboard a Wynn Macau shuttle bus.

keeping as much a pace as possible,” Coughlin said. “There are challenges and, in fairness to the authorities, they are looking to engage with business. We want to be part of the solution.”

Moon said the good news is that the Macau government realizes the issues.

“When people get here, the infrastructure to get people around will be lagging behind the development for a couple of years,” Moon said. “I think the government is doing all they can to help, but it’s rapid growth.” ■

A giant 'Help wanted' window



MGM Grand Macau workers get a lesson in repairing a card-shuffling device at the company training center in Macau. MGM Mirage converted an old theater into a full-fledged casino operations school.

*More than a dozen
hotel-casinos under
construction will mean
jobs to fill in Macau*

When Wendy Yu went home and told her mother she was going to oversee human resources for a casino company, panic set in. What if her daughter had to fire someone? Would her daughter's arms be cut off by angry bosses?

Why would her daughter, with more than a dozen years experience in employee management, leave a comfortable position as the director of human resources for the Westin Resort on Coloane for a job in gaming?

Yu, vice president of human resources for the Wynn Macau, laughs when recalling the story. Her mother, a native of Macau, was focused on the old days of gaming. Casinos, operated by Hong Kong billionaire Stanley Ho, were reportedly influenced by Chinese organized crime triads.

Today, gaming has taken on a Las Vegas feel in Macau. Large hotel-casinos operated by Nevada-based companies have provided jobs for thousands of workers since 2004, all but eliminating unemployment in Macau. Meanwhile, casino workers have garnered benefits similar to their counterparts in Las Vegas.

Figures provided by the Macau Department of Statistics and Census Service show that at the end of 2006 Macau's 24 casinos employed 36,412 employees, 39.4 percent more than in 2005.

Meanwhile, the 216-room Crown Macau, operated by Melco PBL, opened in May with 4,000 employees. Las Vegas Sands Corp. opened the 3,000-room Venetian Macau on Aug. 28 with 12,000 workers. MGM Mirage is expected to open the 600-room MGM Grand Macau by the end of the year with about 6,000 employees.

Through July, unemployment in Macau, a city of 510,000, was 3.1 percent. The department estimated the total labor force at 310,700, with 301,200 employed.

Yu said potential casino employees are attracted by the reputation of American casino companies. Job applicants at Wynn Macau, which opened in September 2006, were attracted by the celebrity of Wynn Resorts Ltd. Chairman Steve Wynn.

"People saw the difference between an American company and a local company," said Yu, who spent three years before the opening of Wynn Macau putting employee programs and hiring schedules into place in order to bring aboard roughly 6,000 workers for the casino's opening a year ago.



A Wynn Macau employee arrives Sept. 12 at the hotel, which provides moped parking for its workers. Casino employees in the Chinese enclave get benefits similar to their counterparts in Las Vegas.

“Mr. Wynn gave us the resources we needed because we had a challenge in filling certain jobs in this market that people prefer not to do,” Yu said. “Employees have a lot of different choices.”

Casino executives acknowledge that gaming industry jobs have made it tougher for smaller busi-

nesses in Macau to retain employees. The competition for workers is also fierce because of the relatively small labor pool and rules that govern certain job duties.

All casino dealers in Macau, for example, must be Macau residents. But with the minimum gambling age being 18, dealers can be

as young as 18. Residents of neighboring communities in mainland China hired at the resorts cannot work in the casino areas.

"We have two restaurants in the middle of our casino floor," Venetian Macau President Mark Brown said. "People from mainland China cannot work in those restaurants."

The job market is expected to get even tighter through the end of the decade. More than a dozen hotel-casinos are under construction along Macau's Cotai Strip. Estimates show resorts already under construction could more than double Macau's current gaming industry work force. Las Vegas Sands Corp. will operate the bulk of the hotel-casinos on Cotai.

"Is the labor pool large enough now? Yes," Brown said. "Moving forward? No. That's not going to go away."

David Friedman, co-CEO of the under-construction Macau Studio City on the Cotai Strip, said he expects his concerns about hiring an expected 7,000 workers to ease.

"The Macau government seems to be working hard to plan ahead," Friedman said. "Everyone knows

there's going to be a demand for a much larger labor force, and it's a focus of the operators as well. I'm comfortable that by 2009, much of these issues will be resolved and that we'll have a much more mature labor market."

Several casino operators are already planning for the future.

The MGM Grand Macau, which will open by the end of the year, has already hired most of its work force. To train casino employees, MGM Mirage purchased an old theater in a Macau residential area and turned the building into a makeshift casino with gaming tables, a cashiers cage, count room, surveillance and a training area for slot machine technicians. Classes run around the clock, just like a gaming operation.

MGM Mirage International CEO Bob Moon said Macau has few training options for dealers, so the company set up its own teaching program.

"This is a realistic as you can be," said Moon, touring the location where prospective casino employees were as active as any busy night on a gaming floor. "When we go live, our casino staff will have



GM Mirage International CEO Bob Moon passes a large photo in the resort's employment center. MGM Mirage plans to hire 6,000 workers for the \$1.1 billion MGM Grand Macau.

had countless hours of training and will be ready.”

Moon said MGM Mirage has had little trouble filling its jobs at the MGM Grand.

Yu said Wynn Macau lost just a handful of employees when The Venetian Macau filled its large work force.

Sands Macau executives put steps in place to ensure that qualified employees would staff both The Venetian and Sands.

Many dealers at the Sands were

promoted to shift managers and new dealers were brought in.

While the government requires dealers to be Macau residents, a large percentage of the casino supervisors at the Sands and Venetian are also locals. The process allowed the company to put experienced and novice casino employees at both locations.

“We had one of the largest dealer-training sites in the history of the gaming industry,” Sands Macau Senior Vice President of

Operations Walter Power said. "We trained 1,600 people off the street who had never dealt cards before and turned them into dealers."

London native Julian Fisher spent more than three years dealing cards at the Sands Macau. He is now a shift manager at The Venetian Macau.

"The opportunity here was incredible and it is continuing for all of us," Fisher said.

Australian native Karen Shephard, assistant casino manager at the Sands Macau, was promoted when The Venetian opened.

"I don't mind living in Asia and I've watched this area grow," she said.

The availability of hotel-casino jobs has allowed Macau residents to shift careers and transfer into higher-paying, more glamorous positions.

The Venetian Macau's public relations department, for example, comprises employees from various backgrounds. Associate director of communications Buddy Lam was a television journalist. Public relations officer Emma Li was assistant to the dean at the Macau Uni-

versity Technical School. Public relations assistant Primrose Che was an airline flight attendant.

Katharine Liu, director of communications for Wynn Macau, was in public relations for Hyatt before joining Wynn. She grew up in Macau and said the American gaming companies have helped transform the city into a world-wide destination.

"Macau used to be a small city. Not any more," Liu said. "It's a lot more cosmopolitan now."

The job opportunities have also led to an influx of residents.

Jimmy Cheung, finance manager for Bally Technologies' Macau office, moved into his position three months ago from Hong Kong, where he held a similar job with Reuters. Cheung said he's in the process of applying for a permanent visa to reside in Macau.

"Macau has a lot more jobs now because of the gaming industry," said Cheung, a certified public accountant. "There are a lot of professionals looking at the growing number of opportunities here."

Over at The Venetian Macau, executives hired experienced gon-

doliers from The Venetian Las Vegas to operate the gondola rides inside the property's Grand Canal Shoppes, which has three waterways. Each afternoon, gondoliers pose for photos with guests in the hotel lobby.

Marciano Lapergola said the Chinese hotel guests are excited to meet people from Italy.

"In Las Vegas, guests never thought we were actually from Italy," Lapergola said. "Here, they want us to sing and be in pictures. It's an amazing experience."

Even Americans have found their way to Macau.

Reggie Martin, an Indiana native who has lived in Macau for five years, said there were about 500 Americans early in the decade. Now, there are roughly 1,800.

Martin, senior manager of special events and sports for The Venetian Macau, also serves as the American Consulate's warden and key contact for U.S. citizens visiting Macau because of knowledge of the region.



Gondoliers at The Venetian Macau pose for photos in the hotel lobby with a visitor. The gondola operators venture into the resort's lobby every day to greet guests at the resort.

"There are some challenges for an American," Martin said. "Such as getting used to the culture and driving on the opposite side of the road from the U.S. The food is different but the adjustment is pretty easy."

Because of the Cotai Strip and other projects, construction jobs abound in Macau. Moon said MGM Mirage employed 3,700 construction workers on the MGM Grand Macau, of which 3,000 were from mainland China. Las Vegas Sands has some 15,800 construction personnel working on its Cotai Strip properties, of which 4,800 have come from mainland China. ■



Cath Burns, managing director of the Macau office for Bally Technologies, shows a bank of Chinese-themed slot machines inside the company's showroom in Macau.

TURNING THE TABLES

Slots gain foothold in baccarat-dominated Macau

The image of gambling here is etched in history. Before Gaming Inc. arrived from Nevada, Macau's aging casinos, operated by Hong Kong gambling pioneer Stanley Ho, entertained a predominately male clientele who

crowded baccarat tables located in dark rooms with low ceilings and a grungy atmosphere.

It's a scene still played out today in the older casinos.

Chinese gamblers, smoking cigarettes and drinking tea, "squeeze"

their cards before deciding how much to wager. When a table is “hot,” spectators often line up three or four deep to watch the action, yelling encouragement to the players. When the hand goes the house’s way, players often slam their cards on the table in disgust while others loudly express disappointment.

Gambling is not entertainment in Macau; it’s business.

The spacious casinos opened in the past three years by Las Vegas Sands Corp. and Wynn Resorts Ltd. have overshadowed the old gambling joints. The Sands Macau, Wynn Macau and Venetian Macau are neither dark nor overly smoky. In fact, the newer resorts offer nonsmoking gaming areas. Asian women are as active at the tables as their male counterparts.

The new casinos have also brought another Las Vegas element to Macau: slot machines with video and ticket in-ticket out technology.

Where baccarat was and remains king, slot machines are taking hold in the market.

In 2002, there were 808 slot ma-

chines in Macau, mostly coin operated, spinning reel games built by companies no longer in existence. Some of those games can still be found in the back corners of the old Lisboa.

By the end of this year, when the MGM Grand Macau opens, the market will have 12,334 slot machines, 15 times the number of games six years ago. By 2010, gaming analysts predict, Macau will house 31,156 slot machines. The Nevada Gaming Control Board said there were 49,246 slot machines on the Strip at the end of August.

When the \$2.4 billion Venetian Macau opened Aug. 28, the 546,000-square-foot casino was equipped with some 3,400 slot machines, almost as many as there were in all of Macau in 2005.

Still, VIP table game play — high-end baccarat gamblers — accounted for roughly 70 percent of Macau’s \$6.7 billion in gaming revenues in 2006.

The growth of slot machines in Macau had American operators rushing across the Pacific to set up shop.

"I think this market is destined for very big things," said Cath Burns, an Australian native who is managing director of the Macau office for Bally Technologies. "To me, people will play slots anywhere in the world as long as the product is good, they are having fun, making a bit of money and enjoying the experience. There is no difference between Chinese slot players, American slot players or Australian slot players."

Most of the major slot machine makers are represented in Macau. Australian-based Aristocrat Technologies, because of its close proximity to Southeast Asia, got an initial foot in the door when the market expanded in 2004. StarGames, another Australian slot maker that was purchased by Shuffle Master almost two years ago, also has a presence in Macau. However, Bally and Reno-based International Game Technology have since established offices.



An electronic billboard in downtown Macau advertises the \$2.4 billion Venetian Macau.

American casino operators were quick to embrace slot machines in a market that was primarily table game driven. The Sands Macau opened in 2004 with 666 slot machines and now has a little more than 1,100 following an expansion to its gaming area.

Dennis Andreaci, vice president of table games for the Sands Macau and Venetian Macau, said slot machine customers were always there for the picking in Macau, but casinos would fill the spaces with table games because

they were so much more profitable.

"There has always been this big misconception that Asians don't like to play slots," Andreaci said. "That's not always the case. I've opened eight properties in Asia. I've always had slots and they have always done fine. The problem in Asia is that slot machines take the space that baccarat requires; one baccarat table versus 10 slot machines. The baccarat table makes so much more money."

At the Wynn Macau, casino executives didn't hesitate to put in 365 new slot machines when the casino opened in September 2006. Wynn added 200 machines recently, and 545 machines will join the mix in January.

Wynn Executive Vice President of Operations Jay Dee Clayton said the company believed Asian customers would quickly embrace slot machine technology, such as cashless gaming and secondary bonus features.

"I spent some time in Australia and I saw how adaptive people were to technology there," Clayton said. "You will also find that same

acceptance of technology in Asia. It's much greater than in the U.S."

Clayton said there was just a small learning curve for slot machine players to accept ticket-in-ticket-out slots.

"Once they get it, they love the convenience of not schlepping around buckets full of money," Clayton said.

Gaming consultant Jonathan Galaviz, of Las Vegas-based Globalysis, said slot makers are concerned with guarding their intellectual property in Asia, where the copyright laws are different from the U.S.

"They want to ensure there won't be a stealing of ideas," Galaviz said. "They want to know there is some level of protection. Still, over the next five to 10 years, we're going to see a transformation of consumer acceptance toward slot machines in Asia."

John Gomes, who oversees IGT's Macau office, said each casino operator is finding what works in balancing table games with slot offerings.

"Every company exercises their own strategy on how they see fit to

maximize revenues,” Gomes said. “Although this market has a strong following for casino table games, we do believe that as the market matures the acceptance of electronic machines and table games will increase due to popularity and labor costs.”

American slot makers have to first figure out what games and titles work in Macau.

Wheel of Fortune, a staple in every Las Vegas casino, is conspicuously absent in Macau because it is based on an American-themed television program. The number four is also not used. When spoken in Chinese, four sounds like the word for death.

“Some American themes don’t translate well,” Burns said. “It was a matter of being culturally sensitive and doing some investigation. We know there are certain icons and colors that work.”

In China, red is considered a lucky color. IGT has a game where the cabinet is red.

Slot machines in Macau carry themes that are meaningful to Asian gamblers. Chinese symbols of good luck are prominent, such

as dragons and gold coins. IGT offers slot machines with famous Chinese character symbols, including pandas, lotus flowers and the performers doing the lion dance.

Bally’s popular Blazing 7s game that is played throughout American casinos is also popular in China. Burns said the game is being retooled to become Blazing 8s for the opening of the MGM Grand Macau later this year. Eight is considered the luckiest number in Chinese culture.

“I’m cautious about reading too much into a game,” Burns said. “There’s a lot we’re trying.”

Gomes said video poker, one of IGT’s largest products in Las Vegas, hasn’t caught hold in Macau.

“There are some poker machines currently place in some of the properties in Macau,” Gomes said. “Although poker does not play a big percentage of the slots mix, I do believe that as the market matures poker machines will become part of the product mix in every property in the future.” ■

► BRINGING MORE TO THE TABLE



MGM Mirage International CEO Bob Moon watches as an MGM Grand Macau dealer learns to organize gambling chips at the company's training center in Macau.

Bringing more to the table in Macau

New table games are slowly finding an audience in Macau's casinos. Baccarat is still the main draw, but Asian-themed card and dice games, such as Sic Bo, Fan Tan and Yee Hah Hi, have gathered a following. Casino stalwarts blackjack, roulette and craps are also being used.

Las Vegas-based Shuffle Master has been able to place a small number of Casino War table games into the Macau market. The company recently bought the rights

to Caribbean Stud Poker, which has between 175 and 200 tables in Macau. The company's other popular titles, Three Card Poker and Let It Ride, have yet to gain a footing. Poker is still nonexistent.

Janice Leung, the regional sales manager in Asia for Shuffle Master subsidiary StarGames, said new table games need to meet a number of criteria in order to be successful. They need to be simple to understand, be perceived as being fair and carry odds giving the house and player an equal chance to win.

"With the casino growth, we're starting to see interest from the players in a much wider variety of table games," Leung said while walking through the casino at Wynn Macau. "Players are willing to try different games. Even at the older casinos, like the Lisboa, we're able to bring in different games."

Leung said Macau's Gaming and Inspection Bureau requires that casinos, not the manufacturers, file the paperwork to bring a new game to the market.

She added that Shuffle Master's and StarGames multi-player electronic table games are also starting to gain traction.

"The market is changing, which bodes well for some these new products," Leung said.

The growth of gaming tables has also been a source of revenue for products from Shuffle Masters' casino equipment division, including automated card shufflers. ■



Construction workers wait for rides after a shift at the Four Seasons, one of more than a dozen resorts being built on the Cotai Strip.

STRIP VS. STRIP

Cotai mirroring style, size of Las Vegas

Buddy Lam remembers when the Cotai Strip was nothing more than a two-lane road that crossed a small patch of reclaimed land, allowing Macau residents to venture over to Coloane Island. When the waters of the South China Sea rose or the

Pearl River Delta overflowed, the Cotai Strip flooded.

So Lam, who grew up in Macau, never imagined his career would land him in the middle of the Cotai Strip as associate director of communications for The Venetian Macau, the world's largest casino.

The Cotai Strip today looks nothing like Lam remembers it.

Chinese engineers spent almost five years reclaiming 250 acres of land to turn the Cotai Strip — named for its location between the islands of Coloane and Taipa — into an industrial area.

Las Vegas Sands Corp. officials had other ideas. The company was building the Sands Macau on the Macau peninsula, about 10 minutes from the Cotai Strip by car. When executives first saw the site, they viewed the reclaimed land as a blank canvas where the casino company could replicate the heart of Las Vegas.

Today, the Cotai Strip has more than 20,000 hotel rooms in various stages of construction. By 2010, the Cotai Strip will resemble the center of the Las Vegas Strip, with more than a dozen hotel-casinos ranging from a boutique size with just 300 rooms to megaresorts with 4,000 rooms.



Construction continues on the elevator shafts that will feed the Shangri-la, Traders, Sheraton and St. Regis hotels on the Cotai Strip on a site near The Venetian Macau.

Las Vegas Sands is spending more than \$12 billion on 11 different hotel-casino projects along the Cotai Strip. Two other companies are spending almost \$5 billion combined on two other large Cotai Strip development sites.

In other words, think of MGM Mirage's massive CityCenter project, under development on the Las Vegas Strip, and multiply it by five.

"Literally, I was here three or four months ago, and the growth in that short period of time is amazing," said Nevada Gaming

Control Board member Mark Clayton, who traveled to Macau in September to participate in the Gaming Asia Pacific Summit.

"We speak of how quickly Nevada is growing," Clayton said. "But I think Macau has even taken it to the next level. Those of us who been in Las Vegas and seen our growth realize it is far outstripped by what's happening in Macau."

Las Vegas Sands officials gave Clayton a tour of The Venetian

Macau, the company's \$2.4 billion hotel-casino that anchors the Cotai Strip.

The Venetian opened Aug. 28 with 3,000 hotel rooms, a 546,000-square-foot casino, 1 million square feet of retail space, more than 30 restaurants, 1.2 million square feet of convention and meeting space and a 15,000-seat sports arena.

But The Venetian Macau is just the tip of Las Vegas Sands' plans for the Cotai Strip.



A pedestrian passes one of several construction sites on the Cotai Strip controlled by Las Vegas Sands Corp. More than 20,000 hotel rooms linked to some of the world's top hotel brands are being built on Cotai.

The company is developing about 150 acres of the Cotai Strip, partnering with some of the world's most famous hotel brands, such as Shangri-la, Traders, Sheraton, St. Regis, Hilton, Conrad, Fairmont, Raffles, Inter-Continental, Holiday Inn and Dorsett.

The well-known hotel operators will put their names on the resorts and operate the hotels. Las Vegas Sands, which owns a lucrative casino subconcession granted by the Macau government, will control spacious casinos inside the properties.

The first Las Vegas Sands joint venture on the Cotai Strip, a 1,000-room Four Seasons, opens in February next to The Venetian. The Four Seasons will also include a retail area that will connect with The Venetian.

The Sheraton, Shangri-la and St. Regis properties are expected to open by the end of 2008, with four others planned for the end of 2009. Las Vegas Sands officials have even trademarked the moniker "Asia's Las Vegas" for the Cotai Strip site.

Also on Cotai, Melco PBL, a

joint venture between Australian casino giant Publishing and Broadcasting Ltd., and Hong Kong businessman Lawrence Ho, is spending more than \$2.8 billion on City of Dreams across from The Venetian. The site, which includes 420,000 square feet of gaming, will have multiple hotel products, including a Hard Rock and Grand Hyatt.

Up the road from The Venetian is Macau Studio City, which is being built by a consortium of U.S. and Chinese developers. The \$1.7 billion venture will include theaters, television and film production studios and 1 million square feet of retail.

Three hotel brands — W, Ritz-Carlton and Marriott — and a project by Asian hotel designer David Tang will provide 1,900 rooms. Playboy Enterprises is developing a Playboy Club for the site while Melco PBL has an agreement with Studio City to operate the 200,000-square-foot casino.

Both City of Dreams and Studio City are under construction, with openings planned in 2009.



MIKE JOHNSON/REVIEW-JOURNAL

Former Las Vegas Sands executive David Friedman, who is serving as co-chairman and co-CEO of Studio City, said he doesn't see the project as competition with other developments on the Cotai Strip.

"We're helping to create the critical mass that will drive the growth of Macau," Friedman said. "The more great attractions we can bring to Macau, the more people will want to stay longer to see what has been created. We're not competition. We complement the other projects being developed on the Strip."

Las Vegas Sands, which operates The Venetian in Las Vegas and is opening the Palazzo in December, is banking much of the company's financial future on this potentially lucrative area of Southeast Asia. The casino operator is also spending \$3.6 billion on the Marina Bay Sands on the island-nation of Singapore.

"Probably 60 percent to 65



Construction workers complete a shift at the \$1.7 billion Macau Studio City on the Cotai Strip.

percent of the company's cash flow will come from Asia at some point," said Deutsche Bank gaming analyst Bill Lerner, who also spoke at the gaming summit. "After Singapore, the vast majority of the company's cash flow will be from Asia."

Aliana Ho's job is to make sure the cash continues to flow. A former executive with Hong Kong's tourism commission, Ho is now the senior vice president of destination marketing for The Venetian Macau. Her job is to fill the property's massive convention space with trade

shows, meetings and other events.

Forty-four events have been booked over the next two years at The Venetian Macau. The first major trade show took place this month. The Venetian's sports arena hosted an NBA exhibition series last week involving the Orlando Magic, Cleveland Cavaliers and the Chinese National Team.

The joint venture hotels are also expected to have meeting and convention space, but not as much as The Venetian.

"Cotai is one of the world's largest tourism projects. The opportunity is tremendous," said Ho, who marketed Hong Kong as a tourist destination for much of her career. She represented Hong Kong for several years in New York City.

"What we're trying to do here is build a new destination and attract new market segments to the Cotai Strip," Ho said. "Previously,



Aliana Ho, senior vice president of destination marketing for The Venetian Macau, says Cotai offers tremendous opportunity.

Macau was perceived as a short visit or day-trip destination. With our project here, we think the whole dynamic is changing."

Ho and other Venetian executives tout the company's experience in the meeting, incentive, convention and exhibition business, which has been dubbed the MICE market. She said that business model, successful in Las Vegas where the company's

Strip casinos are attached to a large convention center, would also work in Asia.

"The Las Vegas model is what we want to follow here," Ho said. "A lot of destinations are fighting for that market. With our facilities here, this is the ideal place for the MICE business."

The booming Asian economy is centered on China and the Cotai Strip properties could be the answer to a growing convention market.

“The whole world is eyeing China as an economic powerhouse,” Ho said. “Being here on the Cotai Strip is something like heaven sent. We are right at the mouth of the Pearl River Delta and we’re close to all the major access points, such as the Hong Kong airport, which has over 2,000 international flights a day.”

To help bring customers directly to the Cotai Strip, Las Vegas Sands built and opened a new ferry terminal adjacent to the Macau International Airport on neighboring Taipa Island. The company will operate a fleet of almost two dozen high-speed ferry boats between the terminal and ports in Hong Kong.

The other goal is to bring additional flights into the underused Macau International Airport.

“The infrastructure is going to catch up and make Cotai more accessible,” Lerner said.

More development is also possible on Cotai. Wynn Resorts controls a 52-acre site behind the City of Dreams location. The company has said it might build up to three hotel-casinos on the location.

Harrah’s Entertainment, which doesn’t own a gaming concession or

subconcession, entered the picture in September, buying the Macau Orient Golf Course behind the Studio City and near the Lotus Bridge, one of the primary entry locations to Macau from mainland China.

MGM Mirage and its joint venture partner, Hong Kong businesswoman Pansy Ho, are exploring potential development sites on the Cotai Strip.

Many Macau observers and gaming analysts believe development on the Cotai Strip will lead to the creation of two Macaus — the Cotai Strip for longer-stay destination customers and the Peninsula region for the day-trip market.

“A different customer will come to Cotai,” Lerner said. “There’s also going to be more nongaming ingredients as well.”

Casino executives on the peninsula, such as Wynn Macau President Ian Michael Coughlin, don’t believe there will be a tremendous split in the market.

“It’s early and I don’t think The Venetian has proven its case quite yet,” Coughlin said. “The large volume properties will get their portion of the day trip market.” ■



A swimmer does laps in the indoor swimming pool on the 16th floor of the Crown Macau on Taipa Island. The pool over looks the downtown area of Macau.

TAKING ON THE GIANTS

Melco PBL challenges LV companies in Macau

Nevada's top casino operators are busy spending billions of dollars to transform this area of Southern China into Asia's version of Las Vegas.

Meanwhile, a joint venture featuring Australia's richest man and the son of Macau's controversial casino pioneer is seeking its own piece of the action.

Melco PBL, a partnership

between the gaming of arm of James Packer's Publishing and Broadcasting Ltd. empire and Lawrence Ho, son of Hong Kong billionaire Stanley Ho, opened its first casino in May. The \$500 million Crown Macau on Taipa Island has 216 hotel rooms. The public casino is boutique-sized and on five levels. Crown operates several private luxury gaming salons on the property's 37th floor, all with expansive views across the harbor of the casino cluster on the Macau Peninsula.

The company, which became listed a year ago on the Nasdaq National Market, isn't stopping there.

Melco PBL is spending \$2.8 billion to build City of Dreams on Macau's Cotai Strip, directly across the road from The Venetian Macau. Under construction and expected to open in 2009, the project has reportedly shunned the idea of an underwater casino but is still planning a 420,000 square-foot gaming space. Multiple hotel products totaling 1,700 rooms are under construction, including a 366-room Hard Rock and a

1,005-room Grand Hyatt.

The company also controls a site on the Macau Peninsula next to the Sands Macau and near the Ferry Terminal. Recently, Melco PBL told investors it would build a project called Trinity, which would have a casino with 215 gaming tables and 500 slot machines, residences and a boutique hotel. The project would open in 2010.

Melco PBL also operates the Mocha Clubs, a chain of Macau slot parlors, and has an agreement to operate the casino at the Macau Studio City, which is being built on the opposite end of the Cotai Strip from City of Dreams.

Clearly, Melco PBL is looking to challenge Las Vegas-based Las Vegas Sands Corp., Wynn Resorts Ltd. and MGM Mirage for Macau supremacy. At the Crown Macau, Melco PBL is focusing on the high-end VIP market, which accounts for roughly 70 percent of Macau's overall gaming revenues.

Gaming consultant Jonathan Galaviz of Las Vegas-based Globalysis said Melco PBL is able to capitalize on its experience both in Australia and Asia.

“Obviously, they have a good understanding of the competitive dynamics in the market,” Galaviz said.

In 2006, PBL purchased a gaming subconcession owned by Wynn Resorts for \$900 million. PBL, one of Australia’s largest media and entertainment groups, is traded on the Australian Stock Exchange and has a market capitalization

of \$11 billion. PBL went into partnership with Lawrence Ho to capitalize on different gaming opportunities in Macau.

PBL operates the Crown Melbourne, one of Australia’s leading hotel-casinos.

Separate from Melco, PBL paid \$22.5 million in May to purchase a 37.5 percent stake in a holding company that is planning a hotel-



A tourist bus passes the City of Dreams development on the Cotai Strip. Melco PBL is spending \$2.8 billion to build City of Dreams directly across the road from The Venetian Macau. It is scheduled to open in 2009.

casino project on the site of the now closed Wet 'n Wild theme park on the Strip between the Sahara and the under-construction Fontainebleau. Crown would operate the resort.

Crown Macau CEO Greg Hawkins said Packer, the son of the Australian business magnate Kerry Packer, who died in December 2005, wants to make Crown a global brand. Having Crown casinos in Las Vegas, Macau and Australia would create a worldwide database.

"From the PBL perspective, we see a natural evolution where that top-end customer database grows and customers can move around to different Crown resorts, be it here, Australia or Las Vegas," Hawkins said.

Deutsche Bank gaming analyst Bill Lerner said Melco PBL is a company getting into gaming in a big way, individually and together. The companies lost out in the bidding process for one of two casino sites on the island nation of Singapore.

"They might even look at Japan if something happens there,"

Lerner said.

Melco PBL's initial effort in Macau caught some interest. Crown Macau was introduced to Southern China television audiences through an infomercial designed as a mini-movie, "Where Great Things Happen," that starred Hong Kong actor Chow Yun-Fat, who became known to American audiences through "Crouching Tiger, Hidden Dragon," and "Pirates of the Caribbean: At World's End."

The Crown Macau is tucked into a small land parcel on Taipa, surrounded by high-rise residential apartments, separated from the casinos on the Peninsula and the developing Cotai Strip. The 38-story building has just 216 hotel rooms, all with view of the Macau Peninsula. The hotel lobby is on the 38th floor.

"I think the physical location where we are, nestled between the hub of activity on the Macau Peninsula and the Cotai Strip, is not a negative in our view," Hawkins said. "Everything we are trying to do is to capture a niche market, which is VIP gaming and the top of

the mass market. That's the space we want to exist. We don't want to be everything to everybody. We want to capture a space in this property that appeals to that particular market."

Crown Macau's five-level casino has 220 table games and 500 slot machines, but the real action is on the 37th floor, where several luxury gambling salons are available to high-end customers willing to put up at least \$30 million Hong Kong (roughly \$3.9 million American) in the casino cage for gambling.

The spacious hotel rooms have three price levels; \$569 for a deluxe room, \$1,554 for a deluxe suite and \$1,664 for a premier suite (all in American dollars). Crown Macau also has upscale Japanese, Chinese and French restaurants. The French restaurant offers an outdoor patio and lounge area with views of the Peninsula.

"Ninety-five percent of the story is premium play and VIP customers," Lerner said. "They may have gotten off to a slow start, but it seems to be ramping up rather quickly."

Lawrence Ho, CEO and co-

chairman of Melco PBL, said in August during the company's second-quarter earnings release that going after a high-end customer was the correct move.

"Our decision to position Crown Macau as an up-market VIP property is proving to be a sound one," Ho said in a statement. "Based on the initial operating results at Crown Macau, which has been characterized by increasingly strong VIP play, we have determined to seek opportunities to further enhance our VIP capacity at the property, combined with a commensurate consolidation of our mass market capacity."

Hawkins said the Crown Macau location on Taipa does not lend itself to the mass-market, walk-in customer base experienced at the casinos operated by Stanley Ho along the Peninsula. But that isn't the market Crown is targeting.

However, as the company's City of Dreams project moves forward on the Cotai Strip while the Peninsula development takes shape, Melco PBL will be in position to capture all segments of the Macau market, setting the company aside

from the American casino operators.

“As a casino destination, Macau has historically been fundamentally different than what you would experience in other parts of the world,” Hawkins said. “It’s an incredibly competitive environ-

ment, and from that perspective, we have to make sure we fully understand the strategic directions taken. All the concession holders, including the Americans, have to understand the framework and the fabric of what makes Macau tick.” ■



The Wynn Macau and the soon-to-open MGM Grand Macau are viewed from the offices of Bally Technologies. The building to the right of the MGM Grand Macau is a nongaming retail and entertainment complex being built by Hong Kong businesswoman Pansy Ho, daughter of Hong Kong billionaire Stanley Ho.