Manila to build casinos

Manila: A sign on a dirt track points the way to Bagong Nayong Pilipino Entertainment City, an empty expanse of Manila landfill right now that is being developed into a gamblers‘ nirvana of slot machines, roulette wheels and card tables.

Construction is set to start early next year on a Las Vagas-style strip on 150 hectares of reclaimed land overlooking Manila’s famous bay. Bulldozers and other earth moving equipment are already preparing the thicket-covered land.

The Philippines is among several Asian countries, including Singapore, using the pulling power of casinos to launch entertainment infrastructure to boost tourism.

With big-name foreign and local investors signed up, government-backed Bagong Nayong – Tagalog for New City – is finally in play after several years on the drawing board. The Philippine Amusement and Gaming Corporation, or Pagcor, the government’s gambling regulator, is handling the project.

Its headquarters on the fifth floor of the Hyatt Hotel and Casino Manila in the city’s Malate tourist belt have the rarefied look of a well-heeled corporation in the private sector, worlds apart from the usually dowdy government offices here

But then Pagcor, which operates 13 casinos dotted around the country, is the second biggest contributor to the treasury after tax payers. Its revenue last year totalled 25 billion pesos (SGD 783 million).

A few floors below the suite of executive offices, punters are hunched over roulette tables or tap away at the banks of jackpot slot machines. It is four in the afternoon and the place is humming.

Foreigners, at a glance, seem to outnumber the locals. Like their neighbours, Filipinos are passionate gamblers, though with a third of the nation living in poverty, cockfighting, lotteries and illegal numbers games are the flutters of the masses.

Pagcor’s president Rafael Butch Francisco, a business consultant by profession, told The Straits Times that the government will declare Bagong Nayong an economic tourism zone before the end of the year. This, he explained, will enable the three private groups that have so far been given casino licenses to get substantial tax breaks and other incentives for their investment in the project.

Each investor has put up non-refundable deposits of USD 100 million (SGD 148 million), showing that serious money to develop the area is on the table.

‚So construction should start in the first quarter of 2008,‘ said Mr Francisco.

Malaysian resort-casino specialists Genting International has tied up with a local company owned by property tycoon Andrew Tan. He was ranked the fourth-richest Filipino with an estimated worth of USD 1.1 billion by Forbes magazine last year. The joint venture is taking 40ha, and their USD 1 billion concept includes a Warner Brothers theme park.

Japan’s Aruze Corporation, which makes gaming machines, plans to build a 2,000-room hotel-casino called the Okada Resort Manila Bay on a 30ha site that will include an oceanarium and a birds-eye view ferris wheel.

Philippine retailing giant SM Investments has a 30ha site close to its Mall of Asia, the world’s third-largest shopping centre.

Some big wheels in the gambling industry, including American casino operator Steve Wynn and Australia’s James Packer, have reportedly taken a look at Bagong Nayong and passed for now.

The Philippines can be a hard sell. Concerns over corruption and lack of transparency, coupled with red tape, have long been blamed as barriers to doing business here by foreign chambers of commerce.

As the gambling regulator, Pagcor was able to cut the red tape – and so far there has not been a whiff of scandal over the project. ‚We want our investors to be comfortable, and above all make money here,‘ said Mr Francisco.

The terms call for a partial opening of all three projects by end-2010, though Bagong Nayong may take 10 years – and as many billions of dollars – to finish.

On paper at least, a casino-led entertainment strip with hotels, restaurants, shows, shops, leisure parks and convention centres overlooking Manila Bay should be a sizable tourist draw.

But despite its many charms, this country attracted only three million visitors last year, less than a sixth of arrivals in neighbouring Malaysia. Still, growth from East Asia, Bagong Nayong's target market, is rising, with arrivals from China up 18 per cent in the first half of this year.

Pagcor is counting on the famed friendliness of Filipinos to make the development stand out. ‚You can never go wrong with our hospitality,‘ said Mr Francisco.

Still, some worry there already are too many casino ventures in the pipeline in South-east Asia, and that the meltdown on global financial markets could cause some to be pulled or pushed back.

Singapore, Thailand, Vietnam, Cambodia and the Philippines are all building, or planning to build, large integrated casino-resorts. Japan and Taiwan are expected to legalise gambling, possibly next year in the case of Japan, while South Korea seems to be warming to the idea.

What is more, Macau, which has now overtaken Las Vegas in gambling revenues, is building hotel-casinos as fast as it can on reclaimed land at Cotai.

So will there be enough to go round? The answer seems to be ‚yes‘.

A recent PricewaterhouseCoppers‘ report on global gaming identified Asia-Pacific as the industry’s fastest growth market. Its authors predict gambling revenue in the region surging to USD 37.2 billion in 2012, just over double last year’s level.

The Catholic Church in this mainly Christian country has put up less resistance than might be imagined given its opposition to gambling. Three bishops – albeit retired ones, it has to be said – even blessed Bagong Nayong’s ceremonial ground breaking in April.

‚We’ve been trying to assure the Church for the past two years that there is not going to be casinos in every corner of this development,‘ said Mr Francisco.

The government badly needs the tax income for budget support. It will get 25 per cent of the take from gambling and 5 per cent on non-gaming revenues. Both, however, are well below the Philippine corporate tax rate of 35 per cent.

As for the 40,000 Filipinos to be employed in the entertainment complexes, they will be paid international salaries under the terms of the operating licenses. These, said Mr Francisco, would be on a par with Singapore and Macau.