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Focus on Asia: The Road to Thailand

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In January, Thailand's prime minister announced that he was willing to explore the possibility of legalizing casino gambling in the kingdom. Recent outbreaks of Covid-19 in illegal gambling halls prompted him to make the announcement. His statement also acknowledged that Thai citizens already gamble, in both illegal domestic operations and in other countries.

Any number of possible gaming scenarios is compelling to international operators. With a population of nearly 70 million, Thailand is the world's 20th most populated nation, and roughly half of its citizens reside in urban regions. The kingdom has a well-educated workforce, and unemployment is low. While there are obvious wealth disparities, the country has a rapidly growing middle class, and a significant affluent class.

Thailand is also an international tourism destination. Major attractions include the city of Bangkok, the resort region in and around Phuket, and the cultural attractions of Chiang Mai. For the world's foremost developers of integrated casino resorts, Bangkok represents the most ideal development opportunity. With a population of over 10 million, two international airports, and a center of finance, commerce and tourism, Bangkok is a near ideal location for integrated resort development. It is a true international city, with a blend of affluent residents, a sizable middle class and massive tourism sector.

[Where Thais Gamble Today](#)

Thai citizens already have a number of gaming alternatives. They can cross the border into Cambodia or Laos, or take a short flight to a country that offers gaming. There are also any number of underground casinos throughout the country.

For residents of Bangkok, the closest legal gaming jurisdiction is the city of Poipet, just inside the Cambodian border. Accessible by car, bus or taxi, Poipet is an approximate three and a half hour drive from central Bangkok. Poipet offers about 14 gaming venues, ranging from full-service casino-hotels to small sports betting parlors. The market leaders include the Holiday Palace Resort & Hotel, and Star Vegas International Resort and Casino, the latter owned by publicly traded Donaco International.

Poipet offers convenient access to Thai residents. Thais entering the Kingdom of Cambodia do not need to pass through Cambodia's immigration office and can re-enter Thailand by simply showing their travel card. Tourists from other nations need to first pass through Thai Immigration, get their passports stamped, then complete immigration forms to enter Cambodia. In order to return, they must stamp out of Cambodia and pass back through Thai Immigration. For Thais, a day-trip to Poipet is akin to trip from New York to Atlantic City.

Located further north are the border casinos along the Laotian Border. These include Savan Vegas Hotel & Casino, Kings Roman Casino and the Dansavanh Nam Ngum Resort in Vientiane. The latter offers direct connectivity to the well-populated Isaan region of Thailand. Again, ease of entry allows Thais to quickly enter Laos, enjoy a day of gaming entertainment, and return without having to complete immigration documents.

NagaWorld in Phnom Penh presents another alternative. It offers a true integrated casino resort experience. Phnom Penh is served by a number of flights out of Bangkok's two airports, and, with a flight time of less than an hour, it is an easy alternative to an overland drive to the border. Thais can also fly to Singapore or Macau, but flight times to those destinations are nearly three hours.

The Four Casino Options

As Thai public policy makers consider casino development, they can look to other east Asian countries and the casino policies they adopted. There are essentially four basic casino models:

1. The Korean Model

South Korea's approach to casino gambling is very restrictive. Approximately 16 casinos are open only to foreigners, and they primarily target visitors from the People's Republic of China (PRC). They are concentrated in the tourist region of Jeju, as well as in and around Busan, Seoul and Incheon. Only one casino in the country allows residents to gamble, and it is a four hour drive from Seoul. The net result is an industry that is limited in scope and wholly dependent on foreigners and dual passport holders.

Korea's casino industry is also particularly vulnerable to geopolitics. For instance, in 2016 South Korea agreed to the deployment of the U.S. built THAAD missile defense system. The PRC subsequently curtailed tourism to Korea, which had an immediate and detrimental effect on the casino industry. Likewise, the Covid-19 pandemic all but eliminated international travel. Without a base of customers from the PRC, the casino industry has suffered mightily.

The Korean model has one other drawback: its restrictive policies have historically kept the world's largest integrated resort operators from pursuing development. Only two U.S.-based operators are currently developing integrated resorts in the Incheon region, with a focus on non-gaming entertainment. Their opening dates continue to get extended. It remains to be seen how successful they are and if their non-gaming entertainment offerings will be sufficient to support their multi-billion dollar investments.

2. The Philippine Model

The Philippines is a country that permits both residents and tourists from other countries to enjoy gaming entertainment. This model spurred the development of Entertainment City, a successful gaming district near Manila's international airport. The government did require substantial minimum capital investments, yet the four properties, including the Solaire Casino Resort, City of Dreams Manila, Okada Manila and Resorts World Manila, have proven to be wildly successful. They serve the capital region's burgeoning middle and affluent classes as well as premium players from South Korea, Japan and the PRC. A fifth integrated resort is currently under development. While the pandemic has all but eliminated international travel, the casinos have been able to operate profitably by serving local residents.

The Philippines also offers a variety of other gaming venues across the country, including full-service casinos, e-gaming cafes, e-bingo halls and sports betting. Overseen by PAGCOR, a government regulator, the industry's tax revenues are an important contributor to the nation's treasury.

3. The Singapore Model

When first proposed in 2005, the government of Singapore decided to use casino development as a tool to grow tourism as its primary goal. It set very high development standards, required applicants to demonstrate their ability to attract international visitors, and limited the amount of space that could be allocated to casino gaming to less than three percent of the total integrated resort development. It also imposed a daily admission fee for residents of the city-state. Nevertheless, the two integrated resorts have proved wildly successful, having achieved the government's goals and elevating the city-state to one of the world's major tourism destinations. Policy makers were also efficient with their time, taking less than a year to issue Requests For Concepts and select operators. The two integrated resorts both opened in 2010.

4. The Japan Model

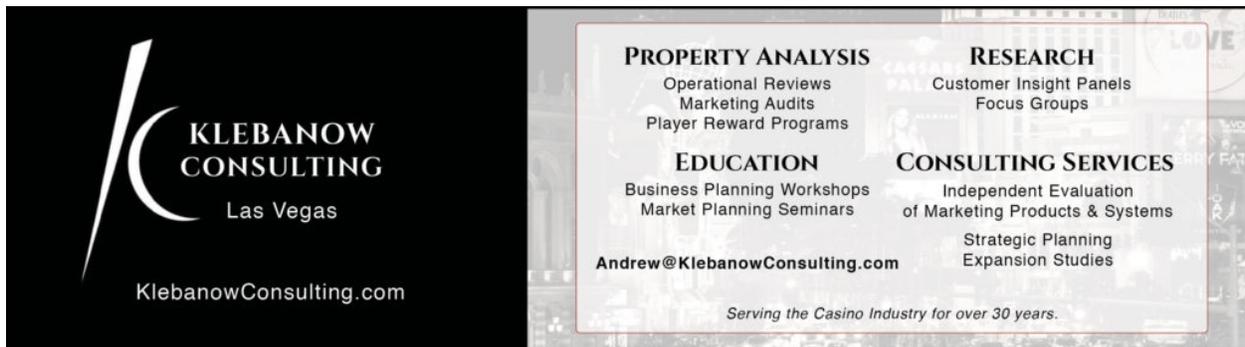
The Japan model for casino development is based on the Singapore model, but with far greater demands for non-gaming amenities, limits on casino development, a very high tax rate, a very high admission fee for residents, and a wealth of onerous regulations. While at one time the world's leading integrated resort developers sought one of the country's coveted gaming licenses and proposed investments of up to \$10 billion, as regulations were developed, several withdrew from the application process. The restrictions simply made their proposed investments unfeasible. Development of regulations and the Request for Proposals process has also been slow. Four years after the initial legislation was passed, no specific sites or operators have been selected.

Goals and Development Strategy

What shape a possible Thai gaming industry takes is predicated on the goals that the central government establishes. If the goal is to replace an underground gaming industry with a well-regulated legal one, and one that adheres to health and safety protocols, then the government

should look at a wide distribution strategy, with legal and regulated gaming venues spread across the country's provinces. If the goal is to grow tourism and attract foreign investment, policy makers would be wise to look at the Singapore model, and focus their attention on the tourism hubs in Bangkok, Phuket and Chiang Mai.

Of all the development scenarios, one that includes integrated resorts in Bangkok is the most compelling. They hold the potential to rival those in Singapore. And if recent history is any indication, they could be in operation before any casino opens in Japan.



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