

MACAO'S GAMING SECTOR FACES NEW CHALLENGES AND A NEW URBAN PLAN



The gaming industry in Macao is facing a critical period. With the end of concessions in 2022 and an unfavorable international political outlook in US-China relations, operators may be forced to adapt to a new model of sub-concessions and tighter supervision. Experts foresee changes in the government's requirements regarding public tenders.

There are less than two years to go before the current concession and sub-concession contracts for casinos in Macao expire. **Operators working in the Macao's gaming sector are unaware of the government's plans for the sector in the post-pandemic context.** According to several experts, the public tender for the renewal of concessions will be affected by economic and political factors. It may even be the end of the current model of concessions and sub-concessions.

"A lot has changed since the last tender," said Jorge Oliveira, the former legal affairs commissioner of the Macao Games Commission, which oversaw the process of granting concessions to the international market 20 years ago. Unlike 1999, he says now "there is much more critical mass in the local gaming sector". "Macao is now much more scrutinized by foreign regulators, gambling investment analysts, securities regulators and China's central authorities", Jorge Oliveira stated.

Increased political tensions between China and the US in recent years could affect the outcome of upcoming concessions, particularly in the case of Donald Trump's re-election to the White House. "Elections in the United States will play an important role [in renewing concessions]", said Alidad Tash, a gambling industry expert and former vice president of Melco Resorts and the Venetian. He said relations between China and the U.S. should get worse if Trump wins Joe Biden in November.

"This could put more pressure on the three US operators [Sands, Wynn and MGM] operating in Macao," Alidad Tash said. The three operators could be "legitimate targets in this new 'cold war' [between China and the US]" if the US administration continues to ban Chinese companies, said Tash, the current managing director of casino consulting firm 2NT8 Limited.

For Ben Lee, an experienced gaming consultant and former Venetian vice-president, "the permanent escalation of tension between the two countries will increase the risk that one or two US operators will not get a new deal or give up their assets to maintain a greater presence in the world's gaming market". According to Ben Lee, in such a scenario, a Chinese company or investor could become one of the main interested parties in occupying that open spot.

Another uncertainty mentioned by experts is the revision of gambling laws in Macao, which could affect the operators' current concession model. For Carlos Siu Lam, a professor at the Centre for Gaming and Tourism Studies of Macao Polytechnic Institute, the current model of three concessions will have to be reassessed.

"The number of concessions and the concept of sub-concessions have to be reassessed; restricting the number of concessions without limiting the number of casinos is another regulatory conundrum, as are the relationship between concessionaires and 'junket' operators and the regulations managing the reversion of assets to the government," said Carlos Siu Lam, noting that there are currently more than three operators in the territory, although the law is clear on the maximum

number of concessions.

The lawyer and gambling consultant Antônio Ramirez argued that there could be "six or seven concessions" and that the next 20 years will bring an automatic development in the "service industry, artificial intelligence and much more. As a result, it is necessary to "attract new players to develop the sector and Macao, with new capabilities that will help the expected disruptive changes". According to the Vice President of Human Resources at Sands China, having more operators "will be positive for Macao's gaming sector and the local population".

Moreover, the Macau government revealed some of the details of its Master Urban Plan, which aims to guide the development of the city until the year 2040, expanding the tourist areas, but maintaining the activity of the casinos in the current locations. The plan creates eighteen zones defined for residential, tourist, green leisure, industrial and diversified industries.

The Master Urban Plan foresees that at the end of this period the local population will have reached 808,000 (compared to about 696,000 today) and the territory will have a total area of 36.8 square kilometers.

According to the plan, the city's tourism and entertainment industries would remain in the current areas of Cotai and NAPE, while several locations would become new areas of non-game-related tourism.

The southern part of the artificial island, where the border of the Hong Kong-Zhuhai-Macau bridge is located, would be reserved for the development of hotels, exhibitions and conventions in order to promote a cooperation platform between the three cities.

With the resubmission of gaming licenses scheduled for 2022, when the six existing concessions expire, the distribution of land to gaming operators and the development of the tourism industry in Macau would be a focus for the foreseeable future.

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