



Appealing to all the senses in Singapore

From Raffles to Adelson, G3 charts the amazing history and even more dramatic future of casino resort entertainment (and MICE) in this explosive South East Asia gaming market

The opening of Singapore's mega-resorts, Marina Bay Sands and Resorts World Sentosa, obviously sent a shockwave through the Macau gaming press. Huddled around at table at the G2E Asia gaming show in June, journalists grilled American Gaming Association Chairman, Frank Fahrenkopf about the impact Singapore's status as new Asian casino destination of choice, would have on the Macau gaming market. The answer, was "very little."

The fact is, Singapore is served by a different gaming audience, with figures already showing in the first few months that the majority of visitors arriving at Marina Bay Sands and Resorts World

Sentosa hail from Indonesia, India and Malaysia. Chinese visitors take a fourth place spot, with Australian visitors closely bringing up the rear.

Macau will continue to be served by predominately Chinese visitors, with no end in sight to its popularity with figures showing year on year increase of over 1,000 per cent in gaming revenue. The impact Singapore will have on the region isn't on the Macau market, but on the surrounding Asia-Pac countries; Thailand, Cambodia, India, Japan, Laos etc. Asia is rebounding quickly from the economic crisis, but the effect of tax leakage to Singapore will be a hot topic in these countries in coming month.

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THE SINGAPORE MARKET

Singapore is an island city-state located at the southern tip of the Malay Peninsula and is the smallest nation in Southeast Asia. It is actually made up of one main island with 63 surrounding islets and still today is the busiest port in the world with over 600 shipping lines using the port.

The country is linked to Malaysia by two causeway bridges and the islands of the Riau archipelago of Indonesia are accessible by ferry whilst Thailand and the Philippines are a short plane journey away. Singapore is the Asian hot spot in many respects at the moment and although not tagged as the next Macau or Philippines, it is however virgin casino territory with a new gaming law recently introduced.

Since independence, Singapore's economy has grown by an average of nine per cent



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Sing Tel Singapore Grand Prix. In 2010 it hosted the first Youth Olympic Games, while 2009 marked the country's 50th year of self-governance

It is said that everything in Singapore starts and ends with food. The multi cultural dining scene is one of the key elements in this country whilst a walk down Orchard Road can provide anyone with some retail therapy. Of course, Singapore also offers a variety of parks and natural beauty. Visitors can take in the huge 350 metre man-made Marina Barrage dam built in the city as a reservoir, which is now ideal for water sports and a backdrop for performances, whilst the Bukit Timah Nature Reserve or Pulau Ubin (an island offshore) can take nature loving visitors back to basics.

In 2004 Lee Hsien Loong, the eldest son of Lee Kuan Yew (first Prime Minister) became the third Prime Minister of Singapore and a year later he introduced several policy changes including the reduction of national service and the legalisation of casino gambling. The legalisation of gaming was part of an ambitious plan to make Singapore a more exciting tourist destination with a view to doubling visitor figures to around 17 million by 2015.

Launched at the same time was the Urban Redevelopment Authority of Singapore, which was set up with the aim of transforming the city to increase Singapore's appeal and attract more tourists. The idea is to light up the city to transform it into a vibrant nightspot, particularly for events festivals. The most prominent transformation has taken place across the city skyline. In the Central Business District every skyscraper now features bright neon lights, with further illumination of trees and seating areas in Orchard Road and new lighting systems at the Marina Bay.

NEW GAMING TERRITORY

Sir Thomas Stamford Bingley Raffles was a British statesman, best known for founding the city of Singapore (now the city-state of the Republic of Singapore). He is often described as the "Father of Singapore". He was also heavily involved in the conquest of the Indonesian island of Java from Dutch and French military forces during the Napoleonic Wars and contributed to the expansion of the British Empire. Although the inhabitants of Singapore under the Raffles era were engaged in gambling, these were seen as vices and were generally frowned upon activities. However, Raffles counterpart, William Farquhar saw these 'vices' as opportunities to obtain revenues and issued licences for gaming tables whilst Raffles was off claiming more territory.

The tourist island of Sentosa attracts more than five million visitors a year. It is located in the south of Singapore and consists of around 20-30 landmarks such as Fort Siloso, which was built as a fortress to defend against the Japanese invading in World War II.

each year and by the 1990s it became one of the world's most prosperous nations. Today, it is the fifth wealthiest country in the world in terms of GDP, whilst it was also ranked as the tenth most expensive city in the world in which to live (the third in Asia after Tokyo and Osaka).

Singapore is highly cosmopolitan and diverse and is a major supplier of electronic components, leader in shipbuilding and an important financial area with more than 130 banks. The city gives the impression of order and modernity with a public transport system that puts many in the West to shame and a skyline of high rise apartment blocks where most of its inhabitants live.

Singapore has long been a welcoming stop for travellers from its days as a fishing village and shipping port and today offer diverse culture for the

discerning 21st century tourist. In 2008, Singapore saw a total of just over 10 million visitors with 50 per cent of the visitors arriving from Indonesia, China, Australia, India and Malaysia.

Tourism generated an estimated SG\$14.8bn last year (€8.3bn), showing five per cent growth over 2007 figures even though visitor figures declined by around two per cent. It seems that its growing attractiveness as a destination is a key contributory factor to growth, in combination with competitive air travel options and greater accessibility.

The country offers a variety of activities from the old ethnic quarters offering a blast from the past to the new futuristic integrated resort centres being built which are offering a host of entertainment and leisure facilities. In September 2008, Singapore hosted the annual Formula 1

Upon Raffles return in 1822, the two argued and Raffles ordered the closure of all gambling 'farms' and cockpits under new regulation. However, in 1823 when John Crawford came to power, he permitted 10 gambling houses in Singapore and by 1826 gambling was the most lucrative tax contributing almost half of the tax-farm revenue.

In 1827, a year after Crawford's reign ended, gambling was prohibited once again, however, this time it was merely driven underground where gambling actually began to really flourish. After numerous attempts to reinstate dedicated gambling laws, the 1827 has remained in place until 2005, whereby the only form of legal gambling in Singapore has been parimutuel facilities and horse racing.

However in 2005 Prime Minister Lee Hsien Loong reversed decades of ruling party opposition to approve two casino resorts with the aim of emulating Macau's amazing success. The idea behind the two integrated tourist resorts (IRs) was to increase tourist numbers, while licensing a casino at each resort would ensure huge profits to then subsidise non-gaming attractions, thus drawing in more visitors.

The government stipulated that each casino must be no larger than 161,000 sq.ft with a maximum of 2,500 gaming machines each and make up less than five per cent of the entire tourist area. Singapore basically wanted two resorts featuring MICE (Meetings, Incentives, Conventions and Exhibitions) orientated hotels on the bay and a theme park. The government then offered bidders two IR sites in Marina Bay and on Sentosa, an island off Singapore's south shore.

In 2006, Singapore was ranked Top Convention City in Asia for the eighth time and third best in the world. The Marina Bay Sands resort adds 1.2 million sq.ft of convention space to an already impressive list of facilities. In 2006 business and MICE visitors constituted around 28 per cent of Singapore's visitor arrivals and accounted for 35 per cent of the SG\$4bn in tourism receipts.

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The Marina Bay project also includes a lotus-inspired Art Science museum,



shopping mall, two Broadway style theatres, floating crystal pavilions, celebrity chef restaurants and night clubs. There are 2,600 hotel rooms located in three cascading towers with 53 stories each, topped by an extraordinary sky park, which offers a 360 degree view of Singapore. The sky park is a one hectare rooftop tropical oasis with gardens, restaurants and swimming pool. The casino's table count will reach 1,000. The casino at Marina Bay Sands makes up just under two per cent of its entire floor area.

Las Vegas Sands has had a number of financial problems recently. It has sold its

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Grand Canal Shoppes in Las Vegas to fund the Macau Cotai Strip project, but then saw revenues slump in the US with the deteriorating US economy, just as travel restrictions in China slowed Macau's gaming growth.

It is understood LVS Chairman, Sheldon Adelson, put his own money into the company and suspended developments in Macau to concentrate on the Singapore project. The Marina Bay Sands (MBS) project has cost Las Vegas Sands around US\$5.5bn.

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Bay Sands saw an average of 25,000 visitors every day - a third being Singaporeans. MBS has yet to disclose revenue figures, though has said it is on track to meet the projected revenue of over US\$1bn by 2012. 60-70 per cent of this is expected from the casino floors. About 65 per cent of the integrated resort is now open, which includes all the 2,500 hotel rooms, convention facilities and about one-third of the retail stores.

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plaza, theatre with a dedicated year-round production of The Lion King, and nightclubs by Avalon and Pangaea. A Louis Vuitton flagship store inside a 'crystal pavilion' and a Banyan Tree Spa - the group's first project in its hometown - located on the 55th floor are also being planned. It's hoped the spa will open this month (August 2010).

Sheldon Adelson, Chairman & CEO of Las Vegas Sands stated recently: "I know that MICE (Meetings, Incentives, Conventions & Exhibitions) facilities don't make money; showrooms don't make money. If you spend US\$150-250m, building a theatre and producing a show, you can't get a return on it, so we need the casino to subsidise those returns."

Marina Bay Sands' CEO Thomas Arasi added that in June, some 500,000 people passed through its casino. In contrast, Resorts World Sentosa, which opened its casino during the Lunar New Year period in February, said it saw some 60,000 visitors at its casino within three days of opening.

Singapore rode a hot streak in May as the openings of the Marina Bay Sands casino and Genting's Resorts World on Sentosa Island helped break the nation's record for arrivals as visitors from Indonesia and other nations crowded the tables.

The Singapore Tourism Board said the city-state welcomed 30.3 per cent more visitors in May in contrast to last year, with the greatest number coming from Indonesia. The STB said Singapore's top five visitor-generating markets in May were Indonesia with 186,000 visitors, India with 116,000, Malaysia with 82,000, China 72,000, and Australia 64,000.

Singapore is aiming to boost visitor numbers by as much as 30 per cent this year to 12.5 million, but with a major number of visitors to the city state and its casinos arriving from Indonesia, there are fears that a travel ban or change in Indonesia's laws to allow a rival casino development could stem the tide of players.

Former Indonesian President BJ Habibie in 2006 floated the idea of opening a casino on Batam Island, located just a few kilometers from Singapore, in a bid to draw tourists and boost foreign exchange revenues. However, the proposal never got off the ground as the government was concerned about how religious groups would react.

I Gede Pitana, director of international promotions at the Ministry of Culture and Tourism, acknowledged that Indonesians were flocking to Singapore for the

casinos. "It is clear to me that our citizens are going to Singapore to gamble," he said. On one hand, "this can translate as giving foreign exchange revenue to another country." But on the other, it could provide benefits to Indonesians doing business in the city-state. Indonesia would not resort to legalising gambling just for the sake of drawing tourists, he said. "It's against our identity and values, and it's illegal. But if they want to gamble outside [Indonesia], go ahead as long as they obey the law in their destination countries."

In regards to Singapore's second casino resort, three formal bids were submitted for the Sentosa development in October 2006 with the licence finally granted to Genting Singapore who beat Kerzner International (partnered with Singapore's CapitaLand) and Vegas' Eighth Wonder (with PBL, Melco and Isle of Capri Casinos) during the tender process.

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The Genting group currently operates casinos and IRs in Australia, Americas, Malaysia, Philippines and the UK. Genting International is a subsidiary of Genting Berhad, which was formed to develop business outside Malaysia. The group operates the only legal casinos in Kuala Lumpur, which is popular with Singapore visitors.

Resorts World is 49 hectares in size and features the world's largest oceanarium with 700,000 fish, a Maritime museum, water park and Festival Walk which recreates the buzz of the Strip in Las Vegas with outdoor sound and lights shows (by creator of Vegas' Fremont Street Experience). In addition, Genting is bringing Singapore its first and only movie-theme park with Universal Studios which features seven themed zones and 24 rides and attractions

There are six hotels with 1,800 rooms ranging from luxury to 'Hard Rock' plus 40 venues for meetings. The casino is located underneath the Maxim Residences hotel. Project costs for Resorts World mounted to US\$4bn. An extra US\$53m is being spent on a new 710 metre causeway bridge to link Sentosa to the mainland and merge with the current causeway bridge. To encourage high-roller gamblers to Singapore's new casino developments the government introduced the lower tax of five per cent on net revenue compared to 15 per cent for the mass market.

Shufflemaster's Todd Haushalter, an expert in the Asian market, commented: "With low tax rates, a reputation as a place rich people like to visit, a stable government and the wonderful offerings of the resorts, Singapore will be as fine a gaming destination as there is in the world. Despite only having two properties they each have five times as many tables as Bellagio in Las Vegas. Low taxes also could mean high commission rates for junkets and that means delivery of high rollers."

It is estimated that high-rollers constitute around US\$10bn a year for Asia's casinos in terms of revenue, whilst Singapore can capture between five and 10 per cent of the region's VIP market. There have been some concerns over the affect of the new Singapore casino resorts on the Malaysian Genting Highlands. At the moment Singapore visitors account for around 20 per cent of the clientele at Genting Highlands.

However, some say the plan to introduce a SG\$100 daily entry fee or US\$2,000 annual membership fee for local citizens visiting the Singapore casinos will still push some residents to journey to Genting in Malaysia. On the other hand a Muslim ban on the Genting casino in Malaysia will in turn drive many to Singapore. In order to deter those people who can't really afford to gamble, all Singapore citizens and permanent residents must pay a S\$100 (£48) daily tax to enter the casinos, or S\$2,000 (£952), whereby the tax doesn't apply to tourists.

In May 2009, the Lim family apparently sold its entire stake in the Singapore unit for SG\$615m. The family holds nine per cent in Genting Singapore even though the family will remain in control of the development via its Malaysian flagship company. According to some sources the Singapore resorts will need to produce annual earnings, before taxes (EBITDA) of US\$1bn, whilst the number of visitors will need to around eight million.

However, the casinos have so far escaped the government's smoking ban, which has been slowly instigated over the last year or so. Casinos will be required to have separate smoking areas although the IRs have not yet revealed their plans.

In April 2008 the Casino Regulatory Authority was set up under the Ministry of Home Affairs to administer and enforce the Casino Control Act 2006. The act includes the following points:

- Once two casino licences are in force under the current act, no further licences will be permitted for a period

of 10 years.

- The main shareholder of the casino operation cannot participate in other casino operations.
- The age limit for players entering casinos is 21 years.
- Taxes are five per cent of gross gaming revenue each month from VIP players and 15 per cent of GGR per month from mass market players.
- The tax rate is set for 15 years.
- A five per cent penalty fee is added for late payments rising to, but not exceeding, 50 per cent.
- There are three types of exclusion orders: Family exclusion, voluntary self-exclusion and third party exclusion.

The CRA began as a division in the Ministry of Home Affairs and is headed by Chief Executive Mr. T Raja, senior assistant commissioner of police, whilst Richard Magnus is Chairman of the CRA board. Mr. Magnus, addressing an authority meeting, told colleagues: "Singapore is rapidly emerging as a land based gaming jurisdiction that will be frequented by international patrons. Unlike other gaming jurisdictions in which most regulators are under economic or revenue units, our act and the CRA is under the responsibility of the Ministry of Home Affairs. This is right for Singapore. The act is based on the Government Protection Model with some value add-ons from the 'Gambler Protector Model.' In other words the act aims to protect the industry by ensuring that gaming in the casinos is conducted honestly and is free from crime. It also tries to protect Singaporeans from gambling beyond their means."

Early in 2009 the CRA finalised its first version of technical standards for the Electronic Gaming Machines (EGM), which operate in the casinos. Any company wishing to manufacture, supply or test EGMs for use in Singapore casinos must be approved by the CRA. Approved testing agencies have been granted the Status of Singapore Recognised Testing Laboratories (SRTL). BMM Australia based in Melbourne and Sydney and Gaming Laboratories International have both been approved as SRTLs. Likewise, junket promoters must also apply for a licence from the CRA. All approved testing laboratories or junkets are listed on the CRA website.

Back in 2005 the National Council for Problem Gambling was set up by the Ministry for Community Development,



There are reports of up to 35 per cent d



Youth and Sports to work alongside the CRA. In 2008 the government increased the NCPG's annual public education budget from SG\$1m to SG\$3m while an advertising and media agency was appointed to advise on media strategy.

OTHER GAMING

There are approximately 100 privately run gaming clubs currently existence in Singapore. It is said each club can have a maximum of 40 machines and there are around a total of 2,000 machines in the marketplace.

There are also some video amusement game arcades throughout Singapore and Zone X is a leading player in the Family Entertainment Centre market. Zone X has nine outlets throughout the island providing amusement games, photo sticker machines and American pool games. The brand is a subsidiary of LC Development which owns hotels throughout the world including Crowne Plaza and Holiday Inn brands.

Another company active in the amusement sector is Valibel Technologies, which is an operator and distributor of amusement products for companies such as Sega, Namco, Capcom, Stern Pinball and Konami. The company manages one such location at the Raffles Marina, which is an arcade featuring video games for young adults.

Valibel has been in the FEC business for over 20 years and today has 20 private clubs, 10 FECs under the Funland and Cyberbyte brands and one Cyber Lifestyle Café and a mega snooker hall which was launched in 2002. The company operates a total of 2,000 machines and operates in other parts of Asia including Thailand, Malaysia, Hong Kong, Taiwan and India.

Illegal gambling syndicates and triads were a major problem in the 1960s and in a bid to curb this activity the government introduced Singapore Pools as the country's legal lottery operator in 1968. It began with a simple manual version of Toto followed by Singapore Sweep in 1969. Tickets were sold from small standalone booths around the island.

The four digit numbers game was brought in during the mid 1980s and timed with the company's changeover from manual operations to computerised gaming system. Today, 4D is the most popular gambling pastime in Singapore with 53 per cent of people participating in the lottery. SCORE, Singapore's first legal football betting game was launched in 1999 followed by STRIKE in 2002 for international football tournaments. As from 2004 the company is owned by Singapore Totalisator Board which is a

statutory board under the Ministry of Finance.

Singapore Pools holds more than 250 draws per year and offers four lottery games as well as operating sports betting for Singapore and international football matches and motor racing. There are around 300 sales terminals in Singapore, whilst live betting is operated via PoolzConnect (phone betting) or via Singapore Pools' two SportsBuzz entertainment venues. These are new entertainment lounges located in Paradiz Centre (PoMo) and in Singapore Turf Club. They feature huge projection screens and LCD screens with football and motor racing teams. Singapore Pools has a yearly turnover of SG\$4bn.

For the horseracing followers, Singapore Sporting Club was first formed by a group of racing enthusiasts in 1842 and the first race took place the year after. In 1924 the club changed its name to Singapore Turf Club and three years later sold its premises to the Singapore Improvement Trust and bought part of the Bukit Timah Rubber Estate to which it later relocated.

Racing was halted during World War II, and then in 1960, members of the public were finally permitted to attend races, which previously had been restricted to members and owners. In 1981, the SG\$18m North Grandstand was opened which enabled up to 50,000 people to be accommodated in the two stands.

The off-course betting service was introduced in 1995 including ACCESS hand-held terminals, Telebet and two off-course betting centres. In 1999 the club moved to its new premises in Kranji. In 2005 the Horseracing Channel 88 was launched over digital cable TV and a new package of benefits was introduced for payouts. The Singapore Turf Club Riding Centre was completed in 2009 and is aimed at making horse riding more affordable to the public and schoolchildren.

The club has introduced MobileTote enabling racing fans to place totalisator bets, enquire about information and manage their accounts from any location in Singapore or overseas using their mobile phone. The Cybersports and Online Gaming Association (Singapore) or SCOGA was founded by a group of enthusiastic players in 2008. They wanted to make a difference in the local gaming scene and promote Cybersports and also enable Singapore to compete in the international eSports competitions. In May 2009, SCOGA co-organised the first ever Licence2Play gaming event which saw 250,000 visitors coming to view new gaming products.