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In a country setting the trends across Asia, foreigner-only casinos are looking woefully antiquated. That's set to change from 2017 as the first of several South Korean integrated resorts comes online. Then, at last, the industry can properly capitalize on *hallyu*, the Korean cultural wave that's driving dizzying growth in Chinese visitation.

Cover Illustration
by Rui Rasquinho

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Waiting on the Table Count

IN a market currently plagued by a perfect storm of regulatory risk, the next major indication of where things are headed will be the allocation of gaming tables for the upcoming second wave of Cotai resorts.

The final decision on the table allocation for Phase 2 of Galaxy Macau, scheduled to open on 27th May, is going down to the wire.

On 19th March, Francis Lui, vice chairman of Galaxy Entertainment Group, said “We believe that we will start soon the discussions with the government on the number of tables [that will be allocated].” With an exact number needed to finalize crucial opening-day details such as staff count and layout of the casino floor, Galaxy will need to be highly responsive to adjust to whatever it receives.

Also anxiously awaiting its table allotment is Melco Crown Entertainment’s Studio City Macau, expected to open in the third quarter. Both Galaxy Phase 2 and Studio City were designed with capacity for 500 tables. Phase 2 is priced at US\$2.5 billion, with a further \$641 million spent on the adjacent Broadway at Galaxy Macau, which will open on the same day on the former Grand Waldo site. Studio City costs \$2.3 billion. Recouping those investments could be difficult given expectations of an allocation of around 200 tables at each.

Analysts at UBS Securities Asia note the Macau government’s allocation of tables remains “a near term overhang” for the sector’s battered share prices, and warn that the eventual outcome could well disappoint on the downside.

There are two possible explanations for why the government has left the decisions to the last minute. The simple one is that they’re disorganized, an assessment corroborated by lengthy delays on several critical infrastructure projects. A more positive view is they’re perhaps waiting to see whether there’s any let-up in the market’s softness over the following weeks before finalizing the allocations. Of course, continued weakness could signal to the government either that it should support the operators by giving them more tables or, alternatively, that given declining demand, operators simply need to move the less productive tables at their existing properties into their new ones.

The government first resolved to limit the market-wide number of gaming tables in March 2010. At the time, there were around 5,000 tables throughout Macau, and the government said the total would be capped at 5,500 through 2013, after which the annual increase would be maintained at 3%.

The government has already demonstrated willingness to disregard the cap. The market-wide table count at the end of 2013 was 5,750—250 in excess of the limit. By the end of 2014 the gap between the cap and reality had narrowed, with the market’s 5,711 reported tables just 46 more than the notional ceiling. There’s not much chance that gap will narrow further, however. Even if the government allocates a mere 150 tables each to Phase 2 of Galaxy Macau and Studio City, it’d exceed the 2015 limit by 176. Continued failure to stick to the cap could encourage the government to increasingly disregard it.

These are also starkly different times to 2010, when the government felt compelled to rein in the overheated gaming sector. Now, there seem to be too many brakes on the industry, including China’s widespread anti-corruption campaign and slowing economy, the crackdown on illicit fund flows out of the mainland and the imposition of a smoking ban on all Macau main-floor gaming areas from October.

There’s talk of Macau seeking a “new normal,” but surely the path to that new growth trajectory doesn’t have to entail such big steps backwards—the 49% year-on-year decrease in gaming revenue in February is expected to be followed by a 39% drop in March. The hoped-for relief brought by new resort openings could be hindered if they’re not given a decent allocation of tables.

The question then is how much pain is the Macau government willing to inflict on the market to get it onto a sustainable growth track that encourages economic diversification?

CAPACITY CONSTRAINED Notional Limits Imposed by Macau’s Table Cap

Year	No. of Tables
2013	5,500
2014	5,665
2015	5,835
2016	6,010
2017	6,190
2018	6,376
2019	6,567
2020	6,764

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Getting Past China

Reduced spending by mainland visitors highlights the need for Macau to expand its tourist sources. Whether more international travelers will visit and whether Macau can handle them remain to be seen

By **Muhammad Cohen**

DIVERSIFICATION remains one of Macau's loudest buzzwords, a government imperative for casino operators and a key to making Macau the world center of tourism and leisure envisioned by Beijing's Five Year Plan for 2011-15. Economic diversification has proven elusive in view of Macau's gaming-centric tourist mix; customers want what they want.

Another potential area of diversification, greater variety in Macau's visitor pool, has been largely unexplored, an outcome of what's been sound financial judgment, if poor risk management. Now, with edicts out of Beijing again discouraging high rollers away from visiting Macau, the decision to focus on the China market highlights Macau's vulnerability, deepens the current downturn and limits options to reverse it. Yet there's no assurance that tourists from beyond Greater China—the mainland, Hong Kong and Taiwan—will visit Macau in great numbers; that Macau casino operators really want them; or, if they come, that Macau can delight them.

Visitor arrivals to Macau shattered the 30 million barrier last year, rising 7.5% to 31.5 million, following two years of sluggish growth. Tourists from Greater China, Macau's top three markets, rose 8.5% to

28.6 million, 90.8% of total arrivals. The Macau Government Tourism Office, "working to diversify visitor source" through presence in 17 cities on four continents, plus Beijing, Taipei and Hong Kong, says Macau is succeeding in drawing the broader international market. "In 2003, the number of international visitor arrivals—Greater China excluded—was around 500,000, accounting for 4.2% of the total number of visitor arrivals," MGTO's media department states. "Ten years after, in 2014, the number increased to 2.8 million, which represented 9.2% of the total visitor arrivals."

Those numbers, though accurate, present a skewed view. The SARS outbreak hit arrivals across the board in 2003, and it wasn't until 2004 that Sands Macao ushered in the post-monopoly era in gaming. In the years that followed, visitor arrivals rose dramatically in all segments. By 2006, the year Macau overtook Las Vegas as the world leader in gaming revenue, total arrivals had increased to 22 million, with 1.6 million or 7.4% from beyond Greater China. In 2008, Venetian Macao's first full year of operation, total arrivals were 23 million, just over 3 million of them international, 13.3% of the total, high marks to date on both fronts. After a dip in 2009 as the global economic slump reached Asia, international visitor numbers topped 3 million again in 2012 and have tapered since.

JOURNEY TO THE SOUTH

Since 2003, there's been a much bigger trend at work. Mainland Chinese visitors to Macau have risen from 5.9 million, 48.3% of total arrivals in 2003, to 21.2 million, 67.4% of total arrivals last year. Since July 2003, the Individual Visitor Scheme has allowed mainland Chinese to travel to Macau (and Hong Kong) without joining a group tour. The program has expanded from an initial four cities to more than 50, encompassing some 300 million of the mainland's richest citizens.

Despite headwinds including President Xi Jinping's anti-corruption drive and China's slowing economic growth, Macau's mainland arrivals grew 14.1% last year. Since 2008, mainland arrivals have not just have accounted for all of Macau's tourism growth but offset falling arrivals from Hong Kong and Taiwan, respectively



Macau's number two and three visitor sources. Until direct flights between Taiwan and mainland China resumed in 2008, Macau (like Hong Kong) had a niche as a stopover for cross-strait travelers. Since then, Macau's arrivals from Taiwan have fallen by 490,000 or 34%. Macau's arrivals from Hong Kong have decreased 1.8 million from their 2007 peak.

As Macau's tourism and gaming capacity grew, focusing on mainland China made sense. China is right next door, has 1.3 billion people, no legal casinos, and for two decades has been the world's fastest-growing major economy. By percentages and sheer scale, China's economic expansion has been much greater than other regional economies, The Platinum Ltd Managing Director Mary Mendoza notes, making the Chinese market by far the most tempting target for Macau operators.

Moreover, Macau has strong cultural and social ties to the mainland. About half of Macau's population was born in the mainland, and local community leadership turned toward China during the city's final, indifferent decades of Portugal's colonial administration. "I'm surprised they've done as well as they have" attracting visitors from beyond the mainland, Spectrum Asia chief executive Paul Bromberg says. "They're completely focused on China."

BIG SPENDERS

Targeting China, Macau's gaming revenue ballooned to \$45.1 billion in 2013, nearly seven times the figure for the Las Vegas Strip. In addition to providing proportionately greater gaming revenue than their arrival numbers, mainland visitors are also the biggest non-gaming spenders, although the gap narrowed last year. Mainland visitors' per capita non-gaming expenditures declined 8.2% to MOP2,354 (\$294) in 2014, ahead of visitors from Singapore at MOP1,904 and Japan at MOP1,846. Despite the decline, mainland visitors accounted for 70% of total visitor non-gaming spending. Mainlanders have fueled Macau's shopping boom; even with last year's pullback, their MOP1,078 per capita shopping spending doubled that of any other

Economic diversification has proven elusive in view of Macau's gaming-centric tourist mix; customers want what they want. Another potential area of diversification, greater variety in Macau's visitor pool, has been largely unexplored, an outcome of what's been sound financial judgment, if poor risk management.

group. Collectively, mainland visitors accounted for 33.8% of Macau's total retail spending last year.

"They've been so successful with the Chinese market that they haven't thought of expanding their horizons," a regional gaming executive with extensive Macau experience who requested anonymity says.

THE RISE AND FALL OF NON-CHINESE TOURISTS TO MACAU | Arrivals by Source Market From 2003 to 2014

Year	Total Visitors	Mainland China Visitors	Mainland China Visitors % of Total	Hong Kong Visitors	Taiwan Visitors	Greater China Visitors % of Total	Non-Greater China Visitors	Non-Greater China Visitors % of Total
2003	11,887,876	5,742,036	48.3%	4,623,162	1,022,830	95.8%	499,848	4.2%
2004	16,672,556	9,529,739	57.2%	5,051,059	1,286,949	95.2%	804,809	4.8%
2005	18,711,187	10,855,496	58.0%	5,614,892	1,482,483	95.9%	758,316	4.1%
2006	21,998,122	11,985,617	54.5%	6,940,656	1,437,824	92.6%	1,634,025	7.4%
2007	26,992,995	14,866,391	55.1%	8,174,064	1,444,082	90.7%	2,508,458	9.3%
2008	22,993,185	11,613,171	50.5%	7,016,479	1,315,865	86.7%	3,047,670	13.3%
2009	21,752,751	10,989,533	50.5%	6,727,822	1,292,551	87.4%	2,742,845	12.6%
2010	24,965,411	13,229,058	53.0%	7,466,139	1,292,734	88.1%	2,977,480	11.9%
2011	28,002,279	16,162,747	57.7%	7,582,923	1,215,162	89.1%	3,041,447	10.9%
2012	28,082,292	16,902,499	60.2%	7,081,153	1,072,052	89.2%	3,026,588	10.8%
2013	29,324,822	18,632,207	63.5%	6,766,044	1,001,189	90.0%	2,925,382	10.0%
2014	31,525,632	21,252,410	67.4%	6,426,608	953,753	90.8%	2,892,861	9.2%

Source: Macau Statistics and Census Service

Mainlanders have fueled Macau's shopping boom; even with last year's pullback, their MOP1,078 per capita shopping spending doubled that of any other group. Collectively, mainland visitors accounted for 33.8% of Macau's total retail spending last year.



It's been lucrative for Macau to put so many eggs in the mainland basket but not necessarily prudent, Ms Mendoza, a Macau-based marketing consultant, contends. "Historically Macau's reliance on China has always been risky," she says, noting that the mainland's yearlong cutback on visas to Macau from mid-2008, coupled with the global economic slump, hit Macau's economy hard. "Less reliance on one major economic feeder to me sounds like a healthier path to growth in long-term business and economic development."

The dangers to Macau's economic health of relying on the mainland became apparent again as gaming revenue fell for the first time since liberalization last year to \$43.9 billion amid Beijing's crackdown on graft and undocumented fund outflows. In the longer run, Chinese travelers' increasing sophistication and thirst for more unique experiences, particularly at the high end, plus increased regional gaming options seem destined to reduce their visits to Macau. In a report issued in January, CLSA estimates the 2014-20 compound annual growth rate for mainland arrivals to Macau at 9%, less than half the brokerage's growth forecast for North Asia, Western Europe and Australasia, though double the rate for Hong Kong.

In addition to reducing risk, drawing a broader spectrum of

visitors can make Macau a more attractive destination, Macau Institute for Tourism Studies (IFT) Assistant Professor IpKin Anthony Wong says. "It helps to diversify tourist experience and tourism products: Mainland Chinese have a strong preference for gaming and shopping. We do want to attract tourists who are also interested in other aspects of Macau: culture, food, event, sightseeing and heritage."

"This year, MGTO will continue to explore international markets while developing different visitor segments within a market so as to diversify our visitor sources," the government agency says. "Given the great potential of the Asian markets in the tourism industry, MGTO will allocate greater efforts in developing the Asian markets in this year."

The convention segment, classified under MICE—for meetings, incentives, conventions and exhibitions—was supposed to be a key to diversification in terms of both non-gaming revenue and broader geographic reach. MICE helped transform Las Vegas into a more multifaceted destination and lift non-gaming revenue to nearly two-thirds of total revenue, but it's yet to conjure similar magic in Macau.



In the longer run, Chinese travelers' increasing sophistication and thirst for more unique experiences, particularly at the high end, plus increased regional gaming options seem destined to reduce their visits to Macau.



WORKING THE ROOMS

One problem has been the sound business practice of maximizing profits from one of Macau's scarce resources, hotel rooms. "If you're yield-managing rooms, the highest and best use is a casino customer in the room [rather] than giving it to a convention attendee," Global Market Advisors Partner Andrew Klebanow says.

He points out that Las Vegas has 150,000 hotel rooms, while Macau has 28,000, about 18,000 of them five-star. "All those rooms are now for casino-centric customers," Mr Klebanow says. "Macau doesn't have enough rooms to alter its strategy. The next stage will help, [but] they will need a lot more hotel rooms and airlift to reposition Macau."

New Cotai resorts coming online over the next two years will add some 12,000 rooms, and experts expect Macau operators will widen their nets to fill them, particularly if Chinese high rollers remain reluctant to visit Macau and spend like old times. But more rooms alone won't change arrival patterns.

Convincing travelers from beyond Greater China to choose Macau, whether they're gamblers or sightseers, remains difficult for a variety of reasons. "Macau is not the easiest place to get to," Mr Klebanow says. International flights into Macau are limited and most on regional budget airlines that premium players may shun. Flying into Hong Kong means reaching Macau via ferry—except for those who can afford the helicopter option—adding at least an hour, and more bother, to the journey. The Hong Kong-Macau-Zhuhai bridge will make the trip simpler, but that's now unlikely to be completed before 2020, four years behind the original target.

"Macau is now being viewed as a daytrip destination [from Hong Kong]," Mr Wong says. "Given the cost associated with traveling to a daytrip destination, it may not be worth the money." He suggests working more closely with Hong Kong and cities in the Pearl River Delta region to create a more attractive tourism zone. "Of course, this is very challenging because different cities have their own priorities and agendas," he concedes.

"Perhaps we need to prepare the city better for non-Chinese visitors," Mr Wong adds. "Our foreign language ability is not as good as that of Hong Kong and Singapore." He ranks Macau's high cost relative to other regional destinations, poor public transport, scattered tourist sties and inadequate signage as other constraints.

Spectrum Asia's Mr Bromberg says international visitors in Hong Kong can look at a side trip to Macau in two ways. On the negative side, the ferry ride isn't a great experience, often concluding with long waits at immigration, particularly in Macau. On the positive side, Macau offers a unique history and culture with singular attractions from museums to graveyards. "If you hunt around, it can be a very pleasant tourism and dining experience."

SHARING THE WEALTH

"We want to market Macau not only as a city with a lot of new tourism infrastructure and entertainment but, at the same time, as a city which maintains its unique blend of East and West cultures and heritage," MGTO says. "For the more mature markets, we'd like [repeat] visitors to explore the lesser-known places of Macau. MGTO is also diversifying tourism products to attract different types of visitors and let them participate in the plentiful events and festivities of Macau."

This "community tourism" initiative, as MGTO terms it, driving more visitor traffic toward lesser traveled areas of Macau, aims to

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relieve overcrowding and spread the benefits of tourism more widely. MGTO has developed eight walking tour routes and arranged cultural performances along the routes.

According to IFT's Mr Wong, the walking tour routes underscore a glaring flaw in MGTO's strategy. "I do not feel that the government is working with the casino operators in attracting more visitors from beyond China. Rather, the government seems to be doing the opposite," he says. "The eight walking tour routes are an excellent example. There is a clear segregation of the tourism products along each route away from the casino areas." He believes the walking routes would be more compelling and logical if they included casinos. "What we should do [to] advance our marketing efforts in Macau is not to segregate casinos but to make them [part of] an integrated and attractive product," Mr Wong says. "What I would suggest is to leverage all the attractions, including casinos, shopping facilities, museums, heritage sites, to provide tourists a more integrated and complete travel experience."

Ignoring casinos plays away from Macau's greatest strength, Mr Wong believes. "We are among the best in casinos in terms of scale and number. But we are not utilizing that in our marketing plan and promotion strategy. On the contrary, we are promoting things that are not very attractive relative to other destinations."

Mr Wong realizes embracing casinos may be as difficult as it seems obvious. "I understand that the government—both Macau and mainland China—do not want to promote gambling. However, many tourists do like to visit casinos, even though they may not like gambling. And casinos are very attractive to tourists, especially mainland Chinese." He notes that Singapore, which keeps a close eye on anything that smacks of casino marketing, features a photograph of the Merlion, its national symbol, in front of the triple towers of Marina Bay Sands in tourism promotion materials.

"MGTO is putting a lot of effort into promoting Macau overseas. Yet, it is not a promotion/communication issue," Mr Wong, who earned his PhD in communications and information services, claims, it's a product issue. "Our tourism products, perhaps other than the

By staging major sporting and entertainment events, Macau can widen its international appeal.



On the negative side, the ferry ride isn't a great experience, often concluding with long waits at immigration, particularly in Macau. On the positive side, Macau offers a unique history and culture with singular attractions from museums to graveyards. "If you hunt around, it can be a very pleasant tourism and dining experience," says Spectrum Asia's Paul Bromberg.

casinos, are not attractive compared to the tourism products from other destinations." The Macau government's 2014 visitor survey bears that out: tourist attractions got a satisfaction rating of 40.4%, the lowest of any category. Next worst was public transport at 65.6%, and Mr Wong notes that Macau's government wants to curb casino shuttles, which, in his research, tourists rate as Macau's best transport option.

"The key here is that we have to be the No. 1 in something. And the only way we can achieve that is through developing more and better casino facilities," Mr Wong says, particularly since Macau faces greater gaming competition from destinations such as South Korea. "What Macau should do is to leverage its strength to develop more casinos—not necessarily [featuring] gambling and the gaming floor—with more entertainment facilities and options. Shopping, dining, shows and events, and heritage and cultural attractions in Macau are wonderful options. We must utilize these existing tourism products to create a more complete experience for tourists, especially non-Chinese tourists, and to leverage the strengths from the casinos," Mr Wong says, including state of the art architecture and interior design, round the clock operation and entertainment options for adults, families and children.

"In essence, casinos should be built like a theme park and a vacation wonderland. We have witnessed the difference between the contemporary integrated casinos, for example, Venetian Macao, and the older ones. Think about Vegas. I think Macau will soon follow the footsteps of Vegas." Of course, Las Vegas first thrived relying on visitors from nearby California and has since grown into an international destination. *iag*

Editor at large **Muhammad Cohen** also blogs for *Forbes* on gaming throughout Asia and wrote "Hong Kong On Air," a novel set during the 1997 handover about TV news, love, betrayal, high finance and cheap lingerie.

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 Four men in dark suits and ties are gathered around a large, glowing white globe. They are all smiling and have their hands on the globe, as if participating in a formal lighting ceremony. The background is a blurred, colorful pattern of lights.

Philippine Gaming's

Guiding Light

As Manila's Entertainment City spurs growth and regulatory challenges, Pagcor chairman Cristino Naguiat wants all sides to profit

PAGCOR Chairman and CEO Cristino Naguiat isn't a man of many words. But he doesn't need to be. The progress of Pagcor—the Philippine Gaming and Amusement Corporation—speaks for itself since President Benigno Aquino handpicked Mr Naguiat for the top job in July 2010. A former Pagcor auditor before serving as a hospital chief executive, Mr Naguiat has to balance Pagcor's diverse roles as gaming regulator, casino operator, government revenue generator and driving force behind Entertainment City, a master-planned district in Manila Bay that's developing into the

largest cluster of integrated resorts between Macau and Las Vegas. Though Entertainment City was conceived under Mr Naguiat's predecessors, his administration has made it a reality. In February, City of Dreams Manila held its grand opening as the second resort in Entertainment City. The first was Solaire Resort and Casino, a US\$1.2 billion project spearheaded by Philippine ports billionaire Enrique Razon Jr, which opened in March 2013 at the 120 hectare (300 acre) district that will also include commercial and residential developments.

City of Dreams Manila brings Macau casino operator Melco Crown Entertainment to the Philippines. Working in partnership with SM Group, controlled by Henry Sy, the Philippines' richest man, Melco Crown increased its investment in the \$1.3 billion project and took over operations after Pagcor reinterpreted its terms of reference for licensees' projects, basing its allocation of gaming tables and machines on total size of lodging areas as well as number of rooms. That revision increased the resort's permitted number of tables by 50% to 384 and more than doubled the number of electronic gaming positions.

The Resorts World Bayshore City project, scheduled to open

From left: Philippine President Benigno Aquino, Solaire Chairman and CEO Enrique Razon, PAGCOR Chairman and CEO Cristino Naguiat, Jr and Paranaque City Mayor Florencio Bernabe lead the formal opening of Solaire Resort and Casino at Entertainment City on 16th March, 2013.

in 2018, broke ground last year. Its owner, Travellers International Hotel Group, operates Resorts World Manila, the country's first major independently operated casino resort, which opened in 2009 and enjoyed rapid success, paving the way for the new breed of properties now opening at Entertainment City. Travellers is a joint venture between local billionaire Andrew Tan's Alliance Global Group and Genting Group subsidiary Genting Hong Kong. Genting and Melco Crown partner Crown Resorts are both developing resorts on the Las Vegas Strip and are expected to be approved for Nevada gaming licenses, an indication of Pagcor's increased legitimacy as a regulator. Genting already has a gaming venue in the US, Resorts World New York City—considered the most profitable machine-only gaming venue in the country—and recently won a license to develop a second property outside New York in the Catskill Mountains resort area.

Caesars Entertainment, which operates some 40 casinos in the US, has expressed interest in building a Manila integrated resort, another sign of Pagcor's enhanced regard as a regulator. Despite

Caesars' brand profile and history, Mr Naguiat reacted coolly to the idea. Pagcor says it wants to let its Entertainment City operators find their footing before granting further gaming licenses. That had to warm the hearts of current licensees.

Similarly, Pagcor under Mr Naguiat has stood up for its licensees in the battle over income tax with the Bureau of Internal Revenue. A 2011 Supreme Court decision removed Pagcor's exemption from the 30% corporate income tax, and a 2013 BIR circular said the tax also applied to Pagcor's licensees. Exemption from income tax was a key selling point for Pagcor to attract licensees, and the court ruling fueled doubts about the Philippines as a reliable investment destination with repercussions beyond the gaming industry. Pagcor fought the BIR decision in the courts and pledged to negate the impact on licensees. Last year, it agreed to cut license fees, effectively the gaming tax, by 10 percentage points to 5% on VIP play and 17% on mass market revenue, a decision that was unpopular with the public and the bureaucracy. In February, the Supreme Court ruled that Pagcor was exempt from the income tax

Two of Pagcor's 11 Casino Filipino-branded gaming establishments are located in Manila. Of the rest, some are in key cities with significant tourism potential. Pagcor also operates electronic gaming arcades, mini-casinos with machines and table games, and bingo halls across the archipelago.



Casino Filipino Angeles



Casino Filipino Cebu



Casino Filipino Davao

Casino Filipino Pavilion
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but made no mention of its licensees. Bloomberry Resorts, Solaire's Manila-listed corporate parent, has filed suit against the BIR ruling, and that case is pending.

Pagcor has also been ready to stand up to licensees. Tiger Resort, Leisure and Entertainment, a subsidiary of Japanese pachinko magnate Kazuo Okada's Universal Entertainment, has been embroiled in legal and regulatory issues, including bribery allegations that arose amid Mr Okada's ouster as a director at Wynn Resorts in 2013. Philippine investigators have reportedly dismissed the bribery case but investigation continues into allegations that Tiger attempted to circumvent the legal requirement of 60% land ownership by Philippine nationals through dummy corporations. While the judiciary process plays out, Pagcor has said repeatedly that the \$2 billion project known as Manila Bay Resorts needs to satisfy the Philippine land-ownership requirement before it can open. Potential partnerships between Tiger and Philippine companies have fallen through twice, and Tiger says it is in partnership talks again.

Tiger's Marina Bay Resorts completion date is a more immediate issue. Its contract with Pagcor mandated completion by the end of March, extended from an original 2013 completion date. Tiger told a congressional hearing last month that it has asked Pagcor for an extension to the first quarter of 2017, promising to invest an additional \$700 million to increase the size of the resort by 97,000 square meters—more than 1 million square feet—including more guest rooms, parking and design enhancements. Pagcor President and Chief Operating Officer Jorge Sarmiento stated at the hearing that Tiger would forfeit its 100 million Philippine pesos (\$2.3 million) performance bond for missing the deadline. He added that Pagcor was evaluating the construction status and could revoke or suspend Tiger's license if the project is not more than 50% complete.

Mr Naguiat has also had to help Pagcor's operating arm cope with the impact of private licensees in Manila on Pagcor's Casino Filipino properties. In 2013, Pagcor closed its casino at the Heritage Hotel, the closest of its gaming properties to Entertainment City, and last year it shuttered its Airport casino, near Resorts World



Cristino Naguiat

Manila. That leaves Pagcor with just two of its 11 casinos in the capital region. Pagcor also operates electronic gaming arcades, mini-casinos with machines and table games, and bingo halls across the archipelago.

In his office at Pagcor's headquarters, above its casino at the New World (former Hyatt) Hotel in Manila's Ermita district, Mr Naguiat talked to *Inside Asian Gaming* Editor at Large Muhammad Cohen about the state of gaming in the Philippines.

More Bricks For “Nation Building”

GAMING REVENUE IN THE PHILIPPINES GREW 16% in 2014 to 110 billion Philippine pesos or US\$2.5 billion, according to Pagcor Chairman Cristino Naguiat. The share of that revenue generated by Pagcor, the government-owned casino operator and industry regulator, fell to 27%.

Pagcor operates 11 casinos, two in Metro Manila after the closure of its Airport Casino Filipino last year, plus other gaming facilities.

The combined gaming revenue of those venues was up 8.5% last year to P29.9 billion (\$675 million).

Pagcor's overall revenue fell 1.3% last year to a shade below P40 billion. The main reason for the reduction was a decreased take from its casino licensees, four in Manila and four smaller ones in the provinces, after Pagcor cut license fees—effectively the gaming tax—to balance the impact of a 2013 court ruling requiring licensees to incur the nation's 30% corporate income tax—licensees had previously believed they were exempt from taxes other than their license fees. Pagcor's revenue in the “other services” category including license fees dove 28.2% to P8.6 billion. Pagcor's net income rose 5.1% to P3.3 billion.

Pagcor's payments to the government—described as “contributions to nation building” by Mr Naguiat—rose 2.3% to P21.7 billion. Pagcor is mandated to turn over half of its revenue to the treasury and is the third largest contributor to government revenue after the Bureau of Internal Revenue and Customs. Pagcor

IAG: Entertainment City now has two integrated resorts open. Do Solaire and City of Dreams Manila live up to Pagcor's expectations?

Mr Naguiat: Definitely. It gets better and better. If you compare it with what we had 10 years ago, these are totally different establishments. They are integrated resorts. That was part of our terms of reference since the project started in 2009. They have to have a certain number of rooms. They have to have a specific percentage of gaming and non-gaming.

I know it's like asking a parent if they have a favorite child, but do you like one of these two resorts better than the other?

They'll be catering to two different markets. City of Dreams has its own markets. Your guess is as good as mine if you try to answer which one is better. I think they've both exceeded our expectations. First we had Resorts World Manila introducing the concept of integrated resorts as they did in Singapore. Solaire raised the bar. City of Dreams has tried to go a step further. They're spending a lot of money promoting City of Dreams. They've got lots of advertisements on television. Of course, whatever City of Dreams does will have a trickle down effect on the rest of the market. It's not a standalone property. It has the Crown Towers, it has the Nobu Hotel, it has the Hyatt. It has DreamPlay.



Though Entertainment City was conceived under Mr Naguiat's predecessors, his administration has made it a reality. In February, City of Dreams Manila held its grand opening as the second resort in Entertainment City.

And it has Solaire down the street. It's a destination.

What's the impact of having Melco Crown as an operator in this market?

It's a big plus factor for Entertainment City. Melco Crown brings its networking from Macau, its connections with junkets in Macau. We have Solaire, which is a local company, and we have City of Dreams from

Macau. There's efficiency in its preparations to tap into that market. City of Dreams gives us a direct line into Macau.

What are the challenges ahead for completing the development of Entertainment City?

These are highly capital-intensive projects, over \$1 billion each. Up to this point, the developers have been able to finance their



Casino Filipino Davao in Davao City, Mindanao, Philippines.

also distributes revenue to a variety of individual public entities, including the local governments of cities hosting its casinos, the National Endowment for Culture and the Arts, and the Dangerous Drugs Board.

Despite the erosion of its market share with the opening of licensees' integrated resorts in Manila, Pagcor has produced more revenue for the government as the gaming market has grown. In 2008, before Resorts World Manila opened as the first major independently operated licensee in the Philippines, Pagcor had a 65% share of a P40.5 billion casino gaming market, its total revenue was P29.6 billion and payments to the government were P15.2 billion. In 2012, with RWM operating but before the opening of Solaire as the first Entertainment City casino resort, the country's gross gaming revenue had grown to PH75.7 billion, Pagcor's share had shrunk to 41%, its revenue had increased to P40.9 billion and payments to the government were P19.6 billion. **iag**



Casino Filipino offers table games like baccarat, roulette and craps, among others.

“Until Congress changes our mandate, we will continue as a regulator and an operator. It’s a mandate that the agency has to follow. If the Congress says that Pagcor should just be a regulator and separate or sell our casinos, then we will follow that mandate. But they need to make that decision.”

projects. There’s been healthy economic growth in our economy. But another financial crisis could affect the ongoing projects.

What about the situation with Manila Bay Resorts, the project led by Kazuo Okada?

Basically, they’re in material breach of the contract. Based on the contract [which granted a provisional gaming license], they should have been finished by March [last month]. They have given a performance bond [of P100 million]. By not complying with the terms of the contract, they risk forfeiture of the bond.

So far, everyone [else] has been running more or less on time. But Manila Bay Resorts’ time frame is two more years. In that case, the proposition of a \$10 billion [gaming] market is unlikely to be hit by 2018. Every year, we still project double digit growth. Off a low base, VIP is up 50% [for 2014], and with City of Dreams that’s a no brainer again this year. Overall growth should be more than 16% [the 2014 growth number].

Where will the growth come from?

Everybody is saying their focus is on the Chinese market. We have a very small

attendance from the Chinese market. We’re starting here from a low base. It’s a no brainer that it will double this year. Our foreign tourism overall is growing. We get a lot of visitors from Korea, from Indonesia, from Japan and ASEAN [Association of Southeast Asian Nations], also from China. We’re not competing against Macau. We just want to be in the loop.



Casino Filipino is known for its friendly gaming staff.

How will the accelerating expansion of gaming in the region—in Macau, in Vietnam, in Cambodia and in South Korea—impact the Philippines?

Macau will always be number one. That’s a given.

Vietnam is too far to matter in this market. Korea is foreign players only.

For visitors, we have so much to offer in the Philippines. We have historical sights in the Philippines, we have beautiful beaches. As the advertisement says, “It’s more fun in the Philippines.”

Tourism is showing double digit growth, but from a low base. There haven’t been official figures yet, but the total was about 5 million last year. We’re forecasting 6 million this year.

What changes has Pagcor made as a regulator that have helped create confidence in the Philippines as a gaming jurisdiction?

The first thing is transparency. Everything we do is out in the open. Second, there’s a level playing field for everyone.

We have to respect what has been agreed to under the previous regime even though that was done before our team came in.

Between Pagcor and licensees, everything should be win-win. The higher the share for them, the higher the share for us: win-win. There will always be some conflicts. When this happens, it has to be discussed, and we have to look for solutions that are beneficial to all.



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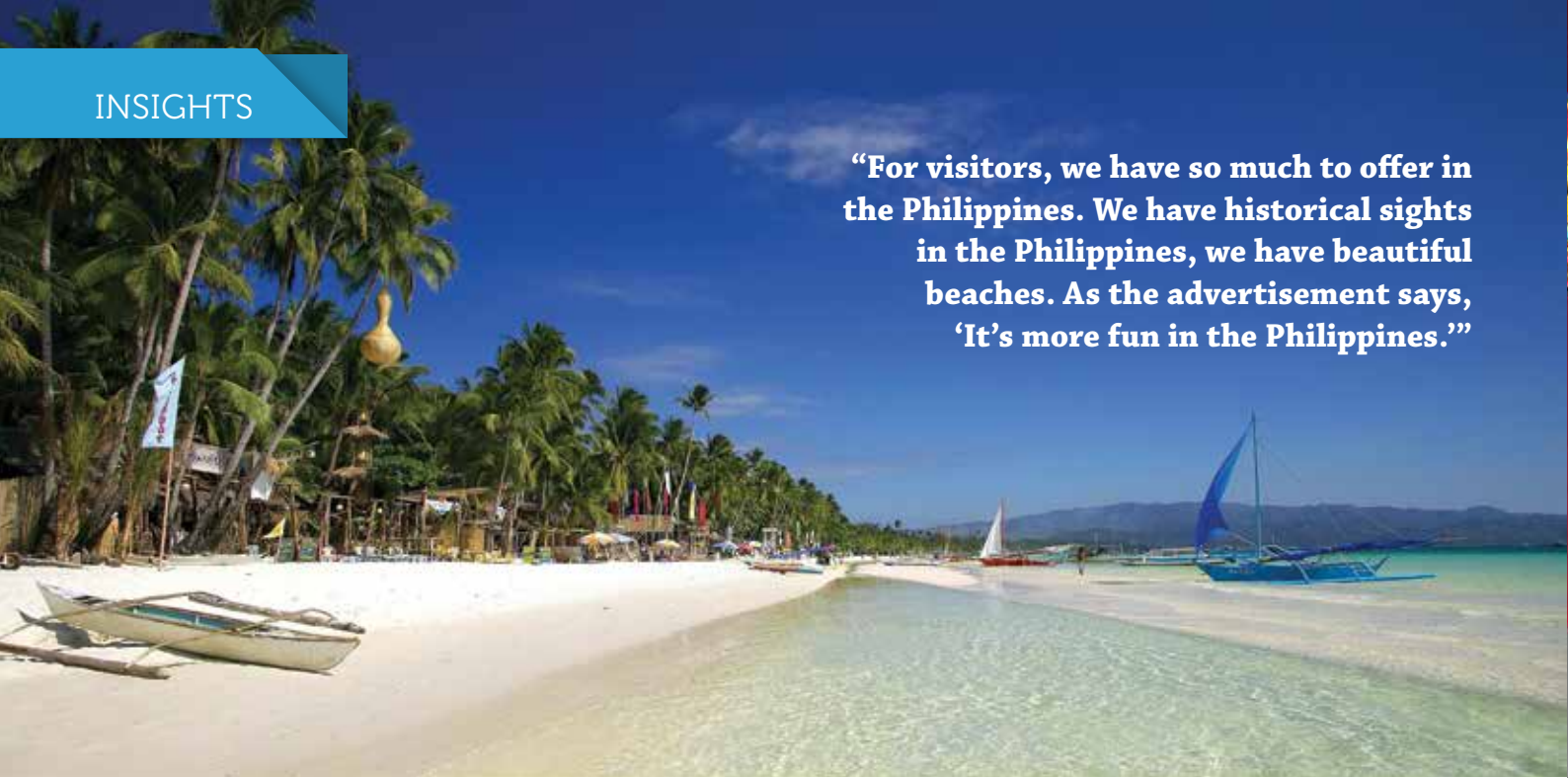
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“For visitors, we have so much to offer in the Philippines. We have historical sights in the Philippines, we have beautiful beaches. As the advertisement says, ‘It’s more fun in the Philippines.’”



Was the decision regarding income-tax an example of that?

We respected the contract. We are responsible for fulfilling the contract. The matter of the tax is still being adjudicated by our Supreme Court. [After this interview, the court ruled in favor of Pagcor’s exemption, but was silent on the licensees’ obligations.] Our decision made us a whipping boy for the media. But it was in the best interests of all involved.

Many international companies—Caesars, when it expressed interest in building a resort in Manila, for example—have said they have confidence in the Philippines as a place to invest and do business because of President Benigno Aquino. But his term will end next year. Do you think that business

confidence in the Philippines can survive the change in administration?

Definitely. For Pagcor, and I’m confident for other agencies as well, a lot of nation-building measures have been put into place. A lot of changes have been made in the way the government operates. I’m sure everyone will follow what President Aquino’s administration is doing. There have been a lot of good people joining the government and changes in the way the government operates. It’s hard to break that chain of positive developments. I think it will continue under the next president.

With the expansion of licensed casinos in Entertainment City, Pagcor has already closed two of its casinos in Metro Manila. Do you foresee further closures? More

broadly, what role is there for Pagcor casinos in a Metro Manila market with five integrated resorts?

In Macau, small casinos continue to operate even though they have huge resorts. There continues to be a place for smaller casinos. We think that will be the case here as well. We’re more focused outside of Entertainment City. That area is for the licensees, and they have their customers. We see Pagcor staying in Metro Manila. We will continue to monitor the situation. We see having some small operations, maybe. Pagcor is still viable, very viable, especially if you look at our operations in the provinces. It’s not competition for Entertainment City. That’s not our role.

Do you favor splitting Pagcor’s casino operations and its regulatory function?

Until Congress changes our mandate, we will continue as a regulator and an operator. It’s a mandate that the agency has to follow. If the Congress says that Pagcor should just be a regulator and separate or sell our casinos, then we will follow that mandate. But they need to make that decision. It’s not up to Pagcor.

If Pagcor was split into a regulator and an operator, which half would you rather be chairman of?

If Pagcor was split, I’d rather not work for Pagcor anymore. I’d like to go back to an ordinary life. I think I did my part. We have 100 million people in the Philippines; let one of them take their turn. [iag](#)



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Unleashing the Wave

In a country setting the trends across Asia, foreigner-only casinos are looking woefully antiquated. That's set to change from 2017 as the first of several South Korean integrated resorts comes online. Then, at last, the industry can properly capitalize on *hallyu*, the Korean cultural wave that's driving dizzying growth in Chinese visitation

Illustration by Rui Rasquinho

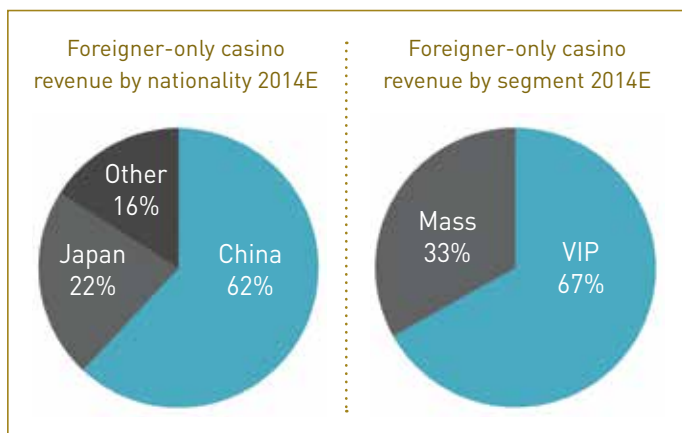
SOUTH Korea's 16 foreigner-only casinos are fast becoming an anachronism in a continent increasingly replete with the latest and greatest destination-scale gaming resorts.

The largest and best-known currently operating foreigner-only casino was opened in 1968 at the Sheraton Walker Hill Hotel in the capital, Seoul, one year after the sector was legalized. It's got 79 tables, twice the average among its peers.

In 2014, foreigner-only casinos generated about 1,378 billion won (US\$1.25 billion) in gaming revenue, essentially flat from the year before. To emphasize the sector's modest size and its potential for growth, observers contrast that figure with Macau's casino revenue, which last year was 35 times greater, at \$43.9 billion. It's a sensationalistic comparison, but there is perhaps some merit in making it because the two markets aren't as different as they appear at first glance.

Macau's casinos, though technically permitted to serve locals, derive a virtually insignificant proportion of their revenue from them. The bulk of the take at both Macau's casinos and Korea's foreigner-only venues is supplied by players from mainland China. The split between VIP and mass market is also fairly similar across the two markets. There's a big difference in capacity, though, with about 620 gaming tables across Korea's foreigner-only sector, versus 5,700 tables in Macau, making a pound-for-pound comparison between the two markets more meaningful than a top-line revenue comparison: the average Macau table generated \$7.7 million last year, close to four times the yield of the average Korean foreigner-only table, which made \$2 million.

Two-Way Split: Chinese VIPs Dominate



Source: J.P. Morgan estimates

The two markets have different catchment areas, but that doesn't seem to explain the gap. Macau, situated on China's affluent southern coast, benefits from its proximity to the wealthy residents of Guangdong province. South Korea's foreigner-only casinos, meanwhile, enjoy an exclusive position in northeast Asia, providing the closest legal gaming tables to not only wealthy northern Chinese, including residents of Beijing and Shanghai, but also to Japanese.

South Korea's foreigner-only casinos enjoy an exclusive position in northeast Asia, providing the closest legal gaming tables to not only wealthy northern Chinese, including residents of Beijing and Shanghai, but also to Japanese.



There is arguably sufficient demand in Korea's neighborhood to support a casino industry with a capacity close to that of Macau's, even if the ban on domestic play remains in place.

NOT "REAL" CASINOS

As capacity increases, yields generally drop—in economic theory it's known as the law of diminishing returns. The reason an average table yields so much more in Macau than in Korea is the two markets don't offer comparable products. Over the past decade, lavishly appointed resorts unveiled in Macau, Singapore and, most recently, the Philippines, have drastically altered regional gamblers' expectations of a casino experience. As JP Morgan analyst DS Kim puts it, Korea currently lacks "real casinos"—that are of comparable scale and quality and have similar offerings as those in other markets—to appeal as a destination to gamblers in the region."



The Korean government first resolved to address this shortfall back in 2011 with plans to approve the development of a number of integrated resorts with foreigner-only casinos. The first project to get the go-ahead was a joint venture between the country's leading foreigner-only casino operator, Paradise Group, and Japanese gaming machine manufacturer Sega Sammy Holdings. The resort, dubbed Paradise City, is located in a special economic development zone on Yeongjong island, the site of Incheon International Airport, the main gateway for foreign arrivals, located about 30 kilometers from Seoul. Groundbreaking took place in November with an anticipated 2017 opening at an initial cost of US\$750 million.

Korea's foreigner-only casino market will remain constrained ahead of the new integrated resorts coming online from 2017 onwards. Even then, skeptics such as Seoul-based gaming analyst

The reason an average table yields so much more in Macau than in Korea is the two markets don't offer comparable products. Over the past decade, lavishly appointed resorts unveiled in Macau, Singapore and, most recently, the Philippines, have drastically altered regional gamblers' expectations of a casino experience.



Paradise Group is confident its upcoming Paradise City resort will stand out among the crowd that follows. "Paradise will differentiate from new foreign players with 'Korean-ness,'" says Paradise Group Chairman and CEO Philip Chun, who's expecting to leverage *hallyu*, the Korean pop culture trend sweeping Asia.

Capitalizing on *Hallyu*

PARADISE GROUP IS CONFIDENT ITS UPCOMING Paradise City resort will stand out among the crowd that follows. "Paradise will differentiate from new foreign players with 'Korean-ness,'" says Paradise Group Chairman and CEO Philip Chun, who's expecting to leverage *hallyu*, the Korean pop culture trend sweeping Asia. "The main content Paradise will be showing to our guests is Korean culture such as K-pop and other entertainment content."

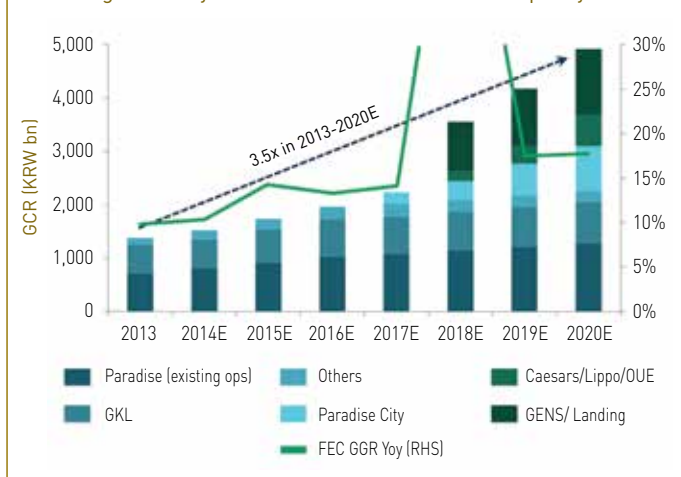
"The Birth of Korean Cool," a recently published book on the rise of Korean pop culture, explores the economic value of exporting the Korean dream. It points out that *hallyu* is driving sales of Korean fridges, computers, TVs and cars. It's also encouraging tourism.

The value of *hallyu* to Korea has even been quantified. In 2012, the Ministry of Culture, Sports and Tourism estimated the asset value of *hallyu* at US\$83.2 billion, just as the government embarked on its mission to promote the development of integrated resorts to drive tourism. The culture ministry is now charged with managing that process.

Korea appears unable to fully capitalize on the boom in Chinese visitors with its existing casino product. Foreigner-only casino revenue was essentially flat in 2014, even though the country's tourism receipts rose 24.4% year on year to US\$18.1 billion and visitor arrivals grew 16.6% to 14.2 million. Among those arrivals, the

Poised for a Boom

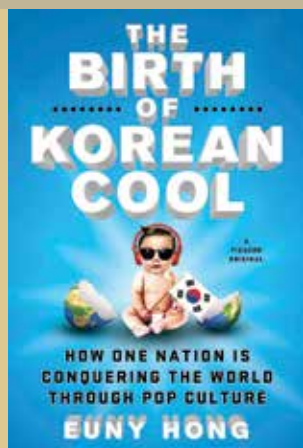
Foreigners-only casino revenue is forecast to triple by 2020



Source: NGCC, Companies, Standard Chartered Research estimates

Steve Park at Kore Company argue the country's new "mini-IRs" will prove too small to compete regionally. "Korea has a supply of foreigner only casinos already. Would one, two or three more bring more gamers? Would mini-IRs supply the Singapore experience? I doubt it," he contends. Paradise City, with its initial complement of 160 gaming tables, 388 electronic table games and 350 slot machines, will become by far the country's largest foreigner-only casino come 2017, but will hardly measure up to the IRs in Macau and Singapore.

There are several bulls, however, including Standard Chartered analyst Philip Tulk, who believes IRs in Incheon will produce a cluster attractive to foreign visitors. A second project already approved on Yeongjong is a similarly priced joint venture led by US casino operator Caesars Entertainment, which plans to break ground this year and open in 2018. Two other ventures could join the cluster come 2019, including one developed by Hong Kong-based retail and property conglomerate Chow Tai Fook Enterprises, and another by the operator of Incheon's international airport. There's also a chance they could all morph into more than mini-IRs. At final build-out, most of the proposed Incheon projects have investment targets in the billions of dollars, though clearly, it remains to be seen whether any of them are realized. Even Paradise City envisions doubling its investment in its second phase.



number of Chinese soared 41.6% to 6.13 million, following 52.5% growth in 2013. Last year, Chinese visitors comprised 43.1% of total arrivals, having risen steadily from 10.8% in 2004 to 25.5% in 2012, then going on a tear over the past two years as China's middle-class masses fell increasingly under *hallyu's* spell. The trend looks set to continue and bring Chinese visitors' share of total arrivals to over 50% this year.

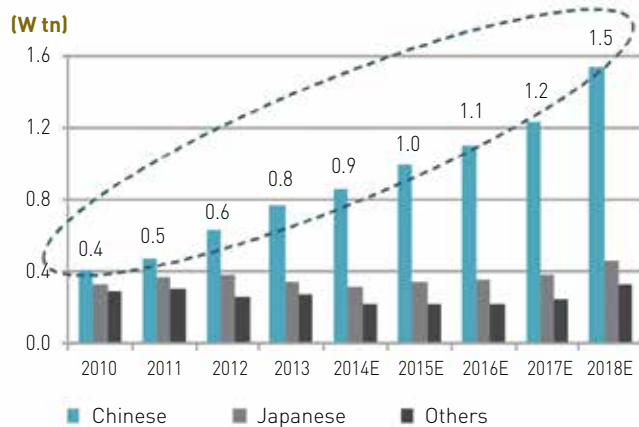
As China rises, Japan has been displaced as Korea's biggest source of arrivals. Japan had still held the lead as recently as 2012, when it supplied 31.6% of arrivals, but the number of Japanese visitors fell sharply over the past two years as the yen depreciated against the won, bringing Japan's share of arrivals down to 16.1% in 2014.

It's worth bearing in mind that when the South Korean government legalized foreigner-only casinos in 1967, Japan was by far the country's leading source of tourists and it was Japanese players the sector was designed to serve. In recent years, just as they've done in the tourism sector, Chinese have also supplanted Japanese in the casino sector.

The continued wane in demand from Japanese players is no doubt contributing to the current softness in Korea's foreigner-only market. Given the likely near-term legalization of casinos in Japan, however, it's just as well the sector is continuing to reduce its reliance

Chinese Will Drive Growth

Gaming revenue split by nationality at foreigners-only casinos



Source: Company reports, J.P. Morgan. Estimates.

on Japanese—who now supply only about a fifth of its revenue—and is getting even more geared to serving Chinese.

The combination of *hallyu* and integrated resorts could provide a potent draw for China's fast-growing middle class, also spurring the advance of mass-market players in the foreigner-only sector, and a gradual end to the dominance of VIPs. iag



A second project already approved on Yeongjong is a joint venture led by US casino operator Caesars Entertainment, which plans to break ground this year ahead of a planned opening in 2018. Two other ventures could join the cluster come 2019.

Meanwhile, the government plans to speed the process along by revising investment limits to allow major Korean corporations to participate in the integrated resort industry. Existing rules stipulate that foreign investors must hold at least 51% of such projects before local players can join in. “Now, anybody, including large companies such as Samsung and Hyundai, can participate in the projects through fair competition,” a government official explained.

Another locus of development could be the popular resort island of Jeju, which sits just below the Korean peninsula’s southwestern tip. In February, Genting Singapore, operator of Resorts World Sentosa in Singapore, along with its JV partner

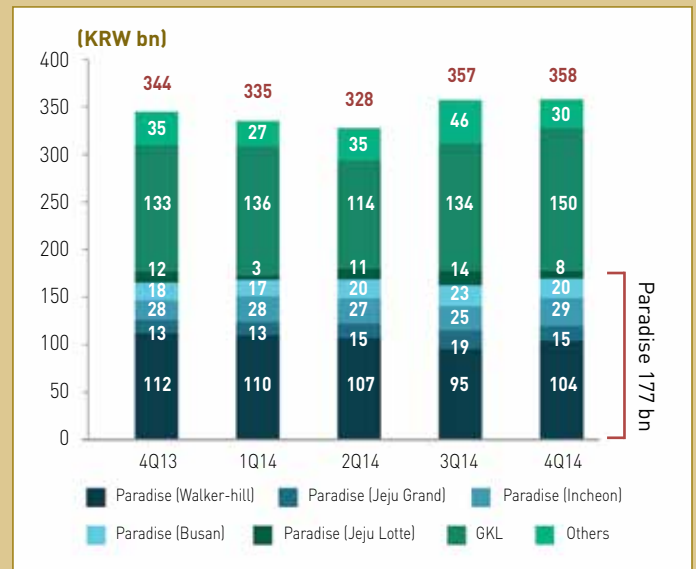
Playing Catch-Up

APART FROM PARADISE GROUP, WHICH HAS BEEN running foreigner-only casinos in Korea since the 1960s, the other big operator in the market is a relative upstart, Grand Korea Leisure. Together, Paradise and GKL generate about 90% of foreigner-only revenue—a share that Paradise had controlled by itself prior to GKL’s establishment in 2005.

GKL was set up as a subsidiary of the Korea National Tourism Organization, with the objectives of promoting tourism, raising money to fund tourism projects and helping to reform the Korean image of gaming as a social evil. It opened three casinos—two in Seoul and one in the port city of Busan—under its Seven Luck brand in 2006, and by 2010 had grabbed an estimated 54% of the foreigner-only market, though Paradise soon reclaimed the lead as GKL slipped firmly into second place. In recently quarters, GKL’s share has bobbed in percentage terms in the mid-30s to low-40s range, compared to Paradise’s mid-40s to low-50s.

The gap is likely to widen when Paradise launches Korea’s first integrated resort, slated to open near Incheon in early 2017. GKL hopes to counter that by expanding its Seoul Gangnam branch within the next year or so. Management is also pursuing approval to operate casino cruises and has put together a proposal to develop an integrated resort of its own, with Jeju and Busan tipped as possible locations.

Paradise Leads the Foreigner-Only Market



Note: Figures are rounded to nearest unit, thus they may not add exactly to the round total
Source: Korean Casino Association

Failure to get approval for its IR project would consign GKL to a perennial runner-up position in the market. Even if it does get approval soon, it’ll have a lot of catching up to do. *iag*

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Resorts World Jeju, with an anticipated budget of \$1.8 billion and expected to open in phases between 2017 and 2019, “will be right out of the Resorts World Sentosa playbook—theme parks, hotels, entertainment, etc., and all in a low-rise format.”



Landing International Development Limited, held a ceremonial groundbreaking for their Resorts World Jeju development. As Union Gaming Research Macau analyst Grant Govertsen noted, “While we would typically not get too excited about a ceremonial groundbreaking, we would highlight that the governor of Jeju, Won Hee-Ryong, not only attended the event but also participated in it. Recall that following his election as governor last June, he put the brakes on several projects—gaming and non-gaming—in order to conduct a more comprehensive review of them. We believe this is why the RWJ groundbreaking was postponed for more than half a year. Given the governor’s participation in the groundbreaking event, we believe that: 1) the governor has blessed the RWJ project and it should now be able to move full-speed ahead; and 2) the governor is not as anti-gaming as certain parties have suggested—in fact, we believe he could ultimately be supportive of a small number of high-quality gaming projects in Jeju.”

Mr Govertsen predicts Resorts World Jeju, with an anticipated budget of \$1.8 billion and expected to open in phases between 2017

and 2019, “will be right out of the Resorts World Sentosa playbook—theme parks, hotels, entertainment, etc., and all in a low-rise format—but with the addition of residential properties that will (presumably) be marketed to mainland Chinese.”

Paradise Group says it also intends to build an IR in Jeju, where it currently has two casinos.

JEJU’S UPSIDE POTENTIAL

Daiwa Securities analysts Jamie Soo and Adrian Chan don’t believe Resorts World Jeju will be a big earner for Genting Singapore.

“The size of the casino still remains unclear, but we do not expect a significant contribution to earnings since only foreigners are allowed in,” they wrote. “Our previous estimates show that RWJ would add only about 1-2% to Genting’s top line, assuming RWJ earns the average of foreigner-only casinos in Korea.”

Still, there could be potential for the popular volcanic holiday island to surprise on the upside.

Jeju has been particularly welcoming to Chinese visitors,



Jeju is a one-hour flight from Shanghai and two-and-a-half hours from Beijing. The number of Chinese visitors to the island jumped 58% to 2.9 million last year, almost half the 6.1 million Chinese visitors who descended on South Korea last year.

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Jeju has been particularly welcoming to Chinese visitors, exempting them from visas needed to visit other parts of the country. There's potential for the popular holiday island to surprise on the upside.

exempting them from visas needed to visit other parts of the country. The *Wall Street Journal* quotes Willa Wu, a Hangzhou, China, businesswoman who has traveled to Jeju several times, as saying: "The major reason for most people to travel to Jeju is that it's visa-free. And the price for group travel is so cheap."

Jeju is a one-hour flight from Shanghai and two-and-a-half hours from Beijing. The number of Chinese visitors to the island jumped 58% to 2.9 million last year, almost half the 6.1 million Chinese visitors who descended on South Korea last year.

In another move to jump-start the local economy, local authorities eased investment rules in February 2010, giving permanent residency to foreigners who purchase property worth at least 500 million won (\$460,000) in designated districts and who keep them for five years. Since the introduction of the program, more than 1,000 foreigners have used it to apply for residency status, of whom 98% were Chinese nationals.

"Rising tourists and investment from China are helping us raise tax revenue and enhance Jeju's brand as a global resort destination," says Kim Nam-sun, a director at the Jeju provincial government.

Union Gaming Research Macau analyst Grant Govertsen is particularly bullish on Jeju's prospects. He believes the island might even be a better bet for integrated resort developers than Incheon.

"This is not to say that we don't believe a foreigner-only IR in the greater Seoul (e.g. Incheon) area can't be successful," he notes. "However, we feel that the edge might belong to Jeju in the context of it likely being a limited license environment with superior access to Chinese—despite the fact that there are currently eight (very small) casinos in operation."

Mr Govertsen estimates Resorts World Jeju's total development cost could be as much as US\$1.8 billion, "of which half would, in theory, be attributable to Genting." He adds, though, that "the net cash cost to Genting could be minimum per management commentary that much of the project cost is expected to be brought down via residential [property] sales."

The ability to offset some of the investment outlay on Resorts World Jeju through sales of residential properties offers Genting an opportunity to improve the project's risk/reward profile—an opportunity the developers of multi-billion dollar casinos in Macau's Cotai resort district have thus far been unable to avail themselves of.

LOSS OF EXCLUSIVITY

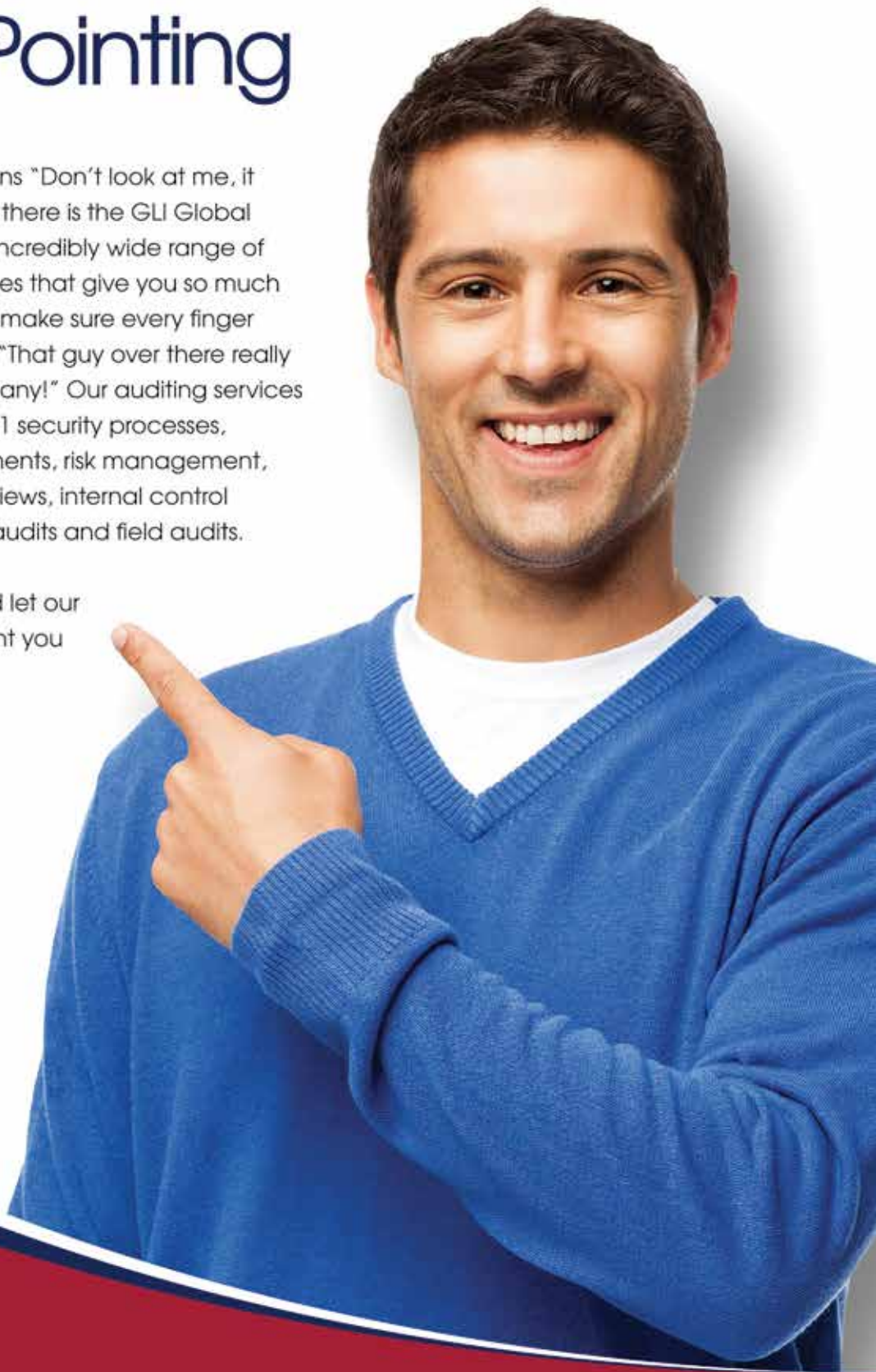
Global names of the likes of Las Vegas Sands are also taking a hard look at developing integrated resorts in South Korea, albeit with reservations about the prohibition on domestic play. It's a valid

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SO MUCH MORE THAN JUST TESTING

A planned casino cluster on the outskirts of Vladivostok in Russia's Far East lies squarely within Korea's catchment area.



Scheduled Obsolescence

KANGWON LAND'S EXCLUSIVE HOLD ON DOMESTIC players in South Korea expires in 2025.

The majority state-owned company's stated goal is to prepare for that day, not just to secure its own post-monopoly future but to continue its overriding mission to contribute to the economic revival of Gangwon Province, its host region.

Gangwon is a former coal mining area shut down as part of a government drive in the late 1980s to close inefficient mining operations. The authorities promised alternative economic plans for these areas, with the big prize of a casino for Korean players to be awarded to the most depressed region. The town of Sabuk in Gangwon, about 230 kilometers east of Seoul, was the winner. Kangwon Land, 51% owned by government entities, was formed in 1998 to restore the community's economy and ecology. A small casino began taking bets in 2000, and a full-scale hotel, casino and theme park opened in 2003.

The casino has grown from 30 table games at the outset to 200, with 1,360 slot machines, in an expansion completed in June 2013, all under the watchful eye of the Ministry of Culture, Sports and Tourism. Restrictions on the casino to discourage problem gaming have expanded over time as well, including a ban on Koreans



Kangwon Land's exclusive hold on domestic players in South Korea expires in 2025.

entering the casino more than 15 days a month, and Kangwon Land runs rehabilitation centers for problem gamblers on site and in Seoul.

To create a complete resort destination, Kangwon has added a convention hotel and attractions such as a ski resort, golf course and vacation homes under its High1 Resort brand. A US\$150 million indoor-outdoor water park is due for a soft opening in the

Kangwon Land's performance at a severely capacity constrained venue points to considerable unserved domestic demand among the relatively affluent 50 million-strong population of the world's 15th largest economy.

concern, because the country's foreigner-only casinos won't enjoy their exclusive position in northeast Asia for long.

Summit Ascent Holdings, a Hong Kong-listed investment vehicle led by Macau casino billionaire Lawrence Ho, is scheduled to open a casino next month at a planned casino cluster on the outskirts of Vladivostok in Russia's Far East, squarely within Korea's catchment area. NagaCorp, operator of the NagaWorld casino resort in the Cambodian capital, Phnom Penh, plans to open another casino within that cluster next year.

Importantly, Japan is also poised to enter the fray—although legalization of casinos there has been held up, there's still a good chance it will happen this year. That could provide the necessary impetus for the Korean government to allow one or more additional casinos to serve domestic players.

At present, Kangwon Land has the monopoly on locals play. Despite the property's remote location—an arduous 3.5-hour drive from Seoul—its 200-table casino raked in a little more than the country's entire foreigner-only sector last year, good for about \$6.4 million per table. That yield might not hold up if glitzy new casinos open up in Osaka (1 hour and 40 minutes flying time from Incheon) or Tokyo (2 hours and 15 minutes).

Kangwon Land's performance at a severely capacity constrained venue points to considerable unserved domestic demand among the relatively affluent 50 million-strong population of the world's 15th largest economy. It's probably why many of the companies behind the integrated resorts currently under development or on the drawing board have left so much room to scale up their projects in subsequent phases. Any shift in policy to permit domestic players at casinos other than Kangwon Land would immediately boost the potential returns on larger resort investments. [iag](#)

To create a complete resort destination, Kangwon has added a convention hotel and attractions such as a ski resort, golf course and vacation homes under its High1 Resort brand.

second half of 2016. Having the 2018 Winter Olympics in nearby Pyeongchang will bring new roads that will shave an hour or more off the now-harrowing three-and-a-half-hour drive from Seoul as well as highlight the region's recreational charms.

But Kangwon remains all about gaming. Its casino revenue, which constitutes over 94% of total revenue, rose 11.1% year on year in 2014 to US\$1.3 billion.

South Korea's pursuit of foreigner-only integrated resort development is not expected to impact Kangwon Land as a gaming destination. With up to four times more players than seats on weekends and a vibe at the tables that one player compared to a factory assembly line, bettors are there because they have no other choice.

If Korea lifts its ban on local players at other casinos, however, then all bets are off. Although that's not supposed to happen before 2025, and the government will be reluctant to jump the gun lest it be accused of dishonoring its commitment to Gangwon, if Japan were to legalize casinos and threaten to lure Korean players there, pressure could mount to move that day forward. [iag](#)



Solaire Comes to Korea

Manila operator goes international, buying Incheon island, Jeju casino

BILLIONAIRE Enrique Razon frequently says his gaming ambitions go beyond Manila's Solaire Resort & Casino. Now he's laid down his first overseas casino bets in South Korea. Gaming properties in Korea could both diversify the company's revenue stream and yield benefits in the Philippines, where Koreans constitute the largest group of international visitors.

Solaire's corporate parent Bloomberry Resorts has bought land in the Incheon Free Economic Zone (IFEZ) outside Seoul and a casino hotel on Jeju, the resort island off the peninsula's southern coast, where mainland Chinese enjoy visa-free access. Both areas have integrated resorts under development, and Korean authorities are seeking bids for two more IRs with foreigner-only casinos, requiring investment of at least 1 trillion Korean won (US\$900 million).

"Solaire is on a trajectory of growth and we are now slightly shifting our focus to other destinations" Mr Razon, Bloomberry's chairman and CEO, says. "Although this will happen in the next few years, it is good business to start prospecting, and Korea is a likely choice because of its positive investment climate."

In Incheon, Bloomberry last month announced it had agreed to buy Silmi Island. Terms were not disclosed. The 20.96 hectare (51.8 acre) uninhabited island is just offshore from Muui Island, where Bloomberry bought 12.2 hectares for \$50 million in January. During low tide, it's possible to walk between the islands. Muui is currently accessible only by ferry, but a bridge linking it to Yeongjong Island, the main IFEZ area, is scheduled to be completed by 2018.

NO MYSTERY

"Considering the size of land that Bloomberry purchased, which comes out to be nearly 330,000 square meters in total, it is evident that Bloomberry is preparing for a large resort," KORE Policy & Management Consulting General Manager Tim Lee says. Muui and Silmi currently



Hong Kong billionaire Chen Yu-tung, a longtime partner in Macau operator SJM Holdings' parent company STDM, has also expressed interest in building a resort in Incheon, site of South Korea's gateway international airport.

attract tourists for their relatively unspoiled natural environment, Mr Lee says, and they've been featured on Korean television shows popular in China and across Asia. That link to *hallyu*, the Korean cultural wave sweeping the region, could give a resort on the islands added appeal.

Hong Kong billionaire Chen Yu-tung, a longtime partner in Macau operator SJM Holdings' parent company STDM, has also expressed interest in building a resort in Incheon, site of South Korea's gateway international airport. A consortium including Caesars Entertainment and a partnership of Korean casino operator Paradise and Japan gaming machine maker Sega Sammy are each already developing Incheon IRs.

Bloomberry also bought 92% of Golden & Luxury Company, which owns and operates T.H.E. Hotel with 202 rooms and LVegas Casino. Located in Jeju City on the north side of the island, near the airport and cruise ship terminal, the casino has 38 tables and 14 slot machines, according to Union Gaming Research Macau. Mr Lee notes that LVegas tops Jeju's eight casinos in visitors but ranks last in revenue.

"We are excited at the prospect of Solaire setting up a base in Korea and of introducing the Solaire brand of integrated resorts to the country," Mr Razon says, suggesting plans to rebrand LVegas. "This is our first venture outside of the Philippines, and the possibilities for expansion in this country are promising."

Bloomberry last month announced it had agreed to buy the uninhabited Silmi Island.





DOUBLE PLAY

Currently, the Chinese VIP players at Solaire mostly hail from the southern provinces. Opening a resort in Korea would not only extend Bloomberg's reach into Northern China, but could also boost revenue from Korean players at its Manila property. Solaire executives say Korea is their second largest source of VIP play after China. Even though Bloomberg's Korea casinos would be for foreigners only, they could showcase the Solaire brand to Koreans through non-gaming facilities, encouraging more Koreans to visit Manila for the full monty.

Bloomberg isn't the first Manila operator to enter Jeju. In November, Genting Hong Kong, a partner in Resorts World Manila operator Travellers International Hotel Group, spent \$117 million for a 50% stake in Jeju's former Hyatt Regency Casino on the south side of the island. The casino reopened in January as Genting Jeju with 28 tables and 16 slot machines. Hong Kong-listed mainland Chinese property firm Landing International Development owns the rest of the casino plus the host hotel.

"Our opening in Jeju expands our footprint to effectively service the needs of our customers in the region and is strategically located to work within our network of existing properties," Genting Hong Kong communications executive Desmond Chung says. "Both Korea and the Philippines are important markets for us, and we are happy to be able to provide positive Genting touch points for our guests wherever they may reside or visit."

The real value of L Vegas for Bloomberg may be its casino license, which Bloomberg could use to build an IR on the island.

This overseas battle for Manila market share could escalate. The real value of L Vegas for Bloomberg may be its casino license, which Bloomberg could use to build an IR on the island, according to Mr Lee. In February, Genting Singapore, the Genting Group subsidiary that operates Resorts World Sentosa, broke ground on the \$1.8 billion Resorts World Jeju, also in partnership with Landing. [iag](#)



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On the Cusp of a New Era



As an alliance of two distinctly complementary companies, the GTECH-IGT merger creates several unique opportunities, says IGT Senior Vice President International Sales Sabby Gill. The combined entity's regional games lineup stands to benefit tremendously from IGT's commitment to churning out alluring Asia-attuned titles

San Xing Bao Xi, or Lucky Dragon as it's known in English, features a fire dragon in the base game who reveals random expanded substitutes to increase the number of awards, along with the Fu Lu Shuo multi-progressive.

THE US\$6.4 billion merger of two giants in their respective fields is marching forward to its expected conclusion this month.

The world's leading lottery provider, Italy-based GTECH, announced in February that it had completed US\$5 billion in high-yield financing needed to complete the buyout of the world's leading gaming equipment supplier, US-based International Game Technology. Meanwhile, the deal continues to receive the myriad regulatory nods needed to create the world's biggest gaming company—it gained US federal antitrust approval in August, got the OK of GTECH's shareholders in November followed by IGT's in February, later that month Nevada gaming regulators gave it the green light, and in March it was cleared by the High Court of the UK, which is where the newly formed holding company of the combined entity will be based.

Also last month, it was announced the combined entity would adopt the IGT name and a logo bearing the distinctive GTECH globe and colors. Analysts believe adopting the IGT name is the right move. "Within the equipment world, outside of Italy, IGT has a well-known reputation that overshadows GTECH's and, more importantly, can help grow market share going forward," according to Macquarie Securities gaming analyst Chad Beynon. Union Gaming Group

analyst Chris Jones echoes the sentiment, saying, "It makes a lot of sense. The most important gaming markets, such as North America, Australia and even Asia, are more aware of the IGT name than the GTECH brand."

In Asia in particular, IGT has made major strides over the past three years with its "market-attuned" game-development strategy, which means a lot of things, but can be distilled down to the recognition that an appealing package, while important, doesn't cut it if the game mechanics, the math and the cultural context aren't all sound. It means garnering the ability to understand local tastes and preferences in some profound ways.

It's a strategy embodied in a lineup of new games rolling out onto markets around the region. One game that's proving especially popular



The combined entity will adopt the **IGT** name and a logo bearing the distinctive **GTECH** globe and colors.

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is San Xing Bao Xi, or Lucky Dragon as it's known in English, which features a fire dragon in the base game who reveals random expanded substitutes to increase the number of awards, along with the Fu Lu Shuo multi-progressive. The game, like all of IGT's new releases, is compliant to Macau's latest 1.1 electronic gaming machine standards.

Other strong new titles, according to IGT Senior VP International Sales Sabby Gill, include Dancing Lion, Shaolin Kung Fu, Tokidoki and Golden Dragon. Tokidoki is an iconic lifestyle brand from Japan, while Golden Dragon is a wheel-type game, similar to IGT's immensely successful Wheel of Fortune and Megabucks products, that was created in collaboration with Las Vegas Sands Corp. "They have placed 100 units of those. So that's a big one for us. It's a theme they came up with, so we gave them a level of exclusivity to be able to place the games before anyone else. It's a six-month period. As soon as that's up, we can start placing machines with everybody else," adds Mr Gill.

Golden Dragon is a linked product based on average minimum banks of 12 up to 200. The base game is a 243-way, 400-credit buy in, it has the ante-bet component, the trigger for the wheel is every 120 games, and three scatters left to right will trigger the wheel.

As IGT Macau Sales Manager Gavin Jones explains, "Inside the wheel, there are free games, free games with an additional bonus, and unlike other wheel products that IGT and other manufacturers have released historically, these are multipliers of stake, awarding up to 888 times. So they're very attractive to players as they stake up.

"As I bet down, the value is reduced. So no one is left out of it. Because everyone who goes into the wheel and wins one of the metered prizes will win the value as per their stake level. No one's being rewarded over or under what they contributed to the prize. That's really important and what's going to drive the popularity of the product. If I want to be a minimum bet player, that's fine. I'm going to be rewarded exactly in keeping with my stake. That's something you don't see these days, when people are contributing to progressives they haven't bought." As for the ever-popular Wheel of Fortune, "we have extended the existing Sony license for another ten years, and we were able to expand the Wheel of Fortune use to also cover Asia from a for-sale perspective," reveals Mr Gill. "Previously we've only ever leased that game, but now we're able to sell that here. For all of the other jurisdictions it's going to be available but more on a lease basis."

Inside Asian Gaming spoke further to Sabby Gill about the merger and the combined entity's upcoming prospects in Asia.

IAG: What are your thoughts on the GTECH-IGT merger?

The great thing is, the tie up between the two companies—largest global supplier of lottery, largest supplier from the casino manufacturing side—the combined company ends up being a US\$6 billion [in revenue] company, and from an EBITDA perspective we're about \$2.2 billion, which means that we're about twice as big as the next major player.

Because we're a complementary merger, I think everyone's looking forward to the opportunities, since there isn't really that much overlap between the two organizations.

GTECH is extremely strong in the lottery space, IGT is extremely strong in the casino space. We're extremely strong in the social gaming space with the Double Down acquisition. We have our interactive, online content, whereas they've got a platform which we've never

Dancing Lion





had before, so you can sort of marry those two together as well. And that's really the benefit of being two companies with very little overlap compared to what the competition—which are undergoing more of a pure acquisition—are going to be going through.

It also broadens our geographical reach. You look at places like Peru, South America. GTECH has a direct presence there; we don't, but there's a huge demand for our product there. So being able to leverage each other's strengths is really the rationale behind the acquisition.

In August, IGT announced a tie-up with LT Game in Macau. What does that bring?

When IGT was selling into the local market, we had some great relationships that came from our corporate clients like Wynn, Las Vegas Sands, MGM and everybody else. But we were never really able to penetrate what I would say is the second-tier level of operators. Somebody like LT, who has long-standing relationships across all of the different operators, really what they've been able to do is give us more sales coverage than we've ever had before. Now we're really leveraging their relationships in the tier-two satellite casinos. But they've still got great relationships with the major accounts as well.

Reciprocal to what they're doing for us in Macau is what we're able to do for them in North America. Looking at different jurisdictions, helping them with the regulatory approvals and all of those different markets because we've been through it so many times with all of our games and new releases of product, etc. So we're able to help and they're able to leverage that. From what we've seen there's a lot of interest in North America for their products.

What are the key markets for you in Asia beyond Macau?

The other key markets for us are the Philippines, things like City of Dreams Manila. We have quite a big footprint in there at their opening, including providing their system. We also have placements at Resorts World Manila and Solaire.

Another key market for us is Korea. We signed the relationship

In Asia in particular, IGT has made major strides over the past three years with its “market-attuned” game-development strategy, which means a lot of things, but can be distilled down to the recognition that an appealing package, while important, doesn't cut it if the game mechanics, the math and the cultural context aren't all sound. It means garnering the ability to understand local tastes and preferences in some profound ways.

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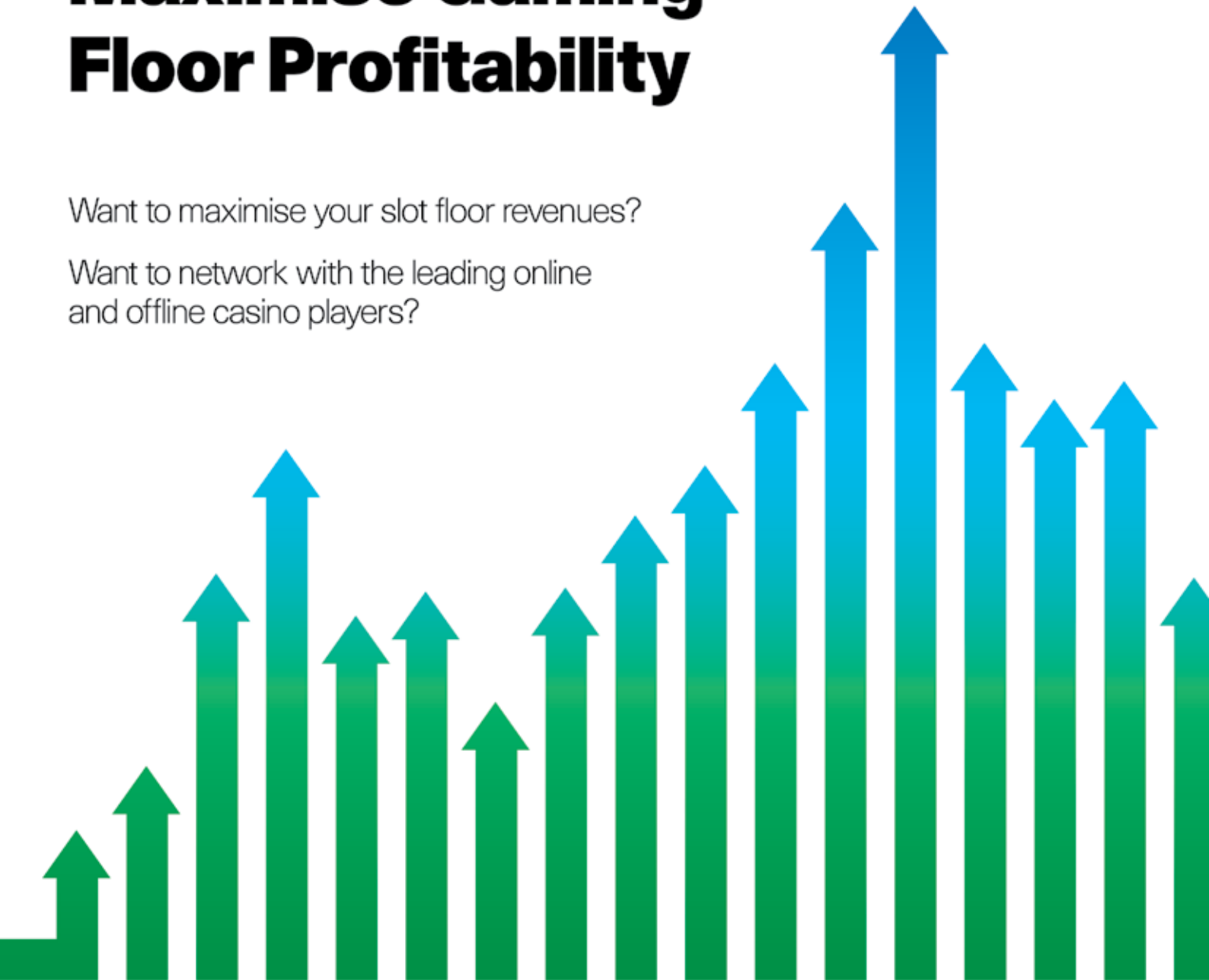
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“The approach that we’ve taken around why these games are so different to what we’ve talked about previously is this whole concept of VIP. So it’s really about, first thing is volatility. Where players are driven to play the ante bet, which is something that we haven’t really concentrated much on previous games.”

IGT Senior VP International Sales **Sabby Gill**

with Matsui, where Matsui are actually our distributor in Korea because of the way the proposal process works where you must go in as part of a consortium of three or four different vendors together in order to bid, so we’re leveraging Matsui. That’s going extremely well now.

Another key market we’re looking at is India, where you’ve got the possibility of the boats in Goa, we have a number of placements there. There’s also Daman, which is due to open with Deltin Group. They are due to get a license soon, so we’re in conversations as well with them around some placements.

And really it’s all of the other key markets. Singapore is always going to be a key market for us with Marina Bay Sands and Resorts World Sentosa, as well as Genting in Malaysia.

We’ll go wherever the business is, and hopefully there’ll be new openings, like Japan.

We don’t hear a lot about systems in Asia. You have the City of Dreams contract. Where else do you provide systems? How big is that for you in Asia?

From an installation perspective, if you look at most of the major operators, especially the ones that are US-based and moved across to Asia, they’re already using our system because we’re there to leverage the global expansion. There are a couple of other sales opportunities that we’re currently working on. I can’t go into too much detail. But systems is a big focus for us. There’s a fair amount of functionality that we’re building into the product to make sure it meets all of the local regulatory requirements. Systems strategy for us differs

by region. Here, the key focus for us is really trying to extend the Advantage product into those key markets. City of Dreams is taking them. There are also bolt-ons like the bonusing applications. Service Window is another key focus for us, where that’s going on trial at a number of operators. There are one or two going on in Macau in the short term, and in the Philippines City of Dreams opened with Service Window.

And finally, we’re all now familiar with IGT’s commitment to producing market-attuned product. What are the other main elements of your game-development strategy?

The approach that we’ve taken around why these games are so different to what we’ve talked about previously is this whole concept of VIP. So it’s really about, first thing is volatility. Where players are driven to play the ante bet, which is something that we haven’t really concentrated much on previous games.

The other thing is innovation. If you’ve seen some of the bonus games, there’s Golden Dragon where the multiplier on the wheel is dependent on the stake itself, it’s not 1,000 credits, for example. So our approach to producing bonus features has really changed.

The third one is presentation. So if you look at the graphics, the character set, and everything else that appears on the front end is as true to life as you can get at the moment, rather than choosing fake characters or something that doesn’t really portray what we’re trying to show. We’ve done a lot of extensive research to make sure all these character sets and graphics really articulate themselves to the culture.

You’ll see with a lot of our new games, if you look at the real estate of the game itself, it’s really gone to the edges of the screen, whereas if you go to more of the classical, US-based games, there tends to be a lot of information out there, where you’ll see 3, 4 or 5 different reels, so it’s very different with the amount of space. Here it’s maximized as much as possible. The only fields you’ve got on there are your credit, your bet and your win. Because when you’re a high-volatility player, that’s all you’re concerned with: What am I betting, what am I going to win on this particular spin, and how much do I have left to play with? *iag*



Solaire Operator Turns to Profit in 2014

Bloomberry Resorts Corp., the operator of Solaire Resorts & Casino in the Philippines, swung to a profit of 4.07 billion Philippine pesos (US\$90.5 million) last year on the back of strong gaming revenues. The operator incurred a net loss of P1.31 billion in 2013, having opened Solaire in March of that year.

In a statement, the company said its revenues nearly doubled to P24.03 billion (\$543 million) in 2014 from P12.29 billion in 2013. EBITDA (earnings before interest, taxes, depreciation and amortization) also jumped nearly tenfold to P10.08 billion from the previous year's P1.11 billion.

Gaming revenues constituted some 95% of total revenue; hotel, food and beverage comprised around 4%; and the remainder came from retail, interest income and others.

The company attributes the shift in its bottom line to the improved performance of Solaire.

"We are elated by the 2014 year-end results. Our initiatives to grow our market, to increase revenues and to curb operational excesses have enabled us to make a remarkable turnaround in just two years. Now, we will focus on even surpassing that," said Enrique Razon Jr., Bloomberry's chairman and chief executive officer.

The firm's gross gaming revenue and non-gaming revenue last year were P30.38 billion and P1.07 billion, respectively. Although gaming revenue rose 103% over 2013 and non-gaming was up 39%, the percentage growth is measured against a year when Solaire was only operational for nine and a half months, during which time it was ramping up from a standing start.

Capital spending in 2014 reached P14.02 billion with the completion of the Sky Tower expansion in November. With Sky Tower's opening, Bloomberry surpassed the \$1 billion minimum investment requirement under its provisional gaming license.

MelcoLot Close to Establishing Georgia Casino Project

MelcoLot Ltd, a unit of Hong Kong-listed Melco International Development Ltd, said it is "at an advanced stage of establishing" a casino project in Tbilisi, the capital of the republic of Georgia in the Caucasus.

"The casino will be strategically located in Tbilisi, the capital city, to attract visitors from the Black Sea area," the company said in a stock

exchange filing, relayed by *GGRAsia*. The company first announced in November its plans for a casino in Georgia, part of the former Soviet Union for 70 years before gaining independence in 1991.

MelcoLot is likely to get a casino license in about two months, according to Georgia's Deputy Minister of Economy Ketevan Bochorishvili, quoted by the government-backed news website *Agenda.ge*.

According to the news site, the casino is to be located in the under-construction US\$140 million Millennium Biltmore Hotel complex, with both the hotel and casino expected to open in January 2016.

MelcoLot, a technology supplier to mainland China's regulated lottery providers, is listed on Hong Kong's secondary equities market, the Growth Enterprise Market referred to as GEM.

Mr Ho is also making bets on casino projects in Spain and Russia. A wholly owned subsidiary of MelcoLot holds a stake in a firm bidding for a casino license at BCN World in Barcelona, Spain.

Through another Hong Kong-listed vehicle, Summit Ascent Holdings, Mr Ho is pursuing a venture on the outskirts of Vladivostok in Russia's Far East, in the Primorye gambling zone—one of four gambling zones established in far-flung regions of Russia following the government's move to exile casinos from the country's major cities in 2010.

Mr Ho's Primorye casino, which sits significantly closer to residents of northern China than his Macau resort, is expected to open in May.



Philippines' DOJ Denies Okada Probe is Over

According to a 23rd March report in the *Philippine Daily Inquirer*, the country's Department of Justice denied that the National Bureau of Investigation has terminated its probe into the US\$5 million bribery allegation against Japanese gaming tycoon Kazuo Okada in connection with his \$2 billion integrated resort project in Manila's Entertainment City district.

Mr Okada's Universal Entertainment Corporation issued a statement from Tokyo earlier last month stating "all inspections or investigations by government-related bodies of the Company group



and its officers and employees in relation to the groundless suspicion have thereby concluded for all practical purposes in the Philippines.”

In the same statement, the company noted that Prosecutor General Claro Arellano proposed to Justice Secretary Leila de Lima that the investigation be terminated “due to insufficient evidence.” The case, it added, was only based on suspicions by officers and employees of Pagcor, the Philippine Amusement and Gaming Corporation.

“That is not true,” Ms de Lima said, stressing that Mr Arellano has not made any such proposal.

“He has not received the resolution of the panel [of investigators handling the case],” Ms de Lima said in a text message.

The Prosecutor General, meanwhile, said he has ordered the panel to expedite the resolution of the case, though he too added: “The case is still with the Panel [of investigators].”



Beijing's Man in Macau Says Gaming Should Not Be “Sacrificed”

In a statement that could be interpreted as a denial that Beijing was deliberately targeting Macau's gaming industry, as some have suggested is happening, Li Gang, director of the Macau Liaison Office of the Central People's Government, said on 5th March that Macau's gaming industry cannot be dispensed with in pursuit of economic diversification.

Mr Li, Beijing's top representative in Macau, said that the city's declining gaming revenue was not necessarily all bad, since it had led to local business leaders thinking seriously about sustainable development and economic diversification. He added, however, that gaming nonetheless remains Macau's lifeblood and therefore should “not be sacrificed.”

Mr Li said achieving economic diversification would require a big commitment on the part of the Macau government, since it was “too easy” to earn money from the gaming industry. He also predicted that it would take 20 to 30 years of sustained effort to achieve the goal of diversification.

Crown Doubles Budget For Sydney Resort

James Packer's A\$2 billion (US\$1.6 billion) development at Sydney's Barangaroo precinct would be more than double the size of the previously approved hotel over the harbor, according to a plan officially lodged with the state government.

The long-awaited revised concept plan for Barangaroo South,

required to move the hotel back onshore, will increase the total floor space of the precinct by 8.5%, reports the *Sydney Morning Herald*, citing the development company in charge of the project, Lend Lease.

This is largely due to the size of Crown Resorts' casino-hotel complex, which is seeking a total floor space of up to 77,500 square meters.

The final plans for all of Barangaroo, including yet to be lodged changes to the central portion of the 22-hectare site, have a total development floor space of more than 681,000 square meters. This is more than double the 330,000 square meters proposed in the original 2005 design brief.

Lend Lease's Barangaroo South concept plan, known as “modification 8”, also sets out how the company's final residential towers will be incorporated into the reworked precinct.

Italian Pritzker Prize-winning architect Renzo Piano had been enlisted to design the three towers, collectively dubbed One Sydney Harbour, with a combined total of about 750 apartments.

“A city development of three luxury residential high-rise towers in such a location is, in this climate, a rare opportunity,” Mr Piano said.

Lend Lease' Barangaroo South managing director Andrew Wilson said the “elegant and simple” 250-metre, 220-metre and 107-metre apartment blocks were intended to compliment Mr Packer's 270-275 meter “diva on the harbor.”

Mr Wilson said Lend Lease was hoping the concept plan would be approved “pre Christmas.” The three towers and Crown complex will also be subject to individual development applications, which have not yet been lodged.

Crown Resorts chief executive Rowen Craigie said his company would now begin its own planning application processes with the Department of Planning and Environment.

In addition to Crown Sydney, Crown Resorts has also undertaken more than A\$2.8 billion worth of capital expenditure at its Melbourne and Perth casinos between the 2009-10 and 2016-17 financial years, with new hotel towers planned for both.

“Crown has an exciting pipeline of future development projects that will enhance Crown's position as one of the leading operators of integrated resorts globally,” said the company's chief financial officer Ken Barton. As part of the ongoing effort to finance those projects, Crown Resorts announced last month that it was pursuing a A\$400 million fund-raising exercise.



Rendering of the proposed
Crown Sydney Hotel Resort



Rendering of the upcoming Resorts World Las Vegas

Resorts World Las Vegas to Break Ground 5th May

Malaysia-based Genting Berhad will break ground on the US\$4 billion Resorts World Las Vegas on 5th May, a company spokesman said last month.

The Strip development, which has been in planning for two years, is projected to include 3,000 hotel rooms and a casino with a combined 3,500 slot machines and table games in its initial phase, reports the *Las Vegas Review-Journal*. The property will have 30 food and beverage outlets, a 4,000-seat theater and an elaborate garden attraction that will serve as its front door to the Strip.

Spokesman Michael Levoff confirmed the groundbreaking date in an email and said more details will be provided in coming weeks.

Genting bought the site from Boyd Gaming Corp. in March 2013 for \$350 million and announced plans for the project. The site, once home to the Stardust, houses the unfinished Echelon development, on which Boyd halted construction in August 2008.

Mr Levoff said in January that preliminary work had been done on the site, including a \$2 million utility relocation at the corner of the Strip and Resorts World Drive. Genting also has renewed building permits and is finalizing the development agreement with Clark County.

Genting was given a preliminary finding of suitability to hold a state gaming license by Nevada gaming regulators in May last year. The company still needs to apply for a full gaming license before Resorts World Las Vegas can open.

Construction is expected to take place over multiple years and include at least two or three phases.

Seminole Tribe Campaigns for Continuance of Florida Compact

The Seminole Tribe of Florida has a new plan to maintain its exclusive gambling agreement with the state, reports online news site *NBC-2.com*. The tribe has been running TV ads that claim Floridians support the tribe's deal with the state.

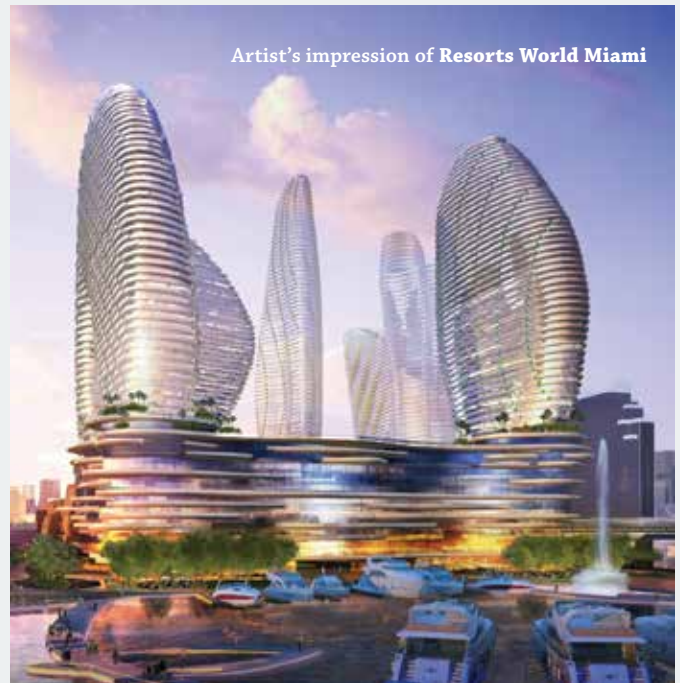


Seminole Casino Hotel Immokalee

One Fort Myers political consultant believes the ads are meant to place political pressure on the state government to resume talks with the tribe. The current contract between the two is set to expire on 21st July. There has been no communication recently between the two sides, and the state has not made clear whether it intends to extend the compact or let it expire.

The compact, referred to as the deal between the Seminoles and the state, requires the tribe to pay the state a billion dollars over five years. In return, the Seminoles get exclusive rights to operate gaming tables and some slot machines in Florida.

Would-be competitors are eager for the Seminole compact to expire. They include Malaysia's Genting Group, which in 2011 proposed the \$3 billion Resorts World Miami project, which, like the existing Resorts World-branded properties in Malaysia, Singapore, the Philippines and New York, as well as the upcoming one in Las Vegas, would consist of a sprawling leisure and entertainment complex underpinned by a casino.



Artist's impression of Resorts World Miami

Elaine Wynn Fights to Stay on Board

Wynn Resorts Ltd. co-founder Elaine Wynn denied the company's accusations that she had engaged in improper activity, while seeking shareholders' support to keep her seat on the board.

According to a report in the *Wall Street Journal*, Ms Wynn, the casino operator's third-largest shareholder, said in a letter to stockholders that the board "has repeatedly presented a number of insinuations that are without factual basis" and that it was going to "reckless lengths" to exclude her as a director.

Wynn Resorts made the allegations against Ms Wynn on 24th March, just after she had arrived in New York to solicit support for her re-election to the board. Wynn Resorts' board said in February that it had decided not to re-nominate Ms Wynn, who has been a director for more than a dozen years, when her term expires on 24th April. Ms Wynn then nominated herself for the seat and began campaigning, touting her decades of experience, passion and independence, and her role as the company's sole female director.

In a slide presentation posted to the Wynn Resorts website outlining "key considerations" ahead of the annual meeting, the company listed among its concerns with Ms Wynn an allegation that she had sold US\$10 million of shares through her personal foundation during a "blackout period" ahead of the company's earnings release, during which directors are forbidden by company policy to sell common stock.

The company also accused Ms Wynn of improper behavior regarding a land deal, alleging she had for several years participated in board meetings in which Wynn Resorts' plans to acquire property in Las Vegas were discussed while failing to disclose that her nephew was involved in a competing bid which ultimately prevailed.

Ms Wynn responded that she is not involved in any foundation matters involving company shares and that the Wynn Resorts board "has been fully aware that the sale by the Foundation takes place each year and that the proceeds go to philanthropic causes." She added that a company lawyer "knew about the Foundation's sale of shares during the blackout period and in fact sent an instruction letter to the company's transfer agent to help consummate such sale."

Ms Wynn also denied impropriety regarding the land deal.

In her letter, Ms Wynn also reiterated her denial of the company's claim that a lawsuit she filed in June 2012 in the U.S. District Court in Nevada against Mr Wynn seeking to dissolve a shareholder agreement put her at odds with the board. The pact, designed to keep Mr. Wynn in control of the company even though he is not its largest shareholder, puts voting and selling restrictions on Ms Wynn's shares.

To keep her spot on the board, Ms Wynn will need to secure more votes than the two other directors up for election. Though she owns a 9.4% stake in Wynn, she said she is already assured of getting more than 19% of the votes because Mr Wynn, who owns 9.9% of the company's shares, is contractually obligated to vote for her due to the shareholder agreement. T. Rowe Price Associates Inc., not subject to the agreement, is Wynn's largest shareholder with 16.8%.



Elaine Wynn

Garnering the rest of the votes could be an uphill battle, as some major investors have expressed concern that, despite his obligation to support her candidacy, Mr Wynn actually wants his former wife off the board and that her re-election would complicate his management of the company.



Revel Casino Sale Falls Through Again

A US Bankruptcy Court judge rejected an agreement to sell Revel Casino to a Florida developer for US\$82 million, marking the third failed deal for the shuttered hotel in New Jersey's struggling seaside resort of Atlantic City.

According to *Reuters*, Judge Gloria Burns in Camden, New Jersey, said she could not approve the sale because it would interfere with an appeal being pursued by casino tenants who argue that the deal would deny them their property rights.

The casino, which cost \$2.4 billion to build, struggled from the time it opened in 2012 as neighboring states embraced gambling and siphoned off Atlantic City's business.

Revel was one of four casinos to close last year in Atlantic City, which is struggling with a drastic drop in tax revenue and may face its own bankruptcy.

The casino's advisers were seeking approval of an agreement to sell Revel to Glenn Straub, who agreed to buy it "free and clear" of lease agreements with tenants such as restaurants and nightclubs.

Revel had already failed to close two previous sale agreements, one with an affiliate of Brookfield Asset Management, for \$110 million, and a \$95 million agreement with Mr Straub.

After the price was lowered, Mr Straub agreed to the latest deal.

Judge Burns said Revel could come back to court and ask her to approve a sale that left the tenant's leases in place, although she acknowledged Mr Straub has called that a deal-breaker.

Tenants argued that other buyers may emerge. Los Angeles developer Izek Shomof has sent an attorney to recent bankruptcy hearings and has said he wants to buy the hotel for \$80 million, which he argued would include more favorable terms for creditors than Mr Straub's deal.

The Revel features eye-catching design and had promoted itself as a fine-dining destination in a resort town known for cheap buffets. The concept never caught on, and the current bankruptcy is Revel's second. The casino closed in September.

Atlantic City leaders are desperate to get the hotel open again.

The city has struggled to balance its budget, and Governor Chris Christie appointed an emergency manager earlier this year who is being aided by Kevyn Orr, the attorney who took Detroit through its historic bankruptcy.

14 | 16 April 2015

iGaming North America Conference

Planet Hollywood Resort & Casino, Las Vegas, USA

The 2015 iGaming North America conference marks the fifth year of this networking and educational event designed to introduce the land-based gaming businesses of North America to the global iGaming industry. The event's aim is to provide a cost-effective networking environment that helps foster understanding regarding the potential impacts of regulation of internet gambling in the US and Canada, and provides information on the players, resources, legislative framework and other relevant topics.

www.igamingnorthamerica.com

21 | 23 April 2015

Global iGaming Summit & Expo

Hyatt Regency, San Francisco, USA

GiGse is focused on the future of iGaming in North America and attracts over 700 delegates to examine the legislative progress, commercial strategies and partnership opportunities for all the key stakeholders to enter iGaming. The objective is to facilitate first-mover advantage into this potentially-lucrative market currently undergoing a significant regulatory change on a state-by-state basis.

www.gigse.com

19 | 21 May 2015

Global Gaming Expo Asia

The Venetian Macao, Macau

G2E Asia bills itself as the premier Asian gaming event and one-stop sourcing platform for regional gaming decision makers to discover the most comprehensive array of new products and services, network with industry-leading manufacturers, and learn the latest trends. Held in Macau, the heart of Asian gaming, G2E Asia claims to offer attendees the best resource to gain a competitive edge in their businesses and careers.

www.g2easia.com

2 | 5 June 2015

IAGA International Gaming Summit

Fairmont Pacific Rim hotel, Vancouver, Canada

This year marks the 34th annual International Gaming Summit hosted by the International Association of Gaming Advisors (IAGA). The Summit brings together leaders from all global gaming sectors, providing gaming operators, suppliers, attorneys, investors, bankers, regulators and other advisers with an unparalleled opportunity to meet and discuss the top issues and challenges facing gaming today.

9 | 11 June 2015

The Slot Summit

Bucharest, Romania

The Slot Summit combines marketing insight and innovation, the latest gaming floor trends, real world case studies and new technologies and cutting edge game development in an intensive yet entertaining format which will ensure that you have the information you need to plan, invest and implement wisely and with maximum effectiveness.

www.slotsummit.com www.theiaga.org/iaga-summit

11 | 13 August 2015

Australasian Gaming Expo

Sydney Convention and Exhibition Centre, Sydney, Australia

Featuring more than 180 exhibitors across 15,600 square meters of exhibition space, the Australasian Gaming Expo (AGE) is easily the biggest event of its type in Australia and one of the world's biggest. Visitors have long acknowledged that the world's best and latest gaming and hospitality equipment is on show at the Expo. Entry is complimentary to gaming industry executives, courtesy of the Gaming Technologies Association.

www.austgamingexpo.com

29 September

| 1 October 2015

Global Gaming Expo

Sands Expo and Convention Center, Las Vegas, USA

G2E is the world's largest gaming event where gaming executives, buyers and industry professionals meet each fall to conduct serious business. It's gaming's most in-depth source of new products, networking, ideas and information. It takes place in the laboratory of the industry, Las Vegas, where you can see it in action and have fun doing it. G2E showcases more than 600 exhibitors, over 100 conference sessions, exciting special events and F&B at G2E, the only F&B event for the gaming industry.

www.globalgamingexpo.com

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