

Too Big To Fail U.S. Pacific Island Casino Keeps Failing

Written by Administrator
Friday, 26 April 2019 01:15 -

Lobby of the 350 room beachfront hotel in Saipan that Imperial Pacific International was supposed to complete by July 2017. The Hong Kong listing company is seeing revenue tank amid mountains of uncollected player debt.

Imperial Pacific Internatioal Holdings

Last Friday's Marianas Variety newspaper reports the [Rotary Club of Saipan raked in US\\$34,000 from a Las Vegas Night](#)

Perhaps the Rotarians can teach Imperial Pacific International how to operate a profitable casino on the U.S. Pacific island, part of the Commonwealth of Northern Marianas Islands. Hong Kong listed IPI declared a loss of nearly HK\$3 billion (US\$382 million) for last year.

[After reporting stratospheric VIP volumes under former Sands China and Trump Casinos head Mark Brown](#)

, IPI has written off more than HK\$9.7 billion in player debt, and still carries almost HK\$5 billion, more than five times its reported profits since opening a temporary casino in a shopping mall in July 2015. Worse, its partly built hotel in Garapan, Saipan's central tourist district, is an eyesore, a federal case and, to some, a desecration. Worse, after providing more than half the CNMI budget in fiscal 2018, IPI is failing to deliver government revenue, a justification for casino legalization despite consecutive referendums that voted no.

[Deemed too big to fail, IPI is failing](#)

"Today at a Ways and Means Committee meeting, administration officials disclosed that since October 2018, the government has collected just \$41,000 in casino gross revenue taxes. That's it. And just so we are clear that I am not missing zeros in that number, that's forty-one thousand dollars" local legislator Tina Sablan wrote in an email sent Tuesday. "We've gone through the first half of the fiscal year, and that's all that IPI has paid. Compare that to nearly \$44 million in casino GRT in 2018, and about \$68 million in 2017 – taxes that went to retirees' pensions, public schools, the hospital, infrastructure. The impact of this sudden tumble in collections is huge."

The company, which chose not to comment for this article, has said that its business was devastated by Typhoon Yutu last October, and recovery has been slow. But difficulties run deeper.

Without its own hotel rooms, IPI houses some VIP on yachts.

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“IPI’s main problem is their business model, it is utterly unsustainable,” iGamiX Director of Casino Operations Eric Coskun says. “Almost all of their efforts are focused on the top end of the VIP market, yet most experts know that top level VIP players have a shelf life of two to three years, [and] most of these top level players usually play on credit.” IPI ownership, drawn from the Macau junket sector, sticks to familiar turf.

Coskun, whose company is the management operator of Club C, an electronic gaming parlor at Kanoa Resort in Saipan’s Susupe tourist district, about 16 kilometers (10 miles) south of Imperial Pacific’s Garapan location, suggests, “IPI should have targeted the middle class of China that usually brings a lot of spending cash. These players do not usually require credit, their spending is not limited to prepaid tour groups, and they could have had the greatest positive economic effect on the island, however [IPI] did not have any hotel rooms available for this market segment.”

Under terms of its casino license, IPI must produce more than 2,000 guest rooms, part of a promised US\$7.1 billion investment. A 350 room beachfront hotel was supposed be finished by July 31, 2017, a deadline extended to August 31 last year, and then to February 28, 2021.

Saipan features dramatic scenery, crystal blue waters and more than a half-dozen golf courses.

Imperial Pacific International Holdings

The US\$600 million project enjoyed greater credibility when run by Brown, who exited operational duties in early 2017 for a non-executive chairman role that he left a year later. He returned as IPI’s Saipan subsidiary chairman in November, but Representative Sablan says she hasn’t seen any meaningful improvement. “But in fairness to Mr Brown,” she adds, “my impression is that the problems plaguing IPI are so much bigger than him, bigger than any one person to solve alone.”

[In a Washington Post op-ed on exploitation of Chinese worker overseas](#) , labor lawyer Aaron Halegua highlights the IPI project. Many on the site, where a laborer died, were working illegally on tourist visas, living in squalid dormitories and underpaid, attracting U.S. Labor Department scrutiny. [Halegua was](#)

[part the team that successfully won back wages from IPI](#)
and is now suing for further compensation for workers injured on the site.

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Labor remains a bottleneck. CNMI's recently renewed special worker visa program now excludes the Philippines, previously a primary legal labor source. [IPI has turned to Taiwan](#) , but there's still a shortfall of 700 workers.

Many CNMI residents believe that building on a traditional burial ground, plus injuries and death there, have cursed the IPI project. Whatever the cause, [IPI is already suggesting it won't meet the February 2021 hotel completion deadline](#)

Read more <https://www.forbes.com/sites/muhammadcohen/2019/04/26/too-big-to-fail-u-s-pacific-island-casino-keeps-failing/>