



Responsible gaming

Viva Las Vegas of the east

By Rajesh Chhabara, Asia editor

Asian economies are staking their growth on money from casinos. But the gaming industry has a weak hand when it comes to problem gambling

Macau has not looked back since overtaking Las Vegas as the world's biggest casino resort two years ago. The city, the only place on the Chinese mainland where gambling is legal, now earns 50% of its gross domestic product from gambling.

It is a booming city because of an influx of foreign casino operators, many of them from the US, and hundreds of high rollers from betting-mad China. Gambling revenues hit \$10.2bn in 2007, a whopping 47% increase on 2006, according to Ernst & Young. In contrast, casinos on the Las Vegas strip made just \$6.8bn last year, up a mere 1.5% from 2006.

Macau – a special administrative region, handed back to China in 1999 after more than a century of Portuguese ownership – struck the jackpot when the Chinese government ended 40 years of monopoly by the casino empire of Stanley Ho in 2002. The big boys from Las Vegas promptly entered the scene. Las Vegas Sands opened Sands Macau in 2004, the largest casino in the world in terms of table games. Wynn Macau opened its doors in 2006. Las Vegas Sands opened its second casino, the Venetian Macau, in 2007, describing it as the world's second largest building. MGM Mirage opened the MGM Grand Macau in 2007.

Joining the game

The number of casinos in Macau has almost tripled from 11 in 2003 to 30 today, and revenues are set to rise by 50% in 2008, according to Macau's Gaming Inspection and Coordination Bureau. Eighteen new casinos will open by 2010 – for tourists from Asia. Last year, 55% of visitors to Macau came from

mainland China and 30% from Hong Kong, according to the gaming bureau.

Growth-hungry Asian economies have taken notice, as they chase the tourist money that casinos could bring. Communist Vietnam has announced a \$4.5bn Ho Tram casino complex, to be built by Toronto-based Asia Coast Development, the largest ever foreign investment in the country. New York-based hedge fund Harbinger Capital holds a 25% stake.

Singapore lifted a 40-year ban on casinos in 2005. It hopes to open \$3.2bn Marina Bay Sands, being built by Las Vegas Sands, in 2009, and Genting's \$3.1bn Resorts World in 2010.

The Philippines is adding a large casino complex in Manila Bay. PricewaterhouseCoopers estimates the country's gambling revenue will exceed \$1bn in 2010, up from \$387m in 2005.

South Korea opened three casinos in 2006, bringing the total to 17. Its Jeju Island, with eight casinos and more to open, could become Asia's next gaming giant, predicts Globalysis, tourism sector consultants.

Conservative Japan, Thailand and Taiwan have said they are looking at lifting bans on casino gambling. And India, which has only one casino located offshore in Goa, invited bids last year to open 10 new casinos in the tourist hotspot. Sikkim, a state in east India, has also invited proposals for casinos.

While governments believe casinos will bring in tourism-dollars and create jobs, mental-health workers fear gambling will lead to social problems. South Korea's Cultural Information Centre says 7%

Other section content:

22 E-junk

It's a gamble

- Gaming companies will invest **\$71bn** in Asia over the next four years.
- World gambling revenue to grow to **\$155bn** in 2012 from **\$114bn** in 2007.
- Asia to be the fastest growing market with revenue growth of **15%** a year.
- Asian gambling revenue will grow to **\$37.2bn** in 2012, from **\$18.3bn** in 2007.
- Asia has **137** casinos. There are **1,623** in North America, **723** in western Europe and **479** in eastern Europe.
- US-based Las Vegas Sands, MGM Mirage, Harrah's Entertainment, Wynn Resorts and Malaysia-based Genting are the world's top five casino operators by revenue.

Sources: Ernst & Young Annual Gaming Bulletin 2008, PricewaterhouseCoopers and Merrill Lynch

of the country's population is addicted to gambling.

In Singapore, a survey published in May by the community development ministry found that people were starting to gamble younger and more low-income earners were gambling with higher bets. A 2003 study by Hong Kong university's Centre for Suicide Research and Prevention found that gambling-related financial problems were responsible for one in four suicides.

In Cambodia, which has 14 casinos dotted along its border with Thailand, health workers allege that gambling dens are also centres for sex, sleaze and people trafficking. Aid workers at Red Cross Cambodia even run an HIV programme, funded by Red Cross Australia, dedicated to communities around casinos and casino employees. It says casino employees are not protected by employers when gambling customers approach them for sex.

"Industry and governments in Asia should spend money on researching people's attitudes to gambling as well as seeking treatment, which are quite different from western cultures. Industry should also pay for setting up counselling and treatment centres," says Peter Collins, director of Centre for the Study of Gambling and Commercial Gaming at Salford Business School, UK.

Responsible what?

Responsible gambling is new jargon in Asia. Las Vegas Sands remains the only operator in Asia that mentions "responsible gambling" on websites for its Macau and upcoming Singapore casinos. Its responsible gambling policy merely lists the "signs of problem gambling" and a couple of phone numbers of local counselling organisations. The company's offices in Las Vegas, Singapore and Macau did not respond to requests for information on how it ensures responsible gambling.

Stanley Ho's Sociedade de Jogos de Macau, which is still the largest operator in Macau with 19 casinos, Wynn Macau and MGM Grand Macau do not mention responsible gambling initiatives on their otherwise glitzy websites. None of the companies responded to requests for interviews.

Genting International, which has operated Malaysia's only casino, Genting Highlands, since 1971, has no information about its responsible gambling programme on its website. But it has a vague mention on the website of its upcoming Singapore casino. Genting's Kuala Lumpur-based spokeswoman Corrinne Ling says: "The company has trained its employees in understanding responsible gambling in the last two years." Responsible gambling signs are posted in casinos, she adds.

"Casino operators should work with a variety of stakeholders in ensuring that patrons gamble responsibly. If we take gaming as a 'necessary evil', then the challenge is for operators to ensure they practise self-regulation to protect their licence to operate," says Eugene Tan, who teaches ethics and

social responsibility at the law school of Singapore Management University.

Asia has yet to develop effective regulations to control the gambling industry. Licensing contracts on Macau's Gaming Inspection and Coordination Bureau website show that casino operators in the city have no contractual obligations to ensure responsible gambling. Rules about "junkets" – large groups of high-rollers brought into casinos on tours organised by an agent, or junket promoter, who receives commission on the amount the group gambles – are vague.

Monet laundering

Junkets are a potential source of money-laundering because of the large amounts transacted between the junket promoters, their clients and casinos. High-rollers usually do not carry cash to casinos. Instead, they deposit money into the junket promoter's account. On arrival at the casino, the client receives junket-branded chips, known as "dead chips" in the industry.

Dead chips are often issued to junket clients at a discount. This has created a secondary market for the chips as clients sell them on to other gamblers for a profit. Wins or losses from gambling are settled by the junket promoter on behalf of the casino, usually in the client's country. In a way, junkets operate as underground banks. At times, there can be middlemen or agents acting between a client and the junket, making the money-trail even more difficult to follow.

Money-laundering risks increase when junket clients gamble in casinos' VIP rooms. What goes on in the exclusive confines of the VIP room is controlled by the junket promoter. In addition, junket

promoters will agree to protect the identity of clients who wish to remain anonymous – a practice long accepted and respected in the gambling world.

Governments in Asia have so far proved reluctant to interfere in the intricate web that links some of the world's biggest gamblers to the richest casinos. Casinos need high-rollers for survival. And

Macau tops Asia's casino count

Number of casinos:

Macau	30
Philippines	19
Cambodia	14
South Korea	17
Sri Lanka	9
Nepal	6
Myanmar	4
Malaysia	4
Vietnam	2
Singapore	2
(under construction)	

Source: Ernst & Young Global Gaming Bulletin 2008



All under control



The slippery slope

high-rollers are brought in by junkets. The relationship between junkets and casinos is very special, and crucial for business.

Singapore, however, which has a reputation for

strict law enforcement, has taken serious steps to regulate the gambling business. Its National Council on Problem Gambling rolled out a Responsible Gambling Code of Practice last year. The Casino Regulatory Authority of Singapore was up and running in April this year and the Casino Control Act, introduced in June 2006 but not yet fully in force, includes strict licensing rules for junkets. Collins says Singapore can set a leadership example in regulating casinos. Its intervention in the gambling industry will test how well casinos such as Genting and Las Vegas Sands can operate in what promises to be a much tighter regulatory environment than they have been used to.

"Governments should get their public policy right by restricting access to casinos, making licensing conditional to demonstration of social responsibility, including actions to minimise problem gambling," says Collins. "Companies should know they are in the business of delivering entertainment, not in the business of exploiting human frailty." ■

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India

Brands' mounting e-waste problems

By Rajesh Chhabara, Asia editor

Electronics brands in India could soon have to make sure their products are safely recycled. They face an uphill task

Brand-new computers in offices, modern televisions in middle-class homes and mobile phones everywhere are all signs of India's recent economic growth. But what happens to these mini-luxuries when their owners want to replace them?

As sales of consumer electronics soar in India, the country faces a twin-boom in electronic waste. Domestic e-waste could reach 1.6m tonnes a year by 2012, up from the current 330,000 tonnes, says New Delhi-based research firm International Resource Group.

Industry groups estimate that the number of mobile phones in India will more than double from 286m today to 559m by 2011; computers will more than quadruple from 16m to 75m by 2010; and TV sets will triple from 78m to 234m by 2015.

Yet India has no law to deal with e-waste. Discarded computers, printers, fax machines, phones, TVs and refrigerators today end up at illegal recyclers. These often process the waste using unsafe and crude techniques, such as burning on an open fire, to extract valuable metals. Greenpeace and other environmentalists say illegal e-waste recycling is

dangerous because it emits toxic gases and harms the health of workers involved.

India's biggest computer-makers, Wipro and HCL, introduced voluntary take-back of used products in 2006, after criticism from Greenpeace. Both were condemned again in June this year for poor environmental performance, in the Greenpeace Guide to Greener Electronics, which rates brands on efforts to phase out toxic chemicals from products and promote recycling. Other Indian companies named and shamed were Zenith and PCS.

"Only 5% of e-waste [in India] is recycled by licensed recyclers. The rest finds its way to illegal recyclers," says Ramapati Kumar, lead toxics campaigner at Greenpeace India.

Global electronics brands including LG, Panasonic, Sony, Sharp, Philips, Toshiba and Samsung do not have any take-back systems in India. Dutch firm Philips does not apply its corporate e-waste policy in India, because local law does not require it. In June, Greenpeace activists dumped e-waste outside Philips' Indian headquarters, in Mumbai, as a protest against the company's apparent double standards.

Greenpeace is now working with India's Manufacturers Association for Information Technology to propose a draft e-waste law that would make electronic companies financially accountable for ensuring the take-back and recycling of their products. "It's high time we take corrective actions to contain the problem," says Vinnie Mehta, executive director of Mait.

For the law to work, India will have to improve



Throwaway electronics

its e-waste recycling infrastructure. The country has only three licensed and ill-equipped recyclers. Engaging consumers will also be a challenge: Indian households prefer to sell their discarded electronics to scrap dealers for cash, rather than take products back to manufacturers for recycling.

Kumar says: "The real solution lies in manufacturers agreeing to phase out toxic chemicals from their products at the design stage. When products are clean, recycling risks go down." ■