

South Korea Rejects Casino Bids From Caesars-Lippo Consortium and Universal Entertainment

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HONG KONG—South Korea rejected applications for casino licenses from international bidders hoping to invest in resorts near Seoul, leaving uncertain the country's efforts to cash in on the Asian gambling boom.

The Ministry of Culture, Sports and Tourism turned down Japanese magnate Kazuo Okada's [Universal Entertainment Corp.](#) and a consortium including Las Vegas-based [Caesars Entertainment Corp.](#) and Indonesian conglomerate Lippo Group because their applications didn't meet qualifications, a ministry spokesperson said Friday.

Bidders should get more than 800 out of 1,000 points in categories such as investment size and financial health, the spokesperson said, without elaborating.

Officials were concerned about Caesars' financial stability and Universal's lack of experience operating casinos, a person familiar with the government's thinking said. The government also worried about reputation issues stemming from Mr. Okada's involvement in Japan's pachinko industry and from a dispute with Las Vegas casino company [Wynn Resorts](#), which has spawned lawsuits and federal investigations in several countries.

Steven Tight, Caesars' president of international development, said the decision was "really quite baffling." The Caesars consortium, in a statement, said it believes its application had met the government's requirements and that it is now evaluating its options. The applicants have 90 days to appeal.

Mr. Tight had said earlier that the first phase of the potential project would cost \$500 million and have 100 gambling tables, 150 slot machines, 600 hotel rooms and entertainment, retail and residential space.

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Universal spokesman Nobuyuki Horiuchi declined to comment Friday.

The South Korean government remains undecided over its tourism strategy, said the person familiar with its thinking. The new casino projects, like most of the 17 casinos now operating in South Korea, would have permitted only foreigners to gamble. Some officials consider it wiser to push for regulatory changes to let locals play at the new casinos in exchange for bigger investments from the gambling companies, this person said, adding that Singapore is viewed as a possible a model.

Singapore allows locals to gamble with restrictions, and its two mega casino-resorts have already matched the Las Vegas Strip's annual gambling revenue haul of \$6 billion. Estimates peg Korea's gambling revenue at less than half of that figure in recent years. Meanwhile, the Chinese territory of Macau, which is the world's biggest gambling market, generated \$38 billion in revenue last year.

The news from Seoul is a blow to Caesars, which has been struggling under debt it accrued in a private-equity buyout in 2007 and from its dependence on the sluggish U.S. gambling market. It has been aggressively looking for opportunities to expand in Asia after failing to secure permission to build a casino in Macau, where U.S. rivals [Las Vegas Sands Corp.](#), [MGM Resorts International](#)

and Wynn Resorts are flourishing.

South Korea's decision is also unwelcome news for Mr. Okada, who remains embroiled in legal disputes and regulatory investigations, and who has yet to secure a necessary local partner for his \$2 billion casino project in the Philippines.

In a statement Friday, Universal said a report commissioned by Wynn Resorts alleging Mr. Okada had made improper payments to public officials in the Philippines was "lacking credibility." It also said that Universal agreed with the recommendation of a third-party investigation that it needed to develop a "compliance system" in order to "develop [its] gaming business globally."

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