

Singapore's Casinos Face Obstacles to Growth

Investors Sour on City-State's Gambling Hubs Amid Stricter Gambling Rules, Lack of Expansion

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Annual gambling revenue at Singapore's two casinos — the Marina Bay Sands, shown, and the Resorts World Sentosa — has been flat. AFP/Getty Images

A year after the 2010 opening of its two casinos, Singapore tied the Las Vegas Strip as the world's second-biggest gambling market by revenue. The city's casinos have boosted tourism and lured high-rollers by offering bets of up to one million Singapore dollars (US\$800,000), the highest maximum wagers in the world.

But after a stunning debut, the casinos have stopped growing, due in part to the government's reluctance to let them expand or relax its strict gambling rules.

As a result, investors, spoiled by seemingly endless growth in the Chinese haven of Macau and other new casino hubs springing up across Asia, have soured on Singapore's resorts. "There's little investor interest in Singapore," says Ben Lee, managing partner at casino consultancy iGamix. "They've given up."

The government isn't likely to change its policies any time soon, said Eugene Tan, a member of parliament and an associate law professor at Singapore Management University who studies casinos. The city, he said, wants to show that its casinos—the most profitable on the planet—are also the world's best regulated.



The Marina Bay Sands Agence France-Presse/Getty Images

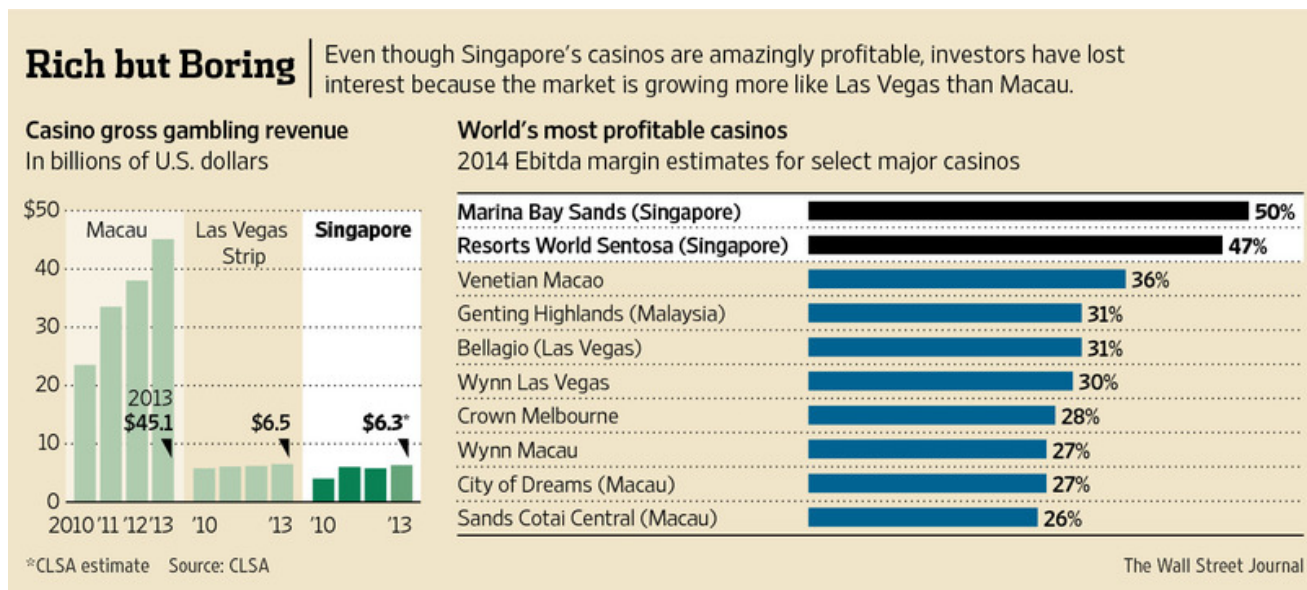
"We're not going to sell our grandmothers just to make money," he said.

Neither Singapore's Casino Regulatory Authority nor its parent agency, the Ministry of Home Affairs, responded to requests for comment.

The stalled growth in Singapore could have implications beyond the city. Asia is in the midst of a casino boom, with new gambling outlets planned everywhere from the Philippines to South Korea and under consideration in Japan, a potentially huge market. While some have praised Singapore as a regulatory model for other markets in Asia, investors and industry executives hope new casinos in the region will perform more like the resorts in Macau, where proximity to mainland China and less strict oversight have led to extraordinary growth. Macau, the world's casino capital, has gambling revenues now seven times the size of the Las Vegas Strip.

Straight-laced Singapore—famous for its ban on most sales of chewing gum and its policy of caning some criminals—surprised the world when it invited casino companies to submit

proposals nearly a decade ago. The government wanted to boost tourism and shed Singapore's image as a dull and rigid city.



The city got what it wanted: Visitor arrivals hit nearly 16 million last year, up from 10 million in 2009, the year before the casinos opened, according to the Singapore Tourism Board.

But annual gambling revenue at Singapore's two casinos— Las Vegas Sands Corp.'s LVS +1.37% eye-catching Marina Bay Sands and Genting Singapore GIGNY +1.28% PLC's colorful Resorts World Sentosa—has hovered around US\$6 billion since 2011. Representatives of both companies declined to comment.

On Las Vegas Sands' fourth-quarter earnings call in January, Rob Goldstein, the company's global head of gaming operations, said that he was "as frustrated as anybody" with the performance in Singapore after the casino had a disappointing quarter.

Las Vegas Sands has been seeking permission to expand Marina Bay Sands, which is running at full capacity. But the company's billionaire chief executive, Sheldon Adelson, said on the most recent earnings call last month that was unlikely. "I don't see our getting an approval for expansion," Mr. Adelson said.

Casino executives say Singapore's gambling rules are also hurting performance. Singapore regulators take months to approve casino marketing programs and require citizens and permanent residents to deposit S\$100,000 to apply for credit as well as to pay S\$100 a day to enter casinos or S\$2,000 for an annual pass. Casinos must also honor families' requests to ban relatives with gambling addictions.

Regulators have strictly enforced these rules. In the most serious case to date, regulators caught Resorts World Sentosa offering to reimburse local gamblers' annual entry fees with free tickets to the resort's Universal Studios theme park. The company was fined

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S\$600,000 in 2012, and later individual executives were also fined personally, including a senior executive who had to pay S\$100,000 after pleading guilty to lying to the regulator about the offers. The city recently toughened rules further, pushing the maximum penalty for violations by casinos to 10% of their annual gambling revenues.

Visits to casinos by Singapore citizens and permanent residents have dropped 15% to 17,000 from 20,000 per day in 2010, according to the Casino Regulatory Authority's 2012-2013 annual report.

The Singapore casinos are also struggling with the high-roller market. The same high maximum bets that attract the region's top gamblers to the city also create extreme volatility, which can be disconcerting to investors. "In any given month the VIP revenue is going to be determined by probably 50 players. In Macau that number is going to be determined by a few hundred players," said Robin Farley, a casino analyst at UBS.

Las Vegas Sands' Mr. Goldstein said in January that the business can be so concentrated in Singapore that the arrival of even just two more VIP players per quarter could have a large impact on the casino's performance.

Singapore's strict rules have also effectively blocked Macau-style junket operators from getting licensed there, further complicating business dealings, say casino and junket officials. Junket operators—which bring in wealthy gamblers from China, offer them credit and collect their debts—account for nearly two-thirds of Macau's gambling revenue.

—Chun Han Wong contributed to this article.