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EuroVegas, Baby: Billionaire Sheldon Adelson's Rescue Plan for Spain

By Paul Tullis

(Bloomberg Businessweek) -- On the southwestern fringe of Madrid, across the A5 freeway and just past a McDonald's, a Toyota dealer, and an unfinished shopping mall, is a wide, barren field spanning four square miles. From here one can see the "Cuatro Torres" in the distance—four glass-and-steel skyscrapers built on Madrid's northern end during the last decade's boom. Today one of them houses Bankia, Spain's largest holder of real estate, which has been partially nationalized. The south lie the postwar-era, brick and concrete apartment buildings of the working-class town of Alcorcón; beyond are the rolling hills of a regional park. It's a view that visitors to Spain see only if they get lost, and yet the ambitions for it as an international tourist destination could not be greater. It's here that American billionaire Sheldon Adelson, chairman and chief executive of Las Vegas Sands, plans to build a massive integrated resort: six casinos, three golf courses, 17 theaters, a convention center, and 36,000 hotel rooms called—what else?—EuroVegas.

"We don't have one hotel with 3,000 rooms," says Jesus Sainz, president of PromoMadrid, which works to promote economic development in the region. "We don't have a big convention center. We don't have the people with the experience to build these things. LVSC has the cash flow needed and a track record in the business." Sainz says that at €17 billion (\$22.1 billion), the first phase of construction—set to begin later this year—will rank as Europe's largest-ever private investment.

Citing an October 2012 report prepared for LVSC by Boston Consulting Group, Sainz says that when completed, EuroVegas could attract as many as 4.7 million new tourists per year and the \$20.25 billion they're projected to spend in its first 10 to 15 years.

EuroVegas, Sainz says, will have a positive impact on "all of Spain." Based on the Boston Consulting Group forecast, EuroVegas would juice Madrid's regional GDP by 4.5 percent.

Since the area represents 20 percent of Spanish GDP, that would give the country as a whole a boost of 0.8 percent. Spain hasn't seen 0.8 percent growth since the middle of 2007. Crucially Sainz says, EuroVegas promises to create—in a country with 26.2 percent unemployment—up to 261,000 jobs. "That's 50 percent of unemployment in Madrid," Sainz marvels. "Even if it's half that, it's impossible to reject."

Yet a significant number of Spaniards do reject, or, at least seriously question, Adelson's plan. "A big real estate speculation project is not the solution to a problem caused by real estate speculation," says Ramón Górriz Vitalia, an official with Spain's largest labor union, CCOO.

Górriz Vitalia and others are primarily concerned with whether the Spanish government will have to guarantee loans for the 65 percent of EuroVegas's cost LVSC says it will need to borrow. Carlos de los Monteros, a high-ranking official in Spain's Ministry of International Affairs, was closely involved with luring Adelson's company to Spain. When interviewed in his office last fall, he didn't see another way for

the project to proceed without such loan guarantees. “I don’t know how, in the present circumstances, when there is a shortage of financing, [LVSC] will be able to raise the capital needed.”

Of course, the other big question is whether there really are 11 million souls who can’t wait to visit and gamble in a Madrid exurb. Certainly, Adelson has an impressive track record.

Big real estate projects he produced in Las Vegas, Singapore, and Macau have helped transform those destinations, while transforming him, in under two decades, from a middling half-billionaire to the 19<sup>th</sup> richest human, worth an estimated \$25 billion, according to the Bloomberg Billionaires Index. (Adelson is also back in the news this week for suing a Wall Street Journal reporter for libel.) Sainz points to Adelson’s track record building successful MICE (meetings, incentives, conferences and exhibitions) enterprises such as the Venetian and Marina Bay Sands as proof that Adelson has the remedy for Spain’s ills. The year after Marina Bay Sands opened, tourist visits to Singapore increased 20 percent, tourist spending 50 percent.

God knows Spain needs something. It is suffering economically as much or more than any country in the euro zone save Greece. But is a megacasino really the answer?

As opponents were gearing up campaigns against EuroVegas last year, I spent a week in the region gauging its prospects. When I arrived at Madrid Barajas Airport, I was struck first by how the country’s infrastructure makes Southern California’s look borderline third world. The roads are smooth, the subways, regional rails, and bullet trains are shiny, quiet, and, over the course of one week, flawlessly punctual. The airport where I stood is itself a state-of-the-art facility that’s only at 62 percent capacity—all attractive elements, when you’re trying to get millions of out-of-towners seated at a slot machine post haste.

As a tourist destination, Spain is already third in tourist visits and second in spending worldwide—far from where Singapore or Macau ranked when Adelson and Las Vegas Sands moved in. This suggests either that it will be easier to attract visitors, because travelers already favor Spain, or more difficult, because the tourism market’s mature. The answer will likely lie in demand for gambling.

A 2011 report (pdf) on the global gaming industry by PricewaterhouseCoopers noted “Singapore has demonstrated ...[that] tourism revenues generated by casino gaming can bring major benefits to cities and entire regions.” Nonetheless, outside Native American territory, no development anchored by a casino has ever been asked to revive a national economy. And the economic impacts of casinos are a decidedly mixed bag: Atlantic City was famously described as, pre-legalized gambling, “a slum by the sea; now it’s a slum by the sea with casinos.” After Mississippi legalized riverboat gambling in the 1990s, unemployment dropped, but crime rose. Illinois’s unemployment rate barely budged in the years after its first casinos opened.

The numbers on spending and visits and costs that Las Vegas Sands cites (and media dutifully report without question) come from reports commissioned by LVSC. Earl Grinols, a Baylor University economist who studies the effects of the gambling industry on local and regional economies, says to take these figures with a kilo of salt. “The gambling industry says whatever they think they need to say at the time

to get what they want,” he told me. “Most of time what it says is simply not true.” Then there’s the net present value—often ignored by public officials considering large capital investments. In other words, Grinols says, juicing the economy in the short term could well come at the cost of a “long-term drain on the Spanish flow of income. In the longest of long runs,” he asks, “is this going to be a good project to revitalize Spain? Probably not.”

Alcorcón’s city hall is the nicest building in town. A large, architecturally pleasing, postmodern addition has recently been tacked on to the earlier structure, which looks to be from the Franco era. Across the street are the local offices of Spain’s ruling conservative party. New and expensive-looking, given its surroundings, Alcorcón’s ayuntamiento isn’t the only such city hall I visited in small, working-class towns in Spain. It’s hard not to see these constructions as symbols of the last decade’s excess.

Most everyone I spoke to in Alcorcón expressed some ambivalence about EuroVegas but hoped, above all, that the development would bring jobs. “We have hundreds of thousands of low-skill workers without a job,” says University of Barcelona economist Germa Bel. “If they have any experience at all, it’s in construction, not as architects. So we have three choices: Put them on the dole them forever; have a more open mind on what type of jobs we need; or try to find a country that will take them. To Somalia we’re going to send them? To Tunis?”

Sainz points out that EuroVegas is going to need plenty of accountants and lawyers, as well as janitors and cocktail waitresses, although in Macao fully 62 percent of workers in 2007 were designated clerks in service and sales. “Do people in Las Vegas argue about the types of jobs Las Vegas Sands offers there?” he asks. Daniel Pereira came to Alcorcón from Portugal during the bubble years and worked for a while in construction, but he is now unemployed after a brief stint waiting tables. “Sure I’m in favor of it,” he told me. “I’m opposed to it opponents.”

Not all are so enthusiastic. “I hope the complex can bring jobs here,” says Diego Higuero, a 23-year-old window washer I met a few meters from city hall, but he has reservations, too. A devout Christian, he’s concerned EuroVegas might bring prostitution, drugs, and corruption. “I have two kids,” he continues. “I’m worried when they grow up, EuroVegas will be the only option for work, and they’ll be surrounded by these vices.” The recent scandal engulfing the national government—the prime minister is accused of taking kickbacks from the construction industry during the boom—isn’t likely to assuage concerns that EuroVegas will benefit Spain’s political class better than the public.

Echoing Higuero, a librarian and mother in Barcelona, Nuria Trillas, believes EuroVegas is not the kind of development Spain needs to expand a sustainable economy for her young son. Her country, in her view, ought to be more than just a tourist destination—tourism already represents around one-sixth of Spanish GDP. Instead it should foster the high-skills, high-paying work she and many of her generation studied and trained for but now emigrate to Munich to get.

With a sigh, Trillas describes Eurovegas as an inevitable outgrowth of a globalization and Spain’s plodding, anemic economy. “If you give a man dying of thirst even dirty water,” she says as she pushes her stroller across the Gran Via, “he’s going to drink it.”

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