

Cambodia cautiously restarts its casino gaming industry



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After a government mandated three-month closure, Cambodia's casino industry has begun the process of re-opening. The central government had previously implemented aggressive measures to control the Covid-19 outbreak, essentially closing its overland borders and implementing quarantine measures for international arrivals.

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THE LMIRCG

Coinciding with the re-start of the gaming industry, the Council of Ministers approved new legislation governing the country's casino industry. The Law on the Management of Integrated Resorts and Commercial Gambling (LMIRCG), nine years in development, will now go before the National Assembly and the Senate; the final step before the law's implementation will require a proclamation by the King.

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The LMIRCG calls for the establishment of a regulator, the Integrated Resort Management and Commercial Gambling Committee (GMC). The GMC will issue regulations, collect gaming taxes, audit casino operations, investigate gaming license applicants, and

issue licenses to casino operators and suppliers.

The law also divides the country into three distinct zones: Promoted, Permitted and Prohibited. Promoted zones include the coastal provinces of Sihanouk, Koh Kong, and nearby islands where central planners intend to stimulate international tourism, and are the only areas where future integrated resort development will be allowed. Permitted zones refer to the border districts where casinos are in operation today, notably Bavet and Poipet. Licensees in Permitted zones will have to submit to more frequent re-licensing than those in Promoted zones. Prohibited zones are those areas that house religious sites. It protects the world heritage sites such as those near Siem Reap from future casino development. The law also acknowledges NagaWorld's zone of exclusivity in and around Phnom Penh. As with previous regulations, Cambodian citizens will be prohibited from gambling in any of the nation's casinos.

Most important, the LMIRCG establishes tax rates based on a percentage of gaming revenue. Casinos will be subject to a gaming tax of 7.0 per cent on mass market gaming revenue and 4.0 per cent on junket revenue. These rates would be the lowest in Asia, making Cambodia particularly attractive to casino developers and investors.

NAGA RESTARTS OPERATIONS

NagaWorld was the first casino in Cambodia to be granted permission to re-open and that property's health and safety protocols, prepared with the Ministry of Health, will form the standard operating



procedures for other casinos as they re-open. Safety protocols mandate that all patrons and employees wear masks; a maximum of three players per table, 50 per cent of electronic gaming devices will be turned off, and cigarette smoking and drinking will be prohibited on the casino floor.

In addition, casino capacity will be limited to 30 per cent. That may gradually increase if it does not negatively impact the health and safety of patrons and employees. NagaWorld opened its VIP gaming tables and electronic gaming areas on July 7 and was granted permission to resume mass market table game operations on July 18.

The government continues to maintain restrictions on international arrivals, thus constraining NagaWorld's ability to reach pre-pandemic business volume. As of now, the casino is dependent on expatriates residing in Phnom Penh as well as a limited number of VIP gamers from fly-in markets.

SIHANOUKVILLE AND BORDER MARKETS

The casinos in the coastal city of Sihanoukville are wholly dependent on international visitation arriving by air. As air traffic resumes, hotels are

once again resuming operations. As of July 29, 21 casinos requested permission to resume operations and those were forwarded to the national government for review. Permission to re-open will fall on the Ministry of Health as well as local health authorities. Health and safety protocols developed at NagaWorld will form the foundation for safety procedures at those casinos.

The casinos in the border districts remain closed. Overland border traffic is restricted to the movement of goods. Since Vietnam and Thailand remain under strict quarantine, there is no tourism traffic crossing those borders. Given the recent and unexpected surge in infections in Vietnam, the border crossing to Bavet is expected to remain closed. The Kingdom of Thailand also remains extremely vigilant and has yet to fully open their border with Cambodia, allowing only Thais to return home.

THE EMERGENCE OF TRAVEL BUBBLES

It remains to be seen how quickly Thailand, Vietnam and Cambodia re-open their borders to tourism traffic. What is expected, once each country's ministries of health have a high degree of assurance that their neighbours have

extinguished the virus, is the development of travel bubbles. These bubbles will allow for the relatively free movement of citizens to and from Thailand, Vietnam and Cambodia. Nevertheless, any sudden increase in rates of infections will force one or more countries to close their borders until the threat is abated.

Sihanoukville and Phnom Penh's tourism markets, dependent on international visitation from China, Malaysia and Thailand, will also develop travel bubbles with those nations. Visitors from outside those countries would be subject to government supervised quarantine measures. Once again, any re-emergence of the virus will likely cause restrictions on cross border traffic.

Covid-19 remains a significant threat to the short-term health of Cambodia's tourism industry. Until there is a widely available vaccine and treatment measures for the virus, the gaming industry can expect periodic constraints to the flow of tourists into the country. The governments of the Mekong region recognize the threat that the virus poses and are prepared to re-institute measures to protect their citizens from future outbreaks.