

Japan's Big Casino Plan Provokes Fury in Rural Towns

Written by Administrator
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Tokyo, Osaka and Yokohama are emerging as likely candidates for casino resorts under the Japanese government's new bidding framework, triggering criticism from smaller cities that say it undermines Prime Minister Shinzo Abe's goal of reviving rural areas.

Most global casino operators have indicated an interest in building resorts only in any of the three cities, given their relatively high population and proximity to major international airports. To be selected, operators and municipalities will have to team up and submit a concrete proposal to the government, according to guidelines published this month.



Yumeshima, top, a man-made island in Osaka Bay, is a candidate site for casino resorts.

Photographer: Tomohiro Ohsumi/Bloomberg

"The guidelines have changed the power structure between operators and local governments," Yoshinobu Nisaka, governor of Wakayama prefecture in western Japan, said at a news conference at the Japan Gaming Congress on May 11. "Where did the view that this was for local revitalization go?"

Officials from Nagasaki to Hokkaido have raised their hands to host casino resorts in their cities. Some are now also criticizing the process, saying it will lead to big operators only wanting to partner with large cities. Members of the government panel debating the issue have said licenses should be awarded to two to three municipalities to build out the first casino resorts in Japan.

"This morning's newspaper made me so disappointed," Hiroya Ebina, the mayor of Kushiro, a town in the northern prefecture of Hokkaido, said on May 11 when the new framework made headlines in Japan.

Major Cities

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[Las Vegas Sands Corp.](#) is eyeing the three large cities, according to the chief executive officer of its Singapore operation.

"The location that works best for our business model is the major cities so we're talking about Tokyo, Yokohama, Osaka," Marina Bay Sands CEO George Tanasijevich said in an interview on May 11.



Photographer: Tomohiro Ohsumi/Bloomberg

"We need to be in a major city that's connected to a major international airport so we can bring in the millions of people that we want to host at our property," he said, adding a large local business community would also be a prerequisite.

Ed Bowers, executive vice president of global development for [MGM Resorts International](#), also said a big local population would be required to justify the investment.

"MGM's business model is to build large-scale destination resorts with lots of stuff that cost a lot of money," he said. "So it needs to be in a high density population area, and obviously the ones to be mentioned are Tokyo, Osaka and Yokohama. So we're focused on those three."

Casino development is seen as a potential boon to the gaming industry in Japan, given the nation's wealthy population, proximity to China and familiarity with forms of wagering such as pachinko -- a ubiquitous pinball-like game -- and horse and boat race betting.

[Read more on how Japan's bet on casinos may play out](#)

Revenue from casino resorts in Japan could [eventually reach](#) \$25 billion a year, which would make it the second-biggest gambling market in the world, trailing only Macau based on 2015 numbers, according to investment bank CLSA Ltd. Such resorts will also include entertainment

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venues, hotels and restaurants, as well as so-called MICE space for meetings, incentives, conferences and exhibitions.

Not all operators have written off the possibility of a casino in a smaller area.

“We are currently exploring opportunities in both urban and regional markets,” said Steven Tight, the president of international development for [Caesars Entertainment Corp.](#)

Barriers Remain

Partnerships between major casino operators and large municipalities are still far from certain.

Tokyo Governor Yuriko Koike, who faces local elections in July, hasn't made casinos a priority. Yokohama has officially expressed interest, though the bay city near Tokyo faces a mayoral election in July where casinos could become a focal point. In Osaka, questions have been raised over the adequacy of facilities in the proposed site.

“The Osaka site's infrastructure requirements are extensive and will require cooperation of both private sector and government,” MGM's Bowers said.

While key details such as taxes and the level of access to casinos by Japanese nationals have yet to be decided, the latest bidding framework means operators and local governments will need to accelerate talks on any tie-ups, Morgan Stanley analyst Praveen Choudhary wrote in a note to clients.

“All markets will likely have a good sense of who they want to partner with before the implementation bill is passed,” he said.

Lawmakers are fleshing out the bill, which is expected to be completed during summer in Japan before it's debated and voted on in the extraordinary session of parliament in the fall.

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Any implementation law will also need to address ways to treat problem gambling in Japan, where public support for casinos is low and there is a [lack of regulation](#) to deal with addiction to activities such as pachinko. Fewer than [25 percent](#) of Japanese people supported the legalizing of casino gambling, according to a survey conducted by the Kyodo news agency after the initial law was passed last December.

“I think what’s on people’s minds right now is the issue of responsible gaming and gaming addiction,” Tanasijevich said.

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