

# An Overview of Gaming Legislation and IR Development in Vietnam



Michael Zhu\*

Vietnam has been rising as an increasingly attractive foreign investment destination in recent years and the casino and gaming investments are poised to continue that growth.

A recent report from the International Monetary Fund (IMF) states that Vietnam's economic growth "has gained momentum gradually and is now being supported by both exports of foreign-invested enterprises and domestic demand." According to the World Bank, the Gross Domestic Product (GDP) growth rate in Vietnam has averaged 6.4 percent since 2000, with a quickening 6.7 percent gain achieved in 2015.

Given the positive economic trajectory, steadily improving transportation infrastructure, a burgeoning and progressively wealthy middle class as part of the 90 million plus strong population, and an inherent high propensity to gamble (at present underground or across the border in Cambodia or Laos), the country appears very attractive to the global casino resort developers. However, the government's prohibition on its citizens gambling unless they hold a foreign passport (also known as "Viet Kieu") and the current requirement for gaming license seekers to invest a minimum of US\$4 billion in integrated resort (IR) development have made it challenging to realize the nation's full gaming market potential. Recent gaming market intelligence has it that the legislative process is changing and that the draft gaming decree, a legislative brief to establish standardized and measured investment, regulatory, and development protocols, could be in place by the end of this year.

The Innovation Group has been monitoring the dynamics of the Vietnam gaming market for more than a decade. The debates, discussions, and reviews on the draft gaming decree have been evolving in the past seven to eight years. Currently, casino gaming licenses are managed by the Ministry of Finance; however, the ultimate decision is made almost on a case-by-case basis by the prime minister. As such, the process tends to be very ad-hoc without consistent decrees outlining the exact measures or guidelines for how one can get approved. This has resulted in sporadic capital investment countrywide on a slower timeline.

Casino gaming remained illegal in Vietnam until the early 1990s. One of the first hotel casinos was the Do Son Casino in the north city of Hai Phong which opened in 1994. Additional casinos opened after that until 2002 when government officials curbed development because of the specter of rampant illegal gambling and corruption. In 2006, the Ministry of Finance regained control of the process, in hopes of regulating and providing an opportunity for quality investment opportunities. In particular, the focus was set on larger scale "tourism-entertainment complexes" that would drive large amounts of tourist dollars. In 2007, the government issued an official letter requiring that all interested parties of large-scale casino development in Vietnam must invest a minimum of US\$4 billion. As part of the efforts, the then



prime minister green-lighted the development for a potential casino resort on the island of Phu Quoc, located off the coast of Cambodia in the Gulf of Thailand. The island, with a special visa-free entry policy, has been deemed by the government as a prime location for becoming a major tourist destination in the future.

These announcements sparked new interest in Vietnam from major casino operators across the world. In 2008, the first IR was proposed by Asian Coast Development Limited (ACDL) and officially broke ground in Ba Ria Vung Tau, a province in the south region of the country, in 2010. The Grand Ho Tram Strip, Phase I of the world-class IR complex, opened in 2013 with 541 five-star luxury rooms, permission for up to 90 gaming tables including 50 for VIP play, and a rich variety of non-gaming amenities. Construction is currently underway on the resort's second hotel tower to increase the total room capacity to 1,100 rooms. The expansion is anticipated to complete in the next year to bring guests an even wider range of entertainment amenities, such as an outdoor auditorium, themed restaurants, family karaoke, and a water park. A beachside condominium tower and a golf-course villa project are also planned to further enhance the development's overall attraction and bring the IR complex's total investment to more than US\$1 billion.

Since 2014, there has been a number of other IR developments proposed, including the Nam Hoi An Resort, a joint venture development by SunCity Group, VinaCapital, and a subsidiary of Chow Tai Fook Enterprises Ltd in Quang Nam Province, and a potential real estate project in Thu Thiem near Ho Chi Minh City (although reportedly struggling with the local planning authority's objection) by a group of US investors from the gaming industry. The first phase of the Nam Hoi An project is currently under construction and expected to open over the next year or so.

While these developments have caused a definitive shift in IR development in the country, formal regulations still have not been established in Vietnam for the licensing and general operation of casino properties. In 2009, the Ministry of Finance published a comprehensive draft decree on regulating casino gambling, proposing items such as gaming licenses lasting 30 years, junket operator commission capped at 3 percent, multiple prohibitions and regulations on advertising, and requirement that certain capital investment is disbursed before gaming operations can begin.

In 2015, the Ministry further revealed a revised version of the document, addressing a proposed entry for financially-eligible Vietnamese residents aged over 21. This version of the proposal implies that Vietnam is ready to open casinos for its nationals, instead of just foreign passport holders. Another remarkable point in this version is the proposed reduction from US\$4 billion to US\$2 billion in total IR investment capital requirement, including a minimum investment of at least US\$1 billion. Additionally, the financial threshold for Vietnamese citizens' access to gaming is set at an income of circa US\$550 per month.

After several years of continuous discussion and revision, the latest version of the draft decree was eventually submitted in June 2016 to the National Assembly of Vietnam (NAV), constitutionally the highest government organization and the highest-level representative body of the people. If approved and enacted, the decree will for the first time allow eligible Vietnamese citizens to gamble in casinos within the country, which has been a long-sought key factor for large-scale IR developers. With local gaming permitted, prospective IR developers will be able to not only capitalize

on Vietnam's fast-growing economy, but also reduce the reliance on guests from key feeder markets (such as China and Korea) where intra-region cannibalization remains a concern and geopolitical tension can occur. Presenting a lower risk level, the relaxed investment capital requirement is also anticipated to attract a higher level of interest from the foreign IR investment community. More importantly, an official decree will set the tone and establish timelines for future IR development in Phu Quoc and Northern Vietnam. Given the many advantages Vietnam has over the other competitive markets in the region, if and when the decree properly solves these bottleneck glitches, we believe the country will be able to develop into not just a regional gaming hub, but a global gaming and entertainment destination.

#### \*About the author

As vice president of operations planning and analysis at The Innovation Group, Michael Zhu has been applying a comprehensive analytical skill set while exploiting a unique cultural background, and leveraging his in-depth development and operational experience in the gaming, leisure, and hospitality industries. Based in the firm's Denver office, Michael is in charge of a diverse set of project initiatives, including feasibility studies, market assessments, business analysis, and operational optimization. His main focus is on large-scale integrated resort developments and operations in the Asia-Pacific and European markets.

