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REGULATION

Increasing calls for regulatory shake-up in the Philippines

A new proposal in the national congress could see Pagcor repositioned as the Philippine Amusements and Gaming Authority, while the government is reportedly considering setting up a special body to oversee privatisation of the regulator-cum-operator's casinos.

PHILIPPINES

2017 has seen significant debate in the Philippines regarding the Philippine Amusement and Gaming Corp's (Pagcor) regulatory role, with lawmakers looking to divest the regulator-cum-operator of its portfolio of casinos.

At present, Pagcor directly operates a suite of state-run casinos under the Casino Filipino brand, and oversees a number of private-sector ones.

Casino Filipino operates venues in eight locations across the country, and has a further 34 so-called "satellite" sites across the Philippines.

"The Philippines' Department of Finance had always wanted to separate Pagcor from its operational side. This debate started shortly after President Aquino assumed office," explained Ben Lee, managing partner at iGamiX Management and Consulting.

"The then-Secretary for Finance, Cesar Purisma, wanted to privatise Pagcor however, he did not have sufficient support from both sides of the House to do so.

"Again, the Depart of Finance under the new Secretary wants to clean up the conflict however, and it sounds like this time, the House reps appear to be in favour."

In late November, Pantaleon Alvarez, speaker in the House of Representatives, mooted rebranding Pagcor as the Philippine Amusements and Gaming Authority (Paga).

According to proposals in House Bill 6514, endorsed by Alvarez and House deputy majority leader Juan Pablo Bondoc, Pagcor would be divested of its portfolio of casinos, while its regulatory powers would be extended.

"An entity that has this power runs the risk of dealing itself a favourable hand while undercutting others," Alvarez stated.

Under the bill, all games of chance currently authorised by special economic zones - including some offshore-facing online gaming services licensed via the Cagayan Special Economic Zone - would be "consolidated" under the new regulator "for the purposes of efficiency".

"The issue now is that the current administration of Pagcor, have embarked on a strategy that would cut the legs out from under the Bill should it be presented," Lee continued.

"From what we know, they are already engaged in a 'Privatisation by Stealth' strategy, whereby they are :

"A. looking to sell their existing casino licences to the hotels which house their operations, but with Pagcor still running the operations under a revenue share arrangement;

"B. converting existing privately owned slots parlours - managed by Pagcor - to include gaming tables;

"C. approving new licences in zones such as Cebu, which were previously off limits to privately owned and managed casinos, which theoretically should be located in special economic zones.

"By the time, the government gets around to introducing the bill, Pagcor will have divested itself of most of its self-owned casinos.

"What they will have left will be casino management agreements, which will be far less valuable than the actual licences."

Meanwhile the government is reportedly considering setting up a special body to oversee privatisation of Pagcor's casinos.

"We have a Privatization Management Office [PMO], but Pagcor is a special case," stated Carlos Dominguez, the country's Finance Secretary, speaking to local media.

"It is the [casino venue] licences that we are privatising. It's more technical. Quite frankly, we admit it's more technical than what the PMO can handle."

Dominguez stated that the proposed new council - which would require presidential approval - would be composed of representatives from the Office of the President, the Department of Finance, the Department of Justice, the Department of Budget and Management, and the Governance Commission for Government-Owned or Controlled Corporations.