

# In the Philippine Casino Industry, Even the House Can't Win; Recent developments highlight weak oversight of Philippine gaming, experts say

Jake Maxwell Watts; Ben Otto . Wall Street Journal (Online) ; New York, N.Y. [New York, N.Y.]16 Aug 2017: n/a.

[ProQuest document link](#)

---

## FULL TEXT

MANILA—Poised for big business this summer, casino operators here had expected the opening of a \$2.4 billion tropical waterfront resort and an influx of Chinese gamblers to further propel the sector's recent double-digit growth.

But a series of troubling events in the past several months has marred their ambitions to turn the Philippines into one of Asia's top gambling destinations.

Among them, lax security resulted in an armed assailant setting fire to a gaming hall, killing 37 people including himself; members of an alleged Chinese-run gambling syndicate abducted a Singaporean woman from a casino; and Japan's Kazuo Okada, the chairman and billionaire namesake of the new waterfront resort, was ousted from his job amid an investigation into alleged improper payments.

Industry experts say these events illustrate the poor state of regulation and security in the Philippine casino market, which, while growing rapidly, so far has largely failed to attract big-name Western investors.

"The credibility, the transparency, is just not there to satisfy the requirements of most international investor operators," said Ben Lee, managing partner of Macau-based IGamiX Management & Consulting.

The Philippines has stepped up as a global gaming center at a time when growth at traditional hubs, such as Macau and Las Vegas, has slowed or even contracted. Philippine gaming revenue, worth \$2.4 billion last year, has risen an average of nearly 24% a year from 2009 through 2016, according to data from Fitch Ratings. Macau's casino revenue, though much larger at \$27.8 billion in 2016 alone, has grown less than 13% a year over the same period and has contracted in each of the past three years. Analysts expect improving relations between Manila and Beijing—making it more feasible for Chinese visitors to come to the Philippines—to drive growth in Manila's gaming sector.

But foreign casino operators remain wary. Ed Bowers, senior vice president of U.S. resorts company MGM Resorts International, told Philippine media in May that MGM decided not to enter the market, noting concerns about competition and the dual role of the country's regulatory authority, which is also a casino operator.

Big investors here include the Philippines' richest man, property and retail magnate Henry Sy, and local ports

tycoon Enrique Razon. Both have raked in substantial profit after pouring billions of dollars into casinos located on a plot of reclaimed land, dubbed Entertainment City, near Manila's international airport. Australian James Packer's Crown Resorts initially invested in an Entertainment City casino called City of Dreams, but it has since sold its stake.

The only high-profile foreigner still in the mix was Mr. Okada. He was scheduled to formally open Okada Manila in July in Entertainment City, until he was removed as chairman of the resort following an internal investigation into alleged improper payments. The investigation has yet to conclude, and while the Okada Manila casino is partially open, its full launch has been delayed. Mr. Okada hasn't responded to the allegations and couldn't be reached for comment.

The Philippine government sees promise in the casino sector but the country is an outlier in Asian gaming in its light-touch regulation. It allows proxy gaming--gambling anonymously--that is illegal in the rest of Asia's major casino markets. The country's state-owned casino operator, Philippine Amusement and Gaming Corp., or Pagcor, also acts as its industry regulator, creating what other countries say is a conflict of interest.

A U.S. State Department report in March described the Philippine casino sector as a "weak link" in anti-money-laundering and terrorist financing and noted that criminal groups had "infiltrated casino operations" for organized crime. Last year, \$81 million stolen from the Bangladesh central bank by hackers was laundered through Philippine casinos. The report also said drug traffickers "use the Philippine banking system, commercial enterprises, and particularly casinos, to transfer drug and other illicit proceeds from the Philippines to offshore accounts."

Pagcor didn't reply to requests for comment.

The recent scandals have prompted the government of Philippine President Rodrigo Duterte to propose action to clean up the casino industry and strengthen regulation. Last month, Mr. Duterte signed a law to include casinos in anti-money-laundering regulations, plugging a loophole that allowed millions from the Bangladesh heist to be laundered. The president also has ordered law enforcement "to intensify the fight" against unlicensed gambling.

The government is considering ordering Pagcor to start privatizing its dozens of casino assets by the end of the year, according to public comments by the country's finance secretary.

Pagcor has said it would be open to some form of privatization but has yet to begin any such process. It opposed a similar proposal in 2012 under a previous government. Industry analysts say Pagcor has long provided a lucrative source of revenue for the government, contributing to a lack of political will to make changes at the regulator.

Write to Jake Maxwell Watts at [jake.watts@wsj.com](mailto:jake.watts@wsj.com) and Ben Otto at [ben.otto@wsj.com](mailto:ben.otto@wsj.com)

Related

\* Video Shows Deadly Manila Casino Attack (June 2017)

\* Manila Doubles Down on Gambling (February 2015)

\* Philippines Bets Big on Casinos (March 2013)

Credit: By Jake Maxwell Watts and Ben Otto

## DETAILS

<b>Subject:</b>	Regulation; Privatization; Money laundering; Resorts & spas; Casinos; Legalized gambling
<b>Location:</b>	Bangladesh Beijing China United States--US Philippines Asia Macao Las Vegas Nevada Japan
<b>Company / organization:</b>	Name: MGM Resorts International; NAICS: 721120
<b>Publication title:</b>	Wall Street Journal (Online); New York, N.Y.
<b>Pages:</b>	n/a
<b>Publication year:</b>	2017
<b>Publication date:</b>	Aug 16, 2017
<b>Section:</b>	Business
<b>Publisher:</b>	Dow Jones & Company Inc
<b>Place of publication:</b>	New York, N.Y.
<b>Country of publication:</b>	United States
<b>Publication subject:</b>	Business And Economics
<b>Source type:</b>	Newspapers
<b>Language of publication:</b>	English
<b>Document type:</b>	News
<b>ProQuest document ID:</b>	1928920358
<b>Document URL:</b>	<a href="https://search.proquest.com/docview/1928920358?accountid=12528">https://search.proquest.com/docview/1928920358?accountid=12528</a>
<b>Copyright:</b>	(c) 2017 Dow Jones & Company, Inc. Reproduced with permission of copyright owner. Further reproduction or distribution is prohibited without permission.
<b>Last updated:</b>	2017-08-16
<b>Database:</b>	ProQuest Central

## LINKS

[Linking Service](#)

Copyright © 2017 ProQuest LLC. All rights reserved.

[Terms and Conditions](#) [Contact ProQuest](#)