

# Play the cards, roll the dice - the integration of casinos within Asian tourism destination development strategy

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## **Abstract**

New Asian casino destinations continue to emerge and expand their gambling options. The historical rhetoric of being a panacea to economic and tourism woes continues to dominant decades later. Yet the excessive regulatory environments and taxation regimes by authorities on the casino industry are unlike those applied to other destination tourism products. Once the domain of the United States in the 1990s, with entertainment capitals such as Las Vegas and Atlantic City, the proliferation of legalized casino gaming is now accentuated in Asia in destinations such as Macao, Korea, Singapore, and the Philippines. As a tourism product, this article highlights that the arguments for and against casinos are narrowly embedded in social and economic influences, with a limited emphasis on a broader holistic approach on the implications on overall tourism management and development. Observations to date suggest greater prominence and participation by Asia's NTOs (National Tourism Offices) and DMOs (Destination Management Companies) are needed on the future of the casino's role within the tourism system and destination master plan and vision.

*Keywords:* casino tourism, integrated resorts, Asian tourism development

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## Introduction

In March 2016, the government of the Republic of Cyprus announced three preferred casino companies to bid on a single casino project on the Greek portion of the island. While the Turkish-controlled north had casinos for some years, the on-going opposition from the Greek Orthodox Church was overruled with the casino license fast-tracked due to economic instability and rising unemployment (Garlitos, 2014). The shortlist included the Cambodian operator NagaCorp Ltd., Philippines casino operator Bloomberry Resorts Corp, and a consortium of Macao's Melco casino company and The Hard Rock of Las Vegas (GGRa, 2016). This signaled the Republic of Cyprus's first foray into casino-style gambling, and the building of an integrated resort complex to attract tourists.

The introduction and expansion of casino-style gambling is increasingly debated globally as a possible part of the destination tourism product portfolio mix. The European Casino Association (ECA), which represents the interests of over 70,000 employees in nearly 900 casinos across 25 countries, estimates the industry to be worth €8 billion within its member base (European Casino Association, 2016). Another advocacy association for the gaming industry, the American Gaming Association, stated that the commercial casino industry employed over 336,000, paid wages of US \$13.2 billion, and earned US \$37 billion in gross gaming revenue securing US \$8.6 billion in direct gaming taxes in 2013 (American Gaming Association, 2016). Yet even the United States aggregate commercial gaming revenues of US \$37.34 billion were eclipsed in 2013, by the small destination of Macao, a Special Administration Region within China that achieved US \$44 billion in gross gaming revenues that year (McCartney, 2015). While legalized gambling in Macao predates major entertainment metropolises, such as Las Vegas and Atlantic City, prior to casino liberalization Macao's gaming revenues dwarfed in comparison. Illegal gambling was tolerated in Macao almost from its outset in the 16<sup>th</sup> Century, and it wasn't until the mid-19<sup>th</sup> Century that gambling houses were licensed by the Portuguese administration to raise much needed government revenues. Even in 2001, with casino revenues on the rise, this market only reached US \$2.3 billion (McCartney, 2006). A decade later, this illustrated the dramatic economic and tourism impact that casinos can have on a location with Macao's casino liberalization process and the ending of the casino monopoly.

The lure of substantial financial rewards via casino introduction has proved an attractive proposition to governments, investors, operators, suppliers, and communities. Dropping past reservations on the negative imagery and immoral arguments often associated with casinos, global entertainment and hospitality companies have, in recent years, eagerly partnered with casino resorts around the world. In Asia, these have included: Universal Studios, Dreamworks, and Fox Studios, which hope to improve revenues and global access, particularly to Asian audiences. Universal Studios at Resort World Singapore, which houses one of Singapore's two licensed casino concessionaires, feature family rides and imagery from popular movies such as Transformers, Jurassic Park, Sesame Street and Battlestar Galactica (Resort World Sentosa, 2015). SJM (Sociedade de Jogos de Macau) have partnered with Karl Lagerfeld and Versace as the 2 hotel name brands in their new casino resort on Macao's Cotai Strip (SJM Holdings Limited, 2015). It is increasingly the exception that global luxury hotel, restaurant, or retail brands are *not* nestled within one of Asia's mega-casino or integrated resort properties.

Amidst this overwhelming positive sentiment and advocacy for casinos as a catalyst for tourism destination growth and regeneration, there has been limited investigation on the influence that casinos have on future tourism outcomes. These include issues such as destination image and branding (McCartney, Butler & Bennett, 2009), as well as the impact of other tourism enterprises within the destination and the role of tourism authorities in managing this tourism product. Destination or integrated resorts, if large enough, have the capacity to influence the economic direction of the destination (Eadington & Collins, 2009). A case in point is the destination of Macao. Rather than develop Macao into a diversified tourism economy, the liberalization of Macao's casino industry in 2001 made Macao more dependent on this single source product (McCartney, 2015). In 2014, Macao's gaming industry contributed 80% to gross domestic product (GDP), while in 2001, the casino industry's contribution to GDP was 11% (Macau Statistics and Census Services, 2016a). Though a healthy government balance sheet, the inability for Macao to diversify created a serious negative backlash from the Chinese Government. Through the Chinese Government's crackdown on corruption in China, this has seen Macao's gross gaming revenues drop 36% from 2013 (US \$45.1 billion) to 2015 (US \$28.9 billion) with revenues still declining into 2016 (Macau Gaming Control Board, 2016). Macao's mega casino properties house a large portion of the local employed population, such as The Venetian, Macao, with a workforce of 28,000 (The Venetian, 2016) and mostly locals. The implications of a continued casino downturn void of a destination diversified tourism base will also have a negative backlash into the local community and supplier base.

Although with significant enthusiasm and government intrigue in today's tourism industry, literature rarely discusses or approaches the concept of casinos as a stimulus for tourism growth. The focus is rather on social concerns and restrictive regulations on what is envisaged to responsibly confine casinos within a tourism setting. At times, casino resorts are on the fringes of the tourism setting, isolated from the city walking or transportation network. This makes the casino even more difficult to continue operating (Klebanow & Gallaway, 2015). Given the increased appeal of adopting casinos in Asia, this paper importantly examines the role and influence of Asian casinos as a part of tourism. The paper acknowledges at times the uneasy existence of casinos in a destination, often labeled a controversial tourism product. An important highlight is for a greater emphasis to be placed on the tourism destination development aspect with increased buy-in from tourism authorities. Through this, further benefits can be leveraged for the location.

### **Casino tourism – lessons for Asian casino growth**

There is a range of opinions on the level of net benefits the casino as a tourism product brings to the destination. Tourism development brings with it social, economic, and political consequences. Casinos, in particular, receive added scrutiny due to social concerns surrounding issues such as problem gambling, crime, bankruptcy, and corruption. The economic revenues that casinos can create are often at the core of the argument for casino introduction and presented as significant enough to outweigh any social concerns. From the early 1990s, casinos have been cited as panacea to the economic woes of diminishing government coffers and tourism visitation and revenues. With this has seen the emergence of the large entertainment capitals of Las Vegas and Atlantic City (Eadington, 1999). As the highest taxed compared to other tourism businesses, casino properties have also been shown to be the largest employer and attract a large number of tourists that may not have otherwise visited the location (Richard, 2010).

Casino tourism, however, is often embroiled in controversy, related primarily to the daily generation and distribution of large sums of money. In Walton's (2009) examination of the history of tourism themes, casinos are highlighted as a possible destabilizing and divisive influence on tourism development if not appropriately regulated and controlled. In 2015, the Tinian Dynasty Hotel & Casino on the Northern Mariana Island was fined US \$75 million by the Financial Crimes Enforcement Network (FinCEN) for 'egregious anti-money laundering violations' (FinCEN, 2016). It was, to date, the highest fine against any casino under US jurisdiction and an example of the huge financial penalties that can befall this tourism product.

Several community impacts of casino tourism have been explored, such as levels of criminal activity (Stitt, Nichols and Giacomassi, 2003), quality of life (Allen, Long, Perdue and Kieselbach, 1998), personal bankruptcy (Garrett and Nichols, 2008), and problem and pathological gambling (Hing, 2001). In their investigation of criminal rates across different types of tourism developments including those with gaming, Park and Stokowski (2011) found that gaming locations did not show significant differences in crime rates compared to other tourism locations. The research reported property crime at ski resorts higher than at casino destinations. The heightened security presence inside and around the vicinity of the casino has been shown to act as a deterrent, being able to quickly assess and remove possible risks at an earlier stage. Rather than the often-assumed negative consequences brought about by casino development, research shows that greater analysis is required.

A key concern by authorities on the presence of casinos is the issue of local communities gambling excessively. Some jurisdictions attempt to prevent, exclude, or limit domestic tourists from visiting casinos. Korean nationals, for example, can enter only one casino in Korea named Kangwon Land. Located in a remote coal mining area in Kangwon Province 150 kilometres from Seoul, the casino resort still generated US \$1.4 billion in gaming revenues from domestic visitors in 2015 (GGRb, 2016). The strict oversight, enforcement and regulatory framework of the two Singapore casino resort properties has meant that Singapore's gaming industry has had limited expansion since opening. However, revenues in Singapore's two casinos almost equaled those of all the casinos on the Las Vegas Strip in 2013 (O'Keefe, 2014). Unlike foreign visitors, Singaporeans need to register with local authorities and pay a fee to enter the two local casinos. The focus of Singapore is on maintaining a diversified tourism economy and to limit any possible negative social and economic impacts within the community. Singaporeans and Koreans, however, can travel to close regional casino destinations or cruises including quasi-legal or illegal casinos where registration is not required, a challenge to regulators.

Casinos will be built in and around urban or rural settings. Their presence, and in particular the integrated resort complexes emerging throughout Asia, will impact local populations whether they hire, engage local suppliers, or attract locals to visit. Ap (1992) advocated a social exchange theory that local residents would support local tourism development should they perceive personal benefits from it. Examining this theory in the context of Macao's casino development shows that while local residents acknowledged benefits such as employment, they were increasingly concerned on several negative impacts (McCartney & Lei, 2015). These included traffic congestion and overcrowding, which were increasingly amplified by a lagging public transportation infrastructure and large number of visitors trying to get around the city. This disconnection between tourism development and monitoring resident attitudes was evident. The study recommended that monitoring resident attitudes should be integrated into a tourism master plan being considered by the Macao Government, to help ensure that tourism outputs were aligned with the support and expectations of residents.

It seems there is little agreement on the most appropriate and accurate way to approach the calculation of a casino industry cost-benefit analysis, with the suggestion that several calculations are unsound.

‘Certainly the casino industry can have positive and negative economic impacts. But attempting to estimate a monetary value for these is tricky. Policymakers and voters would like to have hard data on the effects of casinos prior to legalizing or expanding the industry... Unfortunately, most – if not all – of such estimates are flawed (Walker, 2007: 638).

As Walker (2007) later explains, a major issue is to clearly define the social and economic costs and benefits. A transfer of a gambling debt is not considered a social cost, for example, but can have negative effect beyond an economic loss.

As casino development and expansion increase in Asia, the issue of providing a more thorough and consistent approach to the cost-benefit calculation will be needed. Politicians, developers, and associations look for figures to justify or disagree on casino development, as seen in Japan and Taiwan. While competing methodologies exist in evaluating the cost-benefits of the casino industry, conceptual rigor dictates that when social costs are presented, further criteria should be provided around this assessment and calculation (Walker & Barnett, 1999). Though different disciplines will approach social cost analysis from different perspectives, it is also the large amounts of revenue within gaming that can produce questionable social cost methodology (Fong, Fong & Li, 2011). In their analysis of the social cost to the Macao community prior to and after casino liberalization in early 2000, Fong, Fong & Li (2011) also state that social cost calculation should fulfill 3 key criteria:

‘The cost has to be social, rather than private or personal; The cost has to result in a real decrease in societal wealth; The cost has to result exclusively from gambling’.

While gamblers can be cheated, in the modern casino environment it is assumed that gamblers make informed decisions and can through personal choice reduce their gambling involvement. Therefore, negative consequences are a personal price (Fong, Fong & Li, 2011). On the issues of societal wealth, a gambler’s lost of productivity at work through pathological gambling, for example, would be internalized through a salary reduction or having a new recruit do the work (Walker & Barnett, 1999). Criminal activities committed by gamblers may not be as a result of gambling, but perhaps alcohol addiction or other social issues. Therefore, costs associated to crime, policing, law enforcement and incarceration should factor in whether the crime was a direct consequence of the gambling behavior. As Fong, Fong & Li (2011) acknowledge there can be problems in strictly applying these definitions as other moral, healthcare, and welfare issues could be overlooked.

Whatever cost-benefit framework is developed for casino or potential casino Asian locations, it should be with a rigorous and transparent assessment of costs and benefits being used, and why. It is often the lack of clarity of what authorities wish the casino entertainment industry to deliver on in terms of economic and destination development that can lead to negative outcomes. Klebanow & Gallaway (2015) explain that should governments fail to provide a clear vision for gaming development, the casino will be built in the most efficient way possible with inevitable disappointment from the outcomes by authorities. Government priority on tourism direction upon casino introduction can also change over time, with less emphasis and resources allocated to other areas such as heritage conservation (McCartney & Nadkarni, 2003). Asian

governments with casinos, however, speak supportively of the decision to have casino tourism. The Singapore Prime Minister, Lee Hsien Loong, acknowledged that gambling was inevitable, undertaking to introduce casinos in a productive and contained manner.

‘Economically, it’s been a great success...It makes a contribution of 1.5 to 2 percent of GDP and provides more than 20,000 jobs directly, plus 40,000 jobs indirectly. And a lot of those are Singaporean jobs... Socially, the impact has been about what we expected it to be’ (Adam, 2012).

Wishing to increase nationwide gaming revenues, the Philippine Government are considering casino development with a minimum of US \$300 million investment outside the mega complexes being build in Manila (Yap & Sayson, 2016). Rather than censure and sanction, Asian governments in general remain publically upbeat on the decision to introduce casinos as a positive force for the economy and tourism.

A combination of negative social and economic impacts can, however, slowly erode previous positive perceptions on the glamour of casino introduction or liberalization. This has meant that government destination studies on the introduction of casino resorts have weighted heavily on these issues. The UK Government’s gambling report, ‘Safe Bet for Success – modernizing Britain’s gambling law,’ looked to update and streamline gambling legislation that dated back to the 1960s. Several recommendations were made on maintaining the integrity of gambling, and ensuring customers were not exploited, in particular to protect children and vulnerable people:

‘Gambling has characteristics which make it unusually open to the risk of exploitation and abuse, and attractive to those who had insufficient knowledge or respect for the laws of probability. For many gambling is a source of pleasure; for a minority it is a source of the deepest distress for themselves and their families’ (UK Department of Culture, Media and Sport, 2001).

The report concluded that wider public policy considerations would be enacted to safeguard tourism and regional economic development around casino projects.

Asian casino jurisdictions produce some of the highest casino revenues globally, and are a key contributor to the local economy and employment. It is clear that as casinos continue to open in Asia, greater rigor needs to be applied to analysis in the debate on whether the benefits that casinos significantly outweigh possible costs, or consider other non-gaming options in the tourism portfolio.

### **Changing and increasing Asian casino competitive landscape**

The presence of casinos can be significant drivers of destination visitation, particularly if restricted in some locations and not in neighboring jurisdictions. The casino industry exploits jurisdictional regulatory gaps in legalized casino gambling between neighboring states (Zagorsek & Jaklic, 2009). It is an issue not only familiar to Asia’s growing casino landscape, but one leveraged globally for a number of years. Assef, Cvelbar & Pahor (2013) found that Slovenian casinos had a competitive edge in attracting visitors from competing neighboring countries such as Italy, Austria, Hungary and Croatia, due to the stricter legislation on casinos in these countries. Casino properties in locations such as Macao, Korea, Malaysia, and Philippines, have been able to use close proximity and cross-border casino regulatory imbalance to attract visitation.

Song & Witt (2006) predicted in early 2000 that the introduction of the mega

casino projects in Macao would generate 9.2 million Mainland Chinese visitors in 2006 and 10.8 million in 2007. This forecast vastly underestimated the appeal of casino gambling in the enclave and being the only place in China with legalized gambling. Actual Mainland Chinese visitation to Macao in 2006 and 2007 achieved 12 million and 14.9 million visitors, respectively (Macao Statistics and Census Services, 2016b). The cross-border strategy critical to Macao's casino success is a common one now used by Asian destinations with casinos to lure visitors from China or other Asian jurisdictions with gambling restrictions. Jeju Island in Korea, with several small casinos, is within a one-hour flight from Shanghai and two and half hours from Beijing. The island gives visa-free access to Chinese tourists to the island, which has seen Chinese visitation increase by 58% to 2.9 million in 2014. Foreign residency and property investment and ownership is also possible and is on the increase on the island (Asia Gaming Brief, 2016a).

Avoiding registration procedures, 24 hour or annual entry casino levy requirements and possible scrutiny for Singaporeans to enter their 2 domestic casinos, Singaporeans can cross the border to Genting Malaysia or go on a cruise that offers casino gambling in regional international waters. Illegal and underground gambling may also be an option. Offline and online travel packages frequently lure these travel segments with attractive incentives to cross the border with minimal engagement on the issue by local tourism authorities. Important issues for perspective casino patrons will be ease of access, safety, proximity and price comparison. The ethical debate will be that any negative fallout such as problem gambling issues returns back to the visitor's home country.

Table 1 reflects several developments of casinos across Asia, as well as the multiple regulatory agencies and ministries involved in their regulation. Smaller casinos are also present in numerous other developing Asian jurisdictions such as Laos, Nepal, and Goa, including a foreigners-only casino and hotel complex in North Korea near the China border. The focus on casino benefits through fees and casino taxation remains in Asia (see Table 1), with limited focus on amplifying the benefits throughout tourism and diversification into other tourism activities. Historically, non-gaming products and services in Asian casinos have served as support pillars to generate casino visitation and revenues. Non-gaming revenues in Macao's casino industry were estimated in 2014 at only 6.6% of revenue. The Macao Government has stated that by 2020 this figure should rise to 9% (GGRc, 2016). To ensure that tourism diversifies beyond gaming, the challenge will be on elevating the importance of other tourism products and services. The debate should go beyond casino short-term gains through tax and massive concession fee structures but rather the longer term planning of the casino's role in destination branding, community education and training, infrastructure and destination resources needed. The issue of developing or maintaining a diversified tourism economy with the introduction of casinos in Asia remains a common thread. Distinct models from casino introduction to expansion (see Appendix 1) have also emerged in Asia, presenting their own challenges on how to integrate into destination tourism development strategy.

Table 1  
Asia Casino Developments in 2015

	Macao	Singapore	Australia	Philippines	Malaysia	Korea	Cambodia	Vietnam	Vladivostok
No. of casinos	35	2	13	19	1	17	26	7	
No. of integrated resorts	6	2	2	3	1	1	1	1	3 (under construction)
No. of tables	5,711	1,300	1,666	842	600	915	1,164	199	385 (planned)
No. of slots	13,018	5,000	196,742 (13,008 in casinos)	4,500	4,000	2,328	3,414	NA	1,800 planned
2014 inbound visitation (*000s)	31,526	15,100	6,581	4,833	27,437	14,198	4,002	7,874	≈ 250
% Chinese visitation (*000s)	67%	30%	12%	8%	6%	43%	13%	25%	≈80% predicted

Appendix 1 tracks 4 casino processes present within Asia's major casino and prospective



Table 1 (Continued)  
Asia Casino Developments in 2015

GAMING REGULATIONS										
Regulation agency	Gaming Inspection and Coordination Bureau (DICJ)	Casino Regulatory Authority	State Governments	Philippine Amusement and Gaming Corporation (PAGCOR)	Ministry of Finance	Ministry of Culture, Sports, Tourism	Ministry of Economy and Finance	Ministry of Finance	Vladivostok	
Concession fees	US \$0.5-1.1bn for each concessionaire	S\$3.9bn (Marina Bay Sands)	NA	US \$1bn minimum investment	NA	License based (fee negligible)	US \$30,000	US \$4bn investment	NA	
Concession period	20 years	30 years	NA	25 years	NA	Infinite	70 years (Naga)	30 years	Infinite	
Concession expires	2020 (SJM, MGM), 2022 (Sands, Galaxy, Melco Crown, Wynn)	2036	NA	2033	Renewed every month	NA	2065 (Naga)			
Gaming tax (VIP)	39%	5%	10-12%	15%	25%	13.4%	Based on number of tables, effectively 1% of GGR	35%	US \$3,917 per table per month	
Gaming tax (Mass)	39%	15%	Approx. 18%	25%	25%	13.4%		35%	US \$235 per slot per month	
Corp tax	0%	17%	29%	0%	25%	24%	0%	22%	20%	
Locals allowed?	Yes	Locals levied S\$100, casino marketing to locals prohibited	Yes	Yes	Yes except for local Muslims	Only Kangwon Land casino allows	Not encouraged but no strict control	No	No	

Source: Zhou (2015)

casino locations. Highlighted are casino liberalization (Macao), legalization (Singapore), expansion (South Korea and Philippines) and deliberation (Japan and Taiwan). Macao and Singapore's tourism industry have benefited significantly through tourism arrivals and receipts from the introduction of casinos. The US \$44 billion in gross gaming revenues and 28 million visitors to Macao in 2013 are in contrast to the 7.4 million visitors and US \$1.6 billion gross gaming revenue figures in 1999. This was the year of Macao's Handover back to China. Singapore also seen increases in visitation with the opening of the casino complexes as well as casino revenues. Recorded within 'sightseeing, entertainment & gaming', these tourism receipts have continued to increase from US \$2.9 billion in 2010 to US \$4.3 billion in 2014 (Singapore Tourism Board, 2016a). Singapore was able to offset some of the gaming downturn in 2014 with a portfolio of tourism and hospitality offerings established prior to casino legalization. Macao's near economic reliance on the gaming sector has meant the casino downturn has been experienced through multiple business sectors. Responsible tourism development and growth would advocate a level of diversity within travel markets and product offerings to minimize any negative impacts.

Macao's casinos has become increasingly reliant on a single source market, that of Mainland Chinese. There is also a correlation with an increase in Mainland Chinese visitation and casino revenues in other markets such as Singapore, Philippines and South Korea. These casino markets actively seek more Mainland Chinese visitation and build around the expansion hopes of the Philippines and South Korea.

The politics on the use of casinos as part of tourism development are highlighted with the ongoing discussions on possible casino introduction in Japan and Taiwan. Much deliberation in these countries focuses on patronage issues, and less about whether casinos can be a catalyst to tourism development. Japan authorities debate the impacts of permitting domestic patronage to the casinos (an issue with which South Korean authorities also continue to debate within their established but mainly foreigner-only casinos). Taiwan's Matsu Island's close proximity to Mainland China would need to consider how favorably Mainland Chinese authorities would view or permit their nationals to gamble there.

While an increasing product of global tourism inclusion, the role of casino resorts within tourism development remains fragmented across jurisdictions. A major thrust of future Asian casino development is destination or integrated resort development. These are widely viewed as places for family excursion and spending expanded into several non-gaming activities (Eadington & Collins, 2009). The integrated resort can present the casino in a more palatable format to government and communities, surrounded by significant non-gaming fixtures, increased employment opportunities, international brand partners and considerable investment commitments by third parties. An important issue to address, in terms of economic leakage or social costs, will be the regulatory imbalance for those Asian locations with casinos, deterring domestic tourists who are merely incentivized to visitor a neighboring land or water based casino.

Significant revenues are generated from Asia's casinos serving as an important catalyst to destination tourism development. The challenge is for authorities not to become complacent and comfortable with these positive economic outcomes, but ensure that with this, greater diversity in the economy can prevail.

### **Casinos within tourism development**

The arrival of casinos can act as a catalyst for the development of the tourism and hospitality industry and one that can be highly visible in a short period of time, of benefit for those under pressure to produce visible and rapid results (Felsenstein, Littlepack, & Klacik, 1999). With casinos open to attract 24/7, driven by operators and investors keen to secure investment returns, the destination can quickly become embedded in casino revenue priorities, with little consideration given to other possible less revenue generating tourism products. Consideration is needed, whether to incorporate the casino property within the destination branding strategy as a component of several destination or tourism offerings, or where the casino cluster or 'strip' becomes the destination. Examples of casino clustering include The Las Vegas Strip and The Cotai Strip, Macao, and future developments such as The Ho Tram Strip, Vietnam, and Incheon in South Korea.

Within the branding and product mix strategy, NTOs (National Tourism Offices) must understand that casinos and their themes are negotiated and manufactured. This is in contrast to destinations relying on more authentic settings, such as natural landscapes, heritage sites, beaches, and ethnic communities, to appeal to travel audiences. Destinations also have a multitude of possible manufactured tourism product offerings, such theme parks, hotel resorts, airlines, cruise, retail, bars, restaurants, casinos, and wildlife sanctuaries. The manufactured theme is a negotiated one and will be in contrast to destinations that have been left untouched to appeal to those in search of more authentic settings. Each product, though, is in a very distinct sector with the focus on tangible and intangible elements, requiring different emphasis and development strategies (Xu, 2010). Theme parks and casinos will have a particular relevant theme integrated into the servicescape with backdrops, rides, actors, merchandising, music, and cuisine, all revolving around the common theme. Theme parks and events around the globe are invented upon multiple themes and fades. In some instances, the historical landscape is transformed with distortions in local culture to suit the tastes of foreign visitors. However, casino resorts in particular accentuate theming to attract several leisure and business visitor profiles. Therefore, authorities need to fully understand and control what is being created within their tourism and community landscape.

Fabricated settings and renegotiated themes are created by the casino industry and its hotel, entertainment, and other non-gaming partners, in line with marketing strategy and to generate unique experiences for visitors (Gosar, 2009). As testament to the numerous casino property rebuilds and renovations throughout the history of Las Vegas, the casino resort environment continues to create something new and exciting with something the visitor couldn't see or do back at home. Working in partnership with international entertainment brands, casino appearances can be periodically created, destroyed and replaced to prevent product stagnation. With multiple product and service offerings all under one roof, the argument is that the more attractive the built environment and physical look of the integrated resort – such as entrances, walkways or color scheme on the casino area – the longer customers will stay and possibly spend more. Lam, Chan, Fong & Lo (2011) examined and reported on the importance of the dimensions of casino servicescape for Macao's casino patrons, including the dimensions of ambience, navigation, seating comfort, interior décor, and cleanliness. With the introduction of casino resorts into the destination, will be the understanding that with this comes the expectation of the spectacle and the fantasy and how this is responsibly managed within a backdrop of local cultures, heritage and natural environments.

The glamour of casino resorts has also been shown to broaden destination appeal and brand image. The advancement of stand alone casino properties into integrated resorts with convention facilities, theatres, arenas, spas, and retail has meant other travel segments, such as the meetings, conventions, and exhibitions industry, have become major travel segments in Las Vegas (Fenich & Hashimoto, 2004). In addition to generating potential trade for the destination, the convention and exhibition participant will also take part in leisure activities such as shopping, gambling and entertainment. In contrast to Las Vegas, Macao's convention and exhibition industry has remained on the fringes of gaming development without any notable advancement. The large gaming revenues have provided minimal incentive for the development of the convention and exhibition sector (McCartney, 2014). McCartney (2014) also highlights gaps in government policy, from limited tourism stakeholder collaboration to the absence of any clear vision and master plan for Macao's tourism direction. Should destinations look for a diversified tourism portfolio, NTOs must be active in the discussion on the role of casino placement as a tourism product in the destination. This has already been shown in Asia. Asian casino complexes are guided by the terms of reference in the tender agreement and subsequent regulations put in place. The issue is not the ability of Asian casinos to impact and shape tourism, but rather that a suitable tourism development framework and master plan is put in place that clearly identifies the casino's role.

#### **Casino tourism – a sure win for Asian tourism?**

Tourism development is more often cited as the reason for casino legalization or liberalization, with an emphasis on the possible spin-offs around the development within the destination (Eadington, 1999). Eadington (1999) also points out that regions use casinos for multiplier and 'higher purposes,' including economic, tax, and foreign exchange generation and combating illegal gambling. Asian destinations are finding the lure of extraordinary tax contributions from casinos to be an attractive proposition in the tourism product mix. Casinos have been a significant catalyst to tourism arrivals and receipts in Macao, Singapore, South Korea and Philippines. At the core of this growth has been Chinese visitation. While healthy balance sheets will appear, responsible tourism behavior is increasingly needed to safeguard any possible fallout from an overreliance on a single source market and a lack of incentive to push for less profitable non-gaming tourism offerings.

Casinos in Asia are, for the most part, regulated outside tourism authorities. As seen in Table 1, only Korea's casino industry falls under the responsibility of the National Tourism Authority. A review of NTO promotional materials from Macao, Singapore, and Philippines shows limited reference or complete avoidance of the mention of casino gambling taking place. There is a danger that casinos are confined to being a golden goose, and are put under the control of regulators but not destination management or tourism agencies. The outcome will be similar to Macao, a tourism economy based primarily on casino revenue success. Given Asia's prominence and recent expansion in the global casino market, there is a need to do more research within an Asia context (Williams, Lee, & Back, 2013). Williams, Lee, and Back (2013) comment that there has been to date a small amount of empirical research conducted on problem gambling within Asian society, quoting eight in total across Hong Kong, Macao, Singapore, and South Korea.

Unlike sports stadia and arenas, convention centers and retail malls, which are integrated within city centers with the hope of stimulating city development, casinos are often deemed incompatible with entertainment activities such as destination events and shopping by community leaders and subsequently relegated to less attractive locations – while still having to deliver on major tax revenues, job creation, and business rejuvenation (Klebanow and Gallaway, 2015). Casinos will also use local resources, which may mean less allocated to non-gaming projects. This detachment from tourism integration can mean tourism benefits are suppressed. Unlike other tourism and hospitality products that operate in competitive market environments, casinos in several Asian destinations are artificially advantaged with economic returns exaggerated by legislation ensuring only a few operators can enter the market. Unlike a few decades ago, however, an Asian destination without a casino resort is now the exception. Chinese and other Asian travelers now also have access to more global destinations. The tourism destination is tasked to stay competitive and continue to be appealing to travel audiences with the casino sector increasingly felt and shown to be an attractive component of Asian tourism destinations. The lesson is to ensure casinos remain part of a balanced portfolio of offerings and use of resources.

With the proliferation of casinos in Asia, and notwithstanding the importance of appropriate casino regulatory measures and clarity on why these are chosen, greater consideration is required by governments on the role and expected outcomes of casinos within tourism. As an attraction built to entice overseas visitation, the casino resort's integration into the tourism system can position the Asian destination to better leverage tourism benefits. Macao, as a case study, now grapples with an economy now reliant on casino success and a need to diversify into other tourism sectors. Casinos in Asia have been shown to create substantial gaming revenues, fuelling further casino expansion. This has shaped the tourism direction of the destination such as Macao. The casino industry's integration at an earlier stage of tourism planning will help ensure that rather than narrowly focusing on gaining from gaming taxes and fees, a diversified tourism industry can occur.

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## Appendix 1

*Asia's major casino tourism developments – Macao, Singapore, Korea, Philippines, Japan and Taiwan*

### ***Macao – casino liberalization***

Macao's accession to global casino leadership since casino liberalization in early 2000 in terms of gaming revenues is now well documented, primarily fueled by VIP or junket operations who provided around 70% of total revenues (McCartney, 2015). Yet it was the industry's dependency on the junket system that was to unravel Macao's casino revenue growth in 2014. From 2015 to 2016 the number of licensed VIP junkets in Macao fell by 23% from 183 to 141. Some relocated to other jurisdictions such as the Philippines (Asia Gaming Brief, 2016b). China's anti-corruption and capital flight crackdown have been major factors for Macao's recent casino revenue decline (Liu, Chang, Loi and Chan, 2015). Li and Tsui (2009) raised concerns on the long term sustainability of Macao's current development finding that the rapid tourism growth showed a correlation between a number of social, economic, environmental and political influences. The researchers argued for greater adherence to sustainability goals when formulating future tourism policies in Macao. One of the indicators used in the research was the 'Dutch Disease' phenomenon when essentially other businesses and employment opportunities are crowded out by a single industry, in this case tourism.

Beyond the economic impacts, social indicators show greater emphasis needs to be made on tourism diversification. As an example, in 2004, 16.5% of Macao's workforce was employed in manufacturing while 10.5% were directly employed in gaming and junket activities. By 2014, only 1.9% of the workforce was in manufacturing while 21.5% were working in gaming and junkets (Macao Statistics & Census Service, 2016c). A discussion with casino employees showed agreement that casino employees had higher rates of gambling involvement than other industry sectors and that a significant number gambled after work to relax and socialize (Wong & Lam, 2013). The casino boom in construction has also impacted Macao civil service elite when the Secretary for Public Works was sentenced on several counts of bribery in 2008, having been in a position to personally benefit from the casino construction boom (McCartney, 2015).

Macao's Cotai Strip expansion will continue, but government policy needs to provide direction and industry buy-in. The Asian casino landscape has also intensified meaning that unlike a decade previously, Macao must elevate its tourism strategy to compete regionally.

### ***Singapore – casino legislation***

The initial debate and proposal for the legalization of casinos in Singapore was tied to integrated resort development as an entertainment complex of multiple leisure environments. Henderson (2007) documented the highly structured, rigorous and detailed process in the introduction of integrated resorts into Singapore as visitor attractions of greatest visual impact and quality, while at the same time highlighting the installation of a stringent regulatory framework to address social concerns and ensure discipline and a corruption-free state. Unlike Macao, Singapore permitted only 3 registered junket operators, 2 from Malaysia and 1 from Singapore, all at Resort World Sentosa (Liu, Chang, Loi and Chan, 2015). Singapore authorities instead wish to encourage premium play. Players who open a deposit account in Singapore with a minimum of S\$100,000 are taxed 5%. Mass gambling revenues are taxed at 15% with the Singapore Government committing not to increase this for at least 15 years. Macao's casino industry in comparison has a casino tax of 39% (table 1). The introduction of casino tourism to Singapore in 2010 seen in the same year a surge in visitation numbers of 11.6 million in 2010 and 13.2 million in 2011, year-on-year growth rates of 20.2% and 13.1% respectively. Tourism receipts increased significantly to US \$13.9 billion in 2010 a rise of 49.7% in 2010 compared to 2009 and with a further growth in 2011 by 17.7% to US \$16.4 billion. Mainland Chinese visitation saw the largest increase in source market rising from 1.2 million in 2010 to 1.6 million in 2011, a 34.7% increase (Singapore Tourism Board, 2016b).

The Singapore Government in the integrated resort Request for Proposals' give 40% weighting on tourism appeal and contribution to the evaluation criteria for the Marina Bay location. As Koumelis (2007) commented at the time that 'Each individual component of the Integrated Resort will be evaluated in turn to determine their strength in drawing visitors, their uniqueness in the region and how well they complement existing attractions... Finally, the ability of the Proposer and his Consortium partners to demonstrate sound market knowledge of the target customers and to leverage on their customer networks to market the Singapore IR will be assessed'. Significant reinvestment in tourism development infrastructure has taken place around Marina Bays Sands since opening. In a recent comparative study on the perceived economic, social and social impacts of gambling on Singapore and Macao residents, discussion concluded on how Singapore had been able to put greater emphasis and leverage towards non-gaming attractions inside and outside the casino thereby being less reliant on gambling revenues compared to Macao (Wu and Chen, 2015).

Importantly prior to casino introduction, the Singapore authorities were able to put highly structured policies in place. However the shorter-term introduction of casinos to the jurisdictions in comparison to Macao may mean that negative social and economic consequences will take time to emerge and should be monitored.

### ***Korea & Philippines – casino expansion***

In 2014, gross gaming revenue in South Korea's casino industry was US \$2.67 billion (The National Gambling Control Commission, 2016) generated from 16 foreigner only casinos and 1 casino, Kangwon Land, where locals are allowed access. It is important to note that Kangwon Land had casino revenues of US \$1.4 billion in 2014 (GGRb, 2016) accounted for over half of South Korea's total casino revenues. Williams, Lee and Back (2013) noted that patronage of casinos outside South Korea was uncommon, suggesting that South Korean participation in domestic casinos would rise if availability increased. It is an issue that the South Korean authorities remain firmly opposed to given the concerns on possible social costs. Yet new large casino integrated resort developments continue in South Korea at Incheon Airport and Jeju Island through a mix of local, regional and international consortiums. The issuing of new casino licenses is directly linked to tourism regeneration and development with licenses awarded by the Ministry of Culture, Sports and Tourism. In what is the Mohegan Sun's first venture outside the United States, the company has partnered with the Incheon International Airport authority to build an integrated resort that includes a private airport terminal (GGRd, 2016). In the absence of domestic tourism, South Korea's casino industry still remains appealing, linked to developing regional access with China, Taiwan and Japan, all of which do not permit casino gambling. Reflecting on Kangwon Land's performance, any lifting on domestic entry to South Korea's casinos would certainly enhance international casino operator interest to get access to this market.

Similar to South Korea, the Philippine authorities will issue potential licenses in zones around the nation periodically. The casino licensing authority, the Philippine Amusement and Gaming Corporation (PAGCOR) while operating several of its own casinos, also issue licenses to potential competitors some of which are building integrated resort complexes in the Manila Bay zone. Envisaged when casino revenues continued to rise substantially in Macao, a key concern in 2016 with the Philippine integrated resort development is the additional supply of casinos will greatly exceed demand. It is a concern with other markets such as Macao, reinforcing the need to ensure that integrated resorts reach out to appeal to wider tourism audiences and strategy. With the opening of Manila Bay's first integrated resort, Solaire, in 2013, there were still concerns on negative destination image perceptions based on natural disasters, kidnapping incidents and a political dispute with China on territorial claims in the South China Sea (O'Keefe, 2013).

Other forms of casino-style gambling have grown in the Philippines. While illegal in other major Asian casino jurisdictions, the Philippine Amusement and Gaming Corporation introduced proxy betting in 2005. It is a form of gambling that has continued to increase in popularity particularly with Chinese players. Similar to a land-based casino, a proxy- betting casino conducted through Voice over Internet Protocol (VOIP) can take bets while the cash transaction is settled in an offshore facility (Nepomuceno, 2010). As with online gambling, proxy betting has minimal benefits to tourism destination development.

***Japan & Taiwan – casino deliberation***

Although gambling is present in several forms such as sports and lottery, casinos have yet to be legalized in Japan and Taiwan. A major reason is that both discussions are highly political and shaped by those in government leadership. With the Olympic Games in Tokyo 2020 and a need to revive a stagnant economy, conditions were described as favorable to introduce casinos if not for political opposition (Cohen, 2016). In 2012 a public referendum on the establishment of casino gambling on Taiwanese island of Matsu was passed by a majority of the local residents, although this casino introduction needs approval by the Taiwanese Government who are currently reviewing draft casino legislation. While nearly an hour flight from Taipei, the Islands of Matsu are just off the coastline of Mainland China. Therefore a key casino audience would be Mainland Chinese. The issue that Mainland Chinese traveling to Taiwan to gamble may not be perceived favorably by Mainland Chinese authorities needs to be considered.

From the announcement of casino legalization to processing bids, to construction to actual casino opening this could take some years. Allowing local Japanese and Taiwanese to gamble, even with similar controls as in Singapore, would heighten the attraction for bidding companies. Tenders would likely be composed of a consortium of local noteworthy companies and international partners grounded in well-recognized global and Asian casino industry experience. There are lessons to be learnt and applied already from gaming developments in Macao, Singapore, Korea and the Philippines. Should casino legalization take place in these 2 developed economies of Japan and Taiwan, the question arises on how to best integrate into the tourism grid, to further bolster their tourism economies. What measures, commitments, policies, safeguards and levies to incorporate in casino legalization should be within the broader discussion of tourism destination development. While speculation and lobbying continues on casino legalization in Japan and Taiwan, the highly lucrative expectations of these markets heightened by the possibility of permitting domestic tourists entry into the casino, keeps international and domestic investors and operator attention.

Perceived benefits and costs prior to casino introduction could be over or under estimated. As shown with research on resident attitudes before and a few years after the opening of Kangwon Land in South Korea, it took a few years for the community to fully experience and strengthen their opinions (Lee & Back, 2006). The research found that residents dramatically changed perceptions over time, strongly connecting the benefits associated with casino introduction, but also being very aware of social problems that can occur. Longitudinal study and tracking is important. While integrated resorts are designed to contain large numbers, the discussion on tourism carrying capacity whether physical or perceptions in the minds of local residents is still relevant as large numbers need to get to and from integrated properties. Carrying capacity suggests that there is a certain number that beyond which negative impacts can occur. Capacities can be enlarged, but the negative sentiment residents may have towards tourism development need to be addressed.

