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Dec 2, 2006

Last resort (with casino) in Singapore

By Gary LaMoshi

Gambling stocks are on a roll. On Wall Street, the Dow Jones Gambling Index is now tripling gains of the broad market index. Harrah's, the world's largest gaming operator with 60 casinos, is mulling a US\$15 billion bid from a pair of private-equity firms. The Las Vegas Strip has defied fears that growth would sputter in the face of high fuel prices.

But the real excitement is in Asia. Steve Wynn opened his \$1.2 billion Wynn Macau in September, and in November shares

skyrocketed to new highs for all three US players in China's gaming enclave. Las Vegas Sands, which operates the Sands Macao, the first US-style casino in the former Portuguese colony, reported a 39% rise in third-quarter revenues.

Macau is on pace to surpass the Las Vegas Strip with gambling revenue of \$7 billion this year, and the party has barely started. Next year, MGM Mirage premieres a joint-venture project with Pansy Ho, daughter of Macau's gaming dean, Stanley Ho. On landfill joining Macau's outer islands of Coloanne and Taipa, LVS will open its flagship Venetian Macao, anchoring the new Cotai Strip of a dozen more hotels and casinos, more than 1.2 million square feet (111,500 square meters) of convention space, and another million square feet (92,900 square meters) of retailing. In a recent interview, Steve Wynn said, "Macau is in the path of a huge avalanche" likely to overwhelm the region.

New kids on the block

With all this excitement about Asia, you'd think casino companies would be fighting to get a piece of the action by - pardon the

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expression - hook or by crook. In Macau, one of six gaming licenses sold for \$900 million in March.

But in Singapore, bidding for a casino license - guaranteed to be one of only two in this crossroads of Asia for at least a decade - has tempted only three groups you won't find in the Vegas casino listings and that most US players have never heard of. The underwhelming competition shows Singapore is doing something either terribly wrong or very right.

Last year, Singaporean Prime Minister Lee Hsien Loong's government made the controversial decision for limited casino liberalization. To many, the move seemed out of character with the city-state's straitlaced reputation. Lee, son of Singapore patriarch and current Minister Mentor Lee Kuan Yew, was out to prove it wasn't his father's Singapore anymore.

For Singaporeans, the decision was doubly surprising because, rather than allowing a single casino as expected, the government proposed two sites for so-called integrated resorts. Two casinos would broaden appeal and sharpen offerings through the magic of competition with only a marginal increase in social costs, the government contended.

Bay adds Sands

The first site, Marina Bay near the downtown financial district, attracted three Vegas heavyweights, LVS, Harrah's MGM Mirage - the latter two partnered with government-controlled Singapore property developers - plus Genting, best known for its Genting Highlands resort in Malaysia. LVS got the nod for its US\$3.65 billion triple tower with 2,500 hotel rooms, a public park the size of an aircraft carrier 50 stories in the air, and Southeast Asia's largest convention center.

A decision on the second integrated resort site on Sentosa Island - the name means tranquility - is due this month. But the only interest came from Genting, which has the most to lose through cannibalization from a casino next door; Kerzner International, developer of Atlantis in the Bahamas; and Eighth Wonder, designer of the New York, New York casino in Las Vegas, heading a grab-bag group that includes Australia's top casino operator Publishing and Broadcasting Ltd and partner Melco International of Macau (see [An offer they couldn't refuse](#), November 8).

"The three proposers who have submitted their proposals for the integrated resort on Sentosa are three accomplished players, and we look forward to announcing the successful proposer in early

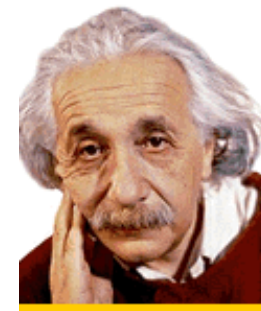
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December," Singapore Tourism Board integrated-resorts director Margaret Teo said.

Steady dwindle

Still that's a far cry from the 19 respondents, representing more than two dozen of the biggest names in gaming and leisure, that expressed initial interest in Singapore's casinos. In some cases we know what happened. Steve Wynn accused the government of trying to micro-manage the process, though he now says he might try again if Singapore opens the door to more casinos. As the Marina Bay winner, LVS is barred from consideration. MGM Mirage's partnership deal with CapitaLand for Marina Bay included an agreement not to bid for Sentosa, so that the developer could team with Kerzner there.

"Harrah's was actually quite excited about pursuing Sentosa," Cornell-Nanyang Institute of Hospitality Management dean Dr Judy Siguaw revealed. The company engaged her school to put on a special public seminar to show its commitment to the community, Siguaw said. "Of course, the Harrah's buyout has understandably thrown a crimp into the Sentosa bid."

Among the rest, some may have been scared off by the size and scope of the projects, grown far more costly than initial projections. The Sands Marina Bay will be the most expensive casino ever built, starting with land cost of more than US\$800 million. The Sentosa project, with land price half as high but 19.4 hectares to fill, was originally forecast to cost just half to two-thirds as much as a Marina Bay project. Instead, Sentosa proposals budgets more for development than at the Sands Marina Bay.

A handful

"These are very large projects that require huge investments and careful adherence to extremely detailed plans with long staying power to deal with the large front-end costs," Singapore Management University president Howard Hunter explained. "I think there are only a handful of potential bidders with the capacity to meet the requirements."

Genting's US\$3.2 billion Resorts World at Sentosa proposal includes a \$1.6 billion Universal Studios theme park, plus an oceanarium - a very big aquarium - a water amusement park, and an interactive maritime museum, plus six hotels with 1,800 rooms, shopping, tie-ins with its Star Cruises subsidiary, and design by postmodern icon Michael Graves, whose resume includes work at Disney's Florida properties. That's the least expensive proposal on the table.

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Kerzner and CapitaLand propose Atlantis Sentosa, a US\$3.3 billion futuristic water world designed not by Kevin Costner but architecture legend Frank Gehry. Features include glass-encased sails wired for image projections, a water theme park, the world's largest man-made coral reef, and a botanical garden, all mixing live and robotic plants and animals.

Hunter said: "The Gehry design is stunning but, having been an administrator for a long time, I wonder about engineering the HVAC [heating, ventilation and air-conditioning] systems with all that glass and also ask who is going to clean the mildew that will accumulate on the glass in this tropical climate."

Harry's other island

Eighth Wonder's US\$3.5 billion bid includes a laundry list of attractions from a Deepak Chopra well-being and retreat center to a soccer academy under Pele to another contender for the world's largest man-made coral reef under Philippe "grandson of Jacques" Cousteau with 10 hotels with 2,100 rooms. The centerpiece is a man-made extinct volcano surrounded by a saltwater lake with 35 rides and attractions called Harry's Island, after Harry O'Brien, the fictional founder of the resort, born in 1900 at Raffles Hotel.

Harry also happens to be the western name Lee Kuan Yew adopted as a student in London. Eighth Wonder chairman Mark Advent may or may not know that but it hasn't escaped the notice of one local blogger. Dr Huang Shou Chyuan says the "cheap marketing ploy ... reveals the people of Eighth Wonder for what they are - low-class desperados!"

That may be harsh, but it does underscore that it's hardly the Who's Who of the global gaming and leisure business stumping up for Sentosa. "The big mistake was to limit the number of licenses to two," Brewerkz microbrewery founder Devin Kimble believes. "It made the odds so long that I think many other operators just didn't want to put in such a huge effort for such a slight chance at winning a place.

"In addition, Singapore has a very clear agenda for the IRs [integrated resorts]. It really doesn't want gambling. The casinos are in effect just a way to guarantee a return for investors to put in a convention center and theme-park-type attraction. And this takes a special type of operator.

"If Singapore had just opened the doors and said, 'Show us what you got and what you want to spend,' the bidding would have

been frenzied."

The Poker Face of Wall Street author and former Malaysian resident Aaron Brown thinks the problem is more localized. Referring to Sentosa's previous Malay name, Pulau Belakang Mati, Brown said, "With all the expansion in Asia, Backstabber's Island may not be a winner. It's not physically nice, despite billions of [dollars in] cosmetic surgery, access is poor, despite the new light rail, and it's Singapore, which has both rigid regulation and peripheral location."

Most international casino companies seem to agree with Brown that there are better bets out there.

Gary LaMoshi has worked as a reporter, author and broadcast producer in the US and Asia since the 1970s. Longtime editor of investor rights advocate [eRaider.com](#), he's also a contributor to *Slate* and *Salon.com*, and a counselor for [Writing Camp](#).

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