

Insight SAIPAN CASINO

Death knell in paradise

Saipan's decision to legalise casinos on the island comes amid a surge in interest in gaming in the Northern Marianas and elsewhere in the Pacific, but may arrive at the expense of an existing resort on neighbouring Tinian, experts say.

This report was compiled and first published by Asia Gambling Brief.

There's a lot of the interest in Saipan coming from Macau junket operators eager to secure an alternative gaming destination to the world's biggest gambling hub, according to Ben Lee, managing partner at IGamiX Management & Consulting. Two big groups with ties to the Macau gaming industry have applied for a Saipan license: Best Sunshine International Ltd., a subsidiary of Hong Kong listed First Natural Foods Holdings Ltd. and Mega Stars Overseas Ltd. Both paid a US\$1m application fee by the March deadline, though things haven't gone exactly smoothly since then.

Mega Stars Overseas Ltd. is the owner of the Tinian Dynasty Hotel & Casino, the only casino currently operating in the Northern Marianas. Whoever gets approved will have to make an investment of \$2bn and build at the minimum a 2,000 room casino hotel.

However, a dispute between Marianas Stars Entertainment (MSE), and the government has been sparked, due to MSE's application being rejected on May 8 for not depositing US\$30m in escrow on time. Best Sunshine International, meanwhile, is the remaining applicant for a license to develop the US\$2bn casino resort on

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Saipan. It has presented its plans to the Lottery Commission and the public, which includes a 2020 grand opening for a four-phased integrated resort that it hopes will transform Saipan into the "Monaco of the Pacific," drawing references to the oft cited Singapore casino resort model.

The government confirmed it had received applications from Marianas Stars Entertainment and Best Sunshine International, each paying the US\$1m, non-refundable application fee. As part of the second phase of the tender, the two groups had until May 5 to deposit a further \$30m to be considered for the licence for the planned 2,000 room resort. However, the Marianas Stars' application was rejected as, according to the Saipan Lottery Commission, the \$30m had not been deposited in time. Best Sunshine has

progressed having made its deposit on May 3. Marianas Stars is considering filing a protest or lawsuit, claiming that it had met the deposit deadline with \$30m now in ESCROW.

Lottery Commission Chair, Sixto Igisomar, and fellow commission member, Larrisa Larson, said the commission rejected Marianas Stars' application "based on facts" because there was no deposit in the bank from the rejected applicant on May 5. Marianas Stars has yet to share proof that it met the deposit deadline. MSE has since sought a meeting with the Lottery Commission. Marianas Stars wants a reconsideration of its casino license application's rejection.

THE NEW DEVELOPMENT

The first phase includes a 401-room hotel and casino and will be built in 2017-2018. The investor is required to build a total of at least 2,000 rooms. Best Sunshine is a direct wholly-owned subsidiary of First Natural Foods Holdings Ltd., which will be renamed Imperial Pacific International Holdings on May 20, 2014. Earlier this year, Imperial Pacific acquired certain interests in a Macau VIP gaming business with operations in various casinos in Macau including Wynn, Galaxy, MGM, and Venetian.



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need a good location for that," he said. In his presentation, Mr. Tay cited examples of challenges and successes they had in planning and building Singapore's Sentosa to become the integrated resort that is now known worldwide. He said the same experiences, expertise, and planning could be used on Saipan.

Mr. Tay also briefed those in attendance about the nature of an integrated resort, again citing Singapore's Sentosa resort island as an example. Resorts World Sentosa, spanning 49 hectares, welcomed over 45 million visitors in its first three years of opening. It is home to the region's first-and-only Universal Studios theme park and the Marine Life Park. Other attractions include a maritime experiential museum, a destination spa, a casino, six unique hotels, a convention centre, celebrity chef restaurants, and speciality retail outlets.

With an integrated resort concept, visitors would not run out of activities, most of which are not related to casinos, Tay said. But casinos, he said, would help finance the other attractions and facilities.

A CLEAR DECISION

The decision to legalise casinos on Saipan came from the government's need to boost tourism revenue to help close a pension funding shortfall. However, the decision is not popular with

"It is my personal and professional opinion that casinos are not viable in Tinian. With a casino on Saipan, why would anyone want to go to Tinian?"

everyone. An anti casino activist has reportedly filed a lawsuit against the bill legalising casinos on Saipan.

The action, the second of its kind, was filed in a Northern Marianas court. The suit was filed in the Superior Court against the Governor Eloy Inos, the Senate President Ralph Torres, and several others for allegedly violating the Open Government Act in the passage of the law. It requests the bill to be declared null and void.

According to the Marianas Visitors Authority, visitor arrivals in March this year were 40,666, very little changed compared to 40,613 in March, 2013. Japan remains as the biggest tourist market for the Northern Marianas with 13,396, followed closely by China, 12,359 and South Korea with 10,732 visitors.

Records from the CNMI Department of Commerce showed that Mega Stars registered as Marianas Stars Entertainment Inc. Marianas Stars is 25 per cent owned by Mega Stars Overseas Ltd. and 75 per cent by Famous Treasure Limited, a company incorporated in the British Virgin Islands and a wholly owned subsidiary of Chinese Strategic Holdings Ltd.

Best Sunshine, on the other hand, has not registered in the CNMI just yet. No records on this business entity were filed in the CNMI Department of Commerce.

Lee said both are junket operators in Macau, adding that there has been growing interest in exploring overseas markets from the sector.

"Even others have gone as far as Western Samoa and Vanuatu," says Lee.

Best Sunshine chief operating officer Terence Tay, a former state counsel and deputy public prosecutor with the Attorney General's Chambers of Singapore, commented at the meeting: "We seek approval to give us the opportunity to invest no less than \$2bn in this enchanting paradise and work together to deliver a product that every

government will be proud of," said Tay, formerly with Genting Singapore, which wholly owns Resorts World Sentosa.

Mr. Tay was part of the steering team that built the Sentosa integrated world resort as a general counsel and head of corporate affairs. Singapore's Resorts World Sentosa was named "Best Integrated Resort" in 2011, 2012, and 2013 at the TTG Travel Awards, which recognises the best of Asia-Pacific's travel industry. In his presentation, Mr. Tay said Best Sunshine will totally fund this investment. "We have no expectations of subsidies or contributions by your government. We do everything ourselves, with your approval of course," he said.

The commission has hired two U.S.-based international consulting groups: casino investigator B2G Global Strategies whose principals and investigators include retired FBI and DEA agents, and gaming consultant The Innovation Group of Companies.

Mr. Tay said that he is not at liberty to disclose at this time the location for the project, but did confirm that Best Sunshine is actively looking at sites. "We really want an iconic building so we



Lee said he sees considerable potential in the CNMI, but the right conditions may need to be put in place to pull in the tourist dollar. "The CNMI has always had potential. It is just a matter of making sure conditions are in place to let those casinos prosper."

Key among these, says Lee, is the ability to rely on an "air bridge," a direct flight, or charter flight from any major Asian destination. Currently, the Tinian International Airport is not ready to receive international flights pending refurbishment of its terminal.

Tinian is 2,115 miles away from Hong Kong, 1,475 miles away from Tokyo and 1,931 miles from Seoul.

Mr. Lee also underscores the importance of making sure gaming revenue tax is low. "The environment has to be conducive to the operation of junket businesses," adds Lee.

While the outlook may be bright on Saipan, Lee said any resort there was likely to prosper at the expense of Tinian's existing casino. "It is my opinion, my personal and professional opinion, that casinos are not viable in Tinian," says Lee. "With a casino on Saipan, why would anyone want to go to Tinian? Tinian is a dream long gone."

The problem is a lack of a critical mass of attractions in and on the island to draw in a reasonable volume to ensure success, as well as difficulties in access from Saipan.

Saipan is the second largest island in the Marianas chain after Guam, with 44.55 square

miles in land area followed by Tinian with 39 square miles.

Based on the 2010 Census, of the total Northern Marianas population of 53,883, about 48,220 were on Saipan, 3,316 on Tinian and 2,527 on Rota. Tinian's population, moreover, is concentrated at the southern end as the U.S. military leases two thirds, or 15,353 acres of the island. Major shopping centers are on Saipan.

At present, there is only one local airline – Star Marianas Air, flying the Saipan Tinian route. Arctic Circle Air has temporarily suspended flights to Tinian pending repair of its Britten Norman aircraft in the Philippines. Freedom Air, on the other hand, which has been serving the islands for the last 40 years, is currently going through bankruptcy proceedings on Guam. The Tinian local government has been looking into the possibility of bringing back the ferry service. Meanwhile, Tinian Mayor Ramon M. Dela Cruz agreed with Lee over the need to diversify attractions to lure more tourists and casino aficionados.

Dela Cruz said; "In order to make the casino industry successful on Tinian, a lot of amenities have to be in place." He acknowledged that transportation remains the biggest challenge and the Tinian leadership is looking to the central government for support.

"Sad to say, things are moving very slow," said Dela Cruz pertaining to the government's action in resolving the transportation issue.

He also said the future of the casino industry on the island will also depend on government

support. "Direct transportation is a problem and until such time that this remains unresolved, it is going to hurt the industry."

With the three Northern Mariana islands battling against each other for a piece of the gambling pie, the mayor is still upbeat that the Tinian casino industry will survive if there are direct flights from major Asian destinations.

For the mayor, direct flights to Tinian will give them a level playing field with Saipan. "We have no problem with competition," he said.

The Dynasty casino on Tinian has been open since 1998, but has never made a profit. Despite that, the Tinian senate issued four more licenses which have not progressed beyond the inking of agreements, Lee previously said in a newspaper interview.

Rota also issued its own gaming license which saw a small casino open and shut after just three months. Rota has yet to revive its casino operation. Meanwhile, as the Northern Marianas continue to vet the two applicants for an exclusive casino license, another South Pacific destination is opening a casino operation soon.

According to the Fiji Sun, construction of a \$290 million casino is underway on Denaru Island. A single storey casino building will rise on 17 acres of land.

Its developer, One Hundred Sands Limited, is upbeat that following the completion of the geo tech work, the project is back on track. The casino operation in Fiji touts 400,500 in employment opportunities.