

Typhoon rebuild on U.S. territory Saipan hampered by casino woes

Written by Administrator
Monday, 15 April 2019 20:19 -

SAIPAN (Reuters) - More than six months after super typhoon Yutu battered Saipan, recovery efforts are making little traction with the government facing cash-flow problems as its once vaunted engine of growth – a Chinese-funded casino project - is mired in deep losses.

Hundreds of people remain in makeshift housing and some schools are teaching students in tents on the tiny Western Pacific island, a U.S. territory close to major U.S. military bases on Guam.

Saipan's economy had been buoyed by Hong Kong-listed Imperial Pacific International Holdings' casino since it opened as a temporary facility in 2015. The project has contributed to around 60 percent of government revenues through taxes and operating fees.

However, Imperial Pacific posted a record loss in 2018 due in part to massive uncollected debts, and is far from finishing its glitzy resort that was initially due to open two years ago.

Tax revenues due to Saipan's government have dropped by more than 70 percent, according to Imperial's annual report released in March while legislators, executives and local residents say the company is behind on monthly tax payments.

Imperial Pacific declined repeated requests for comment.

Authorities in Saipan, part of the tropical Northern Mariana Islands, are planning to cut the budget by 10 percent for 2020 and have already cut \$12 million in spending for fiscal year 2019, according to governor Ralph Torres. Austerity measures such as reducing utility hours have also taken effect.

Imperial has been granted multiple extensions after missing deadlines to complete the project and local legislator Christina Sablan said there were concerns it would need to seek a further extension because of problems securing the workforce needed to finalise construction before the current 2021 deadline.

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Labour shortages due to federal restrictions limiting the number of foreigners allowed to work in Saipan have affected businesses across the tiny island – home to around 50,000 people - where tourism is the main economic driver.

Imperial operates its opulent gold and cream hued casino in the heart of Saipan's main Garapan district, targeting high roller gamblers, mostly from China.

However, the planned 329-room luxury hotel - to be built on top of the casino - remains a towering construction site with cranes and scaffolding supporting the building's windowless shell.

On a recent Saturday afternoon, only four of around 100 baccarat tables were occupied, while the rest of the casino lay empty and VIP sections were closed off.

The company is facing acute challenges with visits from high rollers plunging after the typhoon in October and some \$1.2 billion (£0.92 billion) in outstanding receivables, of which \$730 million was over a year old, according to its 2018 annual report.

Imperial is also involved in several legal cases including one brought by former construction workers who say they were victims of forced labour and human trafficking. The company declined to comment on allegations by seven Chinese former construction workers that it "recklessly disregarded its contractors' exploitive and illegal practices".

Saipan's government is currently considering a bill to legalise online gambling to offset falling revenues from the casino. Local businessman Glen Hunter said the casino's problems had spilled over into other businesses, with local parking and views affected. Hunter has repeatedly called for more transparency and scrutiny over Imperial's operations.

"Who is going to offset these negative impacts? We the tax payers have been shouldering it," he said.

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Imperial's casino plan is the vision of Macau junket executive Ji Xiaobo, who won a 40-year casino license in 2014.

His shift away from the former Portuguese territory, where he brought high-rolling gamblers to play, came as China's government began a corruption crackdown which pummeled Macau's casino revenues and sent wealthy betters to other locales such as Vietnam, Cambodia and the Philippines.

Imperial is also trying to secure a 400-acre land plot on the north west of Saipan to build a mega resort with convention facilities and thousands of hotel rooms.

FILE PHOTO: A worker stands outside the construction site of the new Best Sunshine Live casino at Saipan, a U.S. South Pacific island, November 21, 2016. REUTERS/Natalie Thomas/File Photo

Locals like Rizalina Liwag, principal of Hopwood Middle School, are hoping the government can come up with funds to rebuild their campus, destroyed by Typhoon Yutu.

Some 900 children are currently being taught lessons out of 42 tents.

"Our students deserve to have a permanent structure where they can enjoy and feel safe without being worried that the next typhoon may destroy our tents and we will go back to scratch again," she said.

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