

## Macau Casino License Expiration Dilemma Has New Boss, Old Rules

Written by Administrator

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Casino concession expiration in 2022 presents challenges, especially for U.S. licensees, but likely won't lead to casino implosions. (AP Photo/Isaac Brekken)

Macau gaming concession expiration remains the elephant in the room for the world's casino capital. In Beijing earlier this month, Macau's new Chief Executive-elect Ho Iat Seng paraded the elephant around the room and gave those worrying about the 2022 expiration, especially U.S. licensees Las Vegas Sands, MGM Resorts and Wynn Resorts (via local subsidiaries), more to worry about. Beyond intermittent stomping and trumpeting, experts suggest Macau's concession retendering will turn out the way you'd logically expect for licensees that have increased casino revenue more than ten-fold and turned Macau into one of the richest places on earth. There may be plot twists, but the outcome will align with abiding principles powerful enough to override political tides.

In Beijing to formalize his selection as Macau's third chief executive, [Ho warned against the dangers of foreign influence](#)

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[ongoing protests in Hong Kong](#)

and the "one country, two systems" principle that guides relations between mainland China and the two restored ex-colonies, Ho declared, "We won't allow foreign influences to have a hand in Macau's affairs."

Foreign companies headed by outsiders hold all six Macau gaming licenses; three of them have roots in Hong Kong, making them part of the same one country as Macau. In this time of trade war between the world's two largest economies and [mainland authorities pushing the meme that America is behind Hong Kong protests](#)

, being one of those three U.S. company that needs Beijing's approval to continue its multibillion-dollar business on Chinese soil beyond 2022 seems like a good reason to sweat. But things are rarely that simple in Macau.

Billions invested by American and Hong Kong casino concession holders has transformed Macau from an economic basket case to virtual full employment and overflowing government coffers.

Getty

At this year's International Association of Gaming Advisors Best Practices Institute during G2E

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Asia, a cross-section of Macau gaming professionals provided insights on concession expiration, a process with global import that remains grounded in local realities.

“With 39% of revenue, Macau is the biggest gaming stakeholder,” MdME Lawyers partner Rui Pinto Proenca says, citing the territory’s gaming tax rate. [Ending the casino monopoly has lifted Macau from economic stagnation](#) to virtual full employment and overflowing government coffers.

Above all Beijing wants a chief executive that won’t make waves. “Macau has been a success story. I don’t expect any change from Mr Ho,” attorney Pedro Cortes, a senior partner at Rato, Ling, Lei & Cortes, says. But there is a legal catch.

[Macau transformed three casino concessionaires into six](#) through the dubious legal device of a subconcession. In order to offer more than three concessions in the next tender, Macau needs to amend the gaming law or pass a new one. Ho, who is not related to former chief executive Edmund Ho or SJM Holdings founder Stanley Ho, says the outgoing government of Fernando Chui Sai-on and his new team are drafting the needed amendment to enable retendering to take place ahead of the 2022 expiration date for all six licensees. But because Macau passes very few laws per year, Cortes says, “I expect concession extensions to 2027,” a move allowed under the current law.

Pansy Ho's cross holdings could facilitate a casino concession shuffle. (Anthony Kwan/Bloomberg)

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With good times rolling, there appears little appetite to lower the total of concessions and subconcessions from the current six. There are Macau stakeholders seeking concessions including former legislator David Chow’s Macau Legend Development, which runs so-called satellite casinos under SJM Holdings’ concession, other SJM satellite casino operators and perhaps leading junket promoter Suncity Group, chaired by Macau native Alvin Chau, with management contracts and ownership stakes in casinos overseas. (A Suncity spokesperson says, “So far, we do not have a clear direction yet in regards to pursuing a gaming concession in Macau.”)

Additional concessions pose “the billion dollar question—several billion dollars question,”

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University of Macau gaming expert Desmond Lam says. He favors maintaining the current mix.

Expanding the number of concessions could displease Beijing, which regularly urges Macau to diversify its economy. Cortes points out there is room for merging concessions, since Galaxy Entertainment has a stake in Wynn Resorts and MGM China cochair Pansy Ho, Stanley Ho's daughter, has attained boardroom control of SJM. Macau authorities could consolidate the linked companies under one concession, creating space for a new concessionaire without increasing, or even decreasing, the number of concessions.

Gaming consultant 2NT8 managing director Alidad Tash says. "It's not about what is good for Macau, but what is politically expedient."

Macau politicians also seek the path of least resistance. Casino owners must ensure that canceling the license of a multibillion-dollar investor with thousands of local employees doesn't become the easiest road to follow.

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