

The New Center of ASIAN Gaming

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Why the Philippines are taking Macau's crown



As Asia's gaming industry continues to recover from the pandemic, one market stands out as truly unique. The Philippines, long viewed with a certain degree of suspicion by international casino developers, has emerged as the most dynamic and innovative gaming market in Asia.

Prior to March 2020, when cross-border travel came to an abrupt halt, Macau was recognized as the center of Asian gaming, owing almost entirely to the fact that it generated over \$36 billion in gaming revenue in 2019. Earlier in the decade, Macau had been expected to

reach \$50 billion in annual gaming revenues before the Chinese government's crackdown on political corruption, which in turn caused a wary wealthy sector of the population to move away from conspicuous consumption.

Macau's Zero Covid policy shut down its gaming sector from March 2020 until December 2022, when both the Chinese and Macau governments abruptly lifted their quarantine restrictions and allowed their citizens to move about more freely. Macau's casinos are now recovering, and are expected to reach pre-pandemic performance by 2025.

Nonetheless, new regulations limiting junket play coupled with the recent conviction and imprisonment of the industry's most prominent junket promoter will preclude Macau's ability to reach its once lofty goal of \$50 billion in annual gaming revenue. In fact, rather than promoting its gaming sector, Macau's government appears intent on diversifying avenues of economic growth and attracting other types of visitors at the expense of gaming revenue growth.

The Philippines has taken a decidedly different approach. Rather than constraining its gaming industry, the government continues to support it, and has also allowed the sector to introduce a variety of new products while supporting the development of its brick-and-mortar casinos.

Entertainment City

When a plan to develop the Bagong Nayong Pilipino Entertainment City Project (Entertainment City) on reclaimed land in Manila Bay was first announced, few international developers paid much attention. Poor highway infrastructure, gridlocked city streets and an over-crowded airport made Manila a less-than-desirable location for integrated resorts.



Potential developers also feared that a casino development in the Philippines could raise the ire of regulators in domestic jurisdictions where they had gaming operations, and cited that as further reason to dismiss Entertainment City as a suitable place for casino development. Only after the successful opening of Solaire Casino Resort in 2013 and the subsequent openings of City of Dreams Manila in 2015 and Okada Manila in 2017 did some operators realize that they may have missed a lucrative opportunity.

Indeed, Entertainment City has succeeded far beyond initial expectations. Access to the project improved dramatically with the construction of an expressway that connects the area to the airport and Makati City, Manila's central business district. Infill projects, in the form of high-rise residential and commercial developments, boosted Manila Bay's population, and in turn increased local visitation to the casinos. Collectively, Entertainment City's casinos generated US\$3.2 billion in gaming revenue in 2019.

Entertainment City continues to evolve. Construction is proceeding on Westside City, a new integrated casino resort that will house a casino with 400 table games and 1,200 slot machines. That project will include the 1,930-key Grand Westside Hotel. Just north in Quezon City, Bloomberry Resorts Corp., owner of Solaire Resort Casino, is proceeding with development of a new casino resort branded as Solaire Resort North. The company has also begun planning for a third casino-resort to the south in Puerto Azul.

Clark Special Economic Zone

Clark Special Economic Zone (CSEZ), more commonly known as Clark, is located in Pampanga Province, about 60 miles north of central Manila. Comprised of nearly 80,000 acres, Clark was at one time the United States' largest overseas military base. The U.S. military withdrew in 1991, following the eruption of Mount Pinatubo, and subsequently returned the land to the Philippine government, which in turn passed legislation that made it a special economic zone.

The centerpiece of CSEZ is Clark International Airport, formerly Clark Air Base. With Manila's international airport operating at capacity and unable to expand further, Clark International Airport is expected to grow

exponentially in the coming decade. The first of four new terminals opened in 2022 with the remaining three to be completed by the end of the decade. Potential annual passenger capacity is forecasted to exceed 100 million. In addition to the airport's expansion, a new four-lane highway now connects Clark to the National Capital Region (NCR), and a high-speed passenger rail system is currently under construction.

Today, Clark's casinos are rapidly adding lodging and gaming capacity. Hann Casino Resort recently added a hotel tower under the Marriott flag and completed another substantial expansion of its gaming space. Royce Hotel and Casino also completed a major expansion. It recently opened 300,000 square feet of gaming space, capable of accommodating 150 table games and 1,500 slots.

Joe Pisano, CEO of JADE Entertainment and Gaming Technologies Inc., which has been a service provider and product distributor to casinos in Clark since 2009, predicts that Clark could see a total of 12 casinos by 2030.

The Junket Market

Macau's decision to further restrict junket play will no doubt benefit the casino resorts in Clark and Entertainment City. Collectively, these operators have built stunning facilities to meet the needs of junket promoters and their customers in the form of private gaming rooms, lavish hotel suites, and world-class dining. They also have the added advantage of offering more favorable commission structures to junket promoters than Macau casinos.

As junket promoters seek safer harbors to conduct business, they will no doubt shift a sizable portion of their business to the casinos in the Philippines.

POGOs



The Philippines has long had a robust online gaming sector. Philippine Online Gaming Operations (POGOs) are casinos housed in studios that feature live dealers who conduct games of chance in front of video cameras. Players from other countries can log onto an online casino and select a dealer/table where they would like to play. With an established account, they can then place wagers and observe the outcome of games on their mobile devices or computers.

Up until 2016, these gaming studios were located within special economic zones including the Cagayan Special Economic Zone Authority, the Aurora Pacific Economic Zone and Freeport Authority, and the Authority of the Freeport Area of Bataan.

Under an edict issued by then-President Rodrigo Duterte in 2016, PAGCOR was given the authority to regulate live dealer/online operations. Subsequently, the oversight of a vast majority of those gaming providers shifted to PAGCOR. Those providers then became known as POGOs.

POGOs peaked in size and performance in 2019. The pandemic caused a contraction, shrinking the industry by nearly half. Nevertheless, POGOs and their affiliate industries continue to account for a sizable portion of commercial real estate leases in and around Manila.

In addition, foreign workers require housing, which in turn has helped the fortunes of the residential real estate market.

While there continue to be controversies surrounding POGOs, there are now too many vested interests that benefit from this industry. Despite calls to close down the industry, POGOs are expected to continue albeit under closer scrutiny by regulators.

PIGOs



In 2021, PAGCOR, the Philippines gaming regulatory authority, authorized the issuance of Philippine Inland Gaming Operations (PIGO) licenses. Introduced in response to the closure of land-based gaming venues due to Covid-19, PIGOs allow casino and integrated resort operators to offer online gambling to their existing registered members, allowing those members to log in and play from anywhere within the country.

Remote e-Slots

Recently, PAGCOR issued regulations governing Remote e-Slots. These are actual slot machines that players can access from other countries, allowing them to play an actual machine remotely.

PAGCOR regulations state:

“There are still players who have reservations in playing online. There are issues with the integrity of games which are run mainly by software or through the cloud. Likewise, the difference between seeing computer images as opposed to physical machines to which a player is more accustomed is understandable. This gap is now being bridged by technology through remote play. This allows the use of the same type of machines used on the casino floor that are connected to the internet so that they can be played online. This is helpful in tapping the market of players transitioning to be online players.”

It is expected that the market could see 5,000 machines installed in gaming studios in the next 14 months.

Emerging Products

The closest place for residents of Bangkok to legally gamble is in Poipet, a city in Cambodia across from Aranya Prathet, a border town in Thailand that serves as the primary overland crossing between those two countries.

PAGCOR continues to authorize and regulate new online products. Jade Entertainment expects to introduce Fantasy Esports and Fantasy Basketball before the start of the NBA season next fall. More recently, the regulator allowed sportsbook operators to include live-streaming of international horse racing directly onto set top boxes in retail outlets.

As other Asian markets slowly rebound with the hope of achieving pre-pandemic revenue levels, the Philippines has taken a more aggressive stance. Regulators have recognized the positive economic impact that both brick-and-mortar casinos and online operations have on local and regional economies. Casino and retail gaming operators have responded by investing in their properties and in online solutions.



At one time, Macau was recognized as the center of Asian gaming solely because of its sheer size. The pandemic revealed that size alone is not what determines the strength of a casino industry. Rather, it is the diversity of its gaming products and an industry's ability to meet the needs of the markets that it serves, and equally important is the support of the local and national authorities.

Macau's regulatory authority will continue to limit its casino industry's growth. South Korea will continue to prohibit its residents from entering 16 of the country's 17 casinos. Vietnam will continue to experiment with casinos in remote locations that allow residents to gamble.

Meanwhile, the Philippines continues to expand its suite of wagering products. The center of Asian gaming has shifted, and it is no longer in Macau.

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