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# Concepts to Implement an Integrated Resort in Japan

By Hitoshi Ishihara

In December 2016, the Act Promoting Implementation of Specified Integrated Resort Areas, or the so called “Casino Promotion Law,” was enacted in the Japanese Diet session with an aim to create an integrated resort (“IR”) and legalize casinos to be operated by private entities within such IR.

The Casino Promotion Law is a very simple law aimed to “Promote” the establishment of an IR (and casino) in Japan. Therefore, it only has 23 articles laying out the very basic concepts.

Among that small number of articles, one specifically states that the measures to implement the IR should take place within one year, and the government intended to submit the subsequent implementation bills to the Diet session in 2017. However this did not occur due to

the re-election which took place and the limited opportunity to discuss these bills during the limited Diet sessions.

However, prior to such political turbulence, the government has established a body called IR Promotion Advisory Council, tasking them to formulate the basic concepts for the implementation of the IR. In response to this, in the summer of 2017, the Advisory Council issued a white paper setting out various matters. Below are some of the bits and pieces which may

be of interest to the operators considering entry into the Japanese market:

### **First is the selection process.**

The Casino Promotion Law currently contemplates a two-step selection process in order to introduce a casino in Japan. That is, while IRs should basically be established and operated by private entities which are selected by the local government, the national government evaluates the proposals and applications of local governments who raise their hands and say, “We want to have an IR.”

The local government chosen by the national government will, in principle, develop IRs at its own expense/risk and select private entities that operate IRs

through a competitive and fair public offering procedure.

Agreements related to the local governments and private entities require the certification of the national regulatory body.

In this context, there have been discussions about which selection process will predate which, meaning “Will the national government select the local government based on location first and then the local government select the operator, or would the local government select the operator, draw-up a plan first and then the national government select the local government?”

There was a controversial debate on this point for quite some time, but the whitepaper addressed this issue, at least for the time being. That is, the selection of the operator by the local government will precede the selection by the national government in order to allow the national government to actually review the plans.

In this context the whitepaper also expressly states that there should be “1 casino for 1 IR,” so the current thinking is not having multiple casinos competing against each other in a single location, but rather have such competition during the selection process.

### **Second is the proposed ceiling to the floor size of the casino.**

The whitepaper is silent on the exact ratio or figure, but states that there should be a ceiling to the floor size of the casino within the IR and that this should be determined by taking into consideration the Singapore casino.

Obviously, setting a ceiling to the size of the casino, which needless to say is the primary revenue source of the IR, means the size of the IR itself may be affected. And this would affect the local governments, especially those which have contemplated a large size casino and IR with a large size investment from the private operators.

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For example, Osaka has been aggressively pursuing to have an IR located in an island called “Yumeshima,” which is an artificial island created originally to make a bid for the Olympics back in 2001. After being eliminated from the Olympic selection process, the vast majority of the land has been untouched, and Osaka is very keen in making effective use of such vacant land by converting it into an IR. However, the size of the land is around 140 hectares, which is approximately 10,000 times larger than the casino floor.

So this may mean that Osaka may need to revise their plan which they have had for years, and their wish to convert the entire island to an IR may turn out to be very difficult.

### **Third point is the location.**

The whitepaper is consistent with the ongoing discussion, meaning seeking careful and phased introduction by limiting the number of casinos to be established. IRs are facilities that should not be established all over the country and therefore the number of facilities and the areas in which they are initially established shall be on a trial basis limited to two or three, which may be gradually increased. In doing so, the whitepaper maintains the position of considering establishing them in large cities as well as local regions.

### **Fourth is the governing body of the IR.**

As a general background, all forms of gambling that are currently legalized in Japan have a supervising ministry, according to their “purpose” as to why they are legalized.

Horse Racing is supervised by Ministry of Agriculture, Forestry and Fisheries, because the purpose of legalizing horse racing is to “improve and breed live stocks.” Motorcycle racing and

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bicycle racing are by Ministry of Economy, Trade and Industry because its purpose is to “for the improvement of machinery.”

However, the Casino Promotion Law states that a new national regulatory organ will be established for the purpose of regulation and observation, and contemplates to have a Casino Control Committee which is to be established as an external organ of the Cabinet Headquarters. Meaning, unlike the current forms of gambling which are in place in Japan, casinos (or IRs) would not have a single ministry as a supervising body, but rather the Japanese government, as a whole would conduct such supervision.

However, the whitepaper suggests that the authority granted to the Prime Minister under the Casino Promotion Law as the head of the Casino Control Committee be delegated to the Minister of Ministry of Land, Infrastructure, Transport and Tourism due to the fact that the main purpose of IR is to attract tourism.

And, as such, the authority to grant licenses, certifications and permits to casino facilities and operators including the authority for the observation and supervision is deemed to be delegated to the Ministry of Land, Infrastructure, Transport and Tourism.

While such suggestion seems practical, since the main purpose of the IR is to attract tourism as discussed at the outset, this seem like pulling the teeth out of the Casino Promotion Law’s aim to have a “Comprehensive Supervision” for the casino.

And while there obviously are critics to this drastic change of approach, this shows the Japanese government’s real willingness to “Get Things Done” rather quickly, as contemplated under the Casino Promotion Law. That is, it is unrealistic to formulate a new supervi-



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ing body from scratch from now and have them operational rather quickly, so the idea of “Use What You Have Now” approach is practical if we want to move fast. Also the operators now have a general idea of who they are dealing with (MLITT) as opposed to a mysterious and currently non-existent organization.

### **Problems associated with gambling**

Last, but definitely not least, there is an issue on how to deal with problems associated with gambling. The importance of addressing problem gambling is magnified by the fact that the Japanese general public is more concerned about the “problems” which the casino brings as opposed to its benefits.

This is partially due to the fact that the focus of attack by the opposition was concentrated on this point, and the fact that the manner in which the government handled things last year gave an impression that it “ran through” the process in passing the Bill last year.

Therefore, the government is very careful in addressing the general public’s (and opposition’s) concern regarding the countermeasures. In fact, the whitepaper, which is 95 pages long, uses up 45 pages to address the problems associated with gambling.

One point of focus is “problem gambling,” and for this issue, the whitepaper tries to address this from numerous aspects, starting from the ceiling to the size of the casino facility discussed earlier, the entrance fee to be charged to the Japanese nationals, cash-only management within the casino premises (no ATM) and further through monitoring the number of days which the Japanese residents may enter the casino on not only monthly (like the approach which is taken in Korea), but also on a weekly basis.

Although some of the aspects of the white paper are not necessarily as good as they could have been, the manner in which the whitepaper tries to handle things suggests that the government is giving its focus to have implementation measures in place and ready to start the casino sooner rather than later by taking a practical approach. ♣