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# LEGAL WISE | WIDENING THE SLOT

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The government's decision to renew the concession contract with monopoly sports betting operator SLOT (Sociedade de Lotarias e Apostas Mútuas de Macau) for five more years took many industry experts by surprise. At a time when gaming revenues continue to plummet and the love for sports held by the Chinese, especially with regard to football, is fortuitously on the up-and-up it would only make sense to promote sports wagering as an additional source of mass-market revenue by bringing in new operators. Analysts have long been aware of the negative correlation between major sporting events and Macau's gross gaming revenues. They have once again concurred, singling out the UEFA Euro 2016 as the major factor in the poor performance of Macau casinos during the month of June (which recorded the lowest gross gaming revenue since September 2010).



Macau's loss may be other jurisdictions' gain, but what is more concerning is the gains made by illegal bookmakers who, according to news agency Xinhua, pocketed more than USD2.7 billion during the 2014 FIFA world cup. In that same year, Macau's sports wagering revenues totaled a comparatively meager USD92 million.

However, while the advantages of a competitive sports betting environment are easy to identify, a closer look at the existing framework is needed to understand why Macau lagged behind Nevada by 37% in 2015 sports betting revenues. Historically, Macau has taken a compartmentalized approach to gaming. This means that different gaming activities must be operated by different entities under separate concessions, and that they may not co-exist in the same physical space. It is for this reason that, unlike Las Vegas, you will not find sports betting lounges on a Macau casino floor. Moreover, while Vegas visitors may place bets on just about every sport there is, SLOT is only allowed to offer bets on football and basketball.

These restrictions not only make the Macau gaming experience a lot less fun than what it could be, but also deprives the industry of important sources of mass-market revenue. The removal of such obstacles cannot be achieved by simply scrapping SLOT's monopoly: liberalizing the sports betting market without substantially improving its regulatory framework could very well impair sustainable development of the MSAR.

When the market eventually opens up to other operators, I believe that SLOT will benefit as much from a competitive environment and the volume of business it will generate (albeit at a different scale) as did STDM through its subsidiary SJM, when its monopoly came to an end in 2002. More importantly, the Macau government will benefit from a different source of tax revenue (and potentially other forms of social contributions, like the promotion of local sports) that could partially offset the current drop in casino tax revenues.

However, by extending SLOT's concession contract until June 2021, the Macau government has granted the incumbent operator the opportunity to implement a long-term business plan – which, in all honesty, it had been prevented from doing when still subject to one-year renewals. That in itself will allow the operator to invest accordingly, namely in overcoming the issue of slow internet connection speeds, which is as much of a bottleneck for sports betting as is traffic congestion to Cotai casinos.

At the same time, the Government has pushed back a more thorough revision of the regulatory framework to a time when the renewal of casino concession contracts will be very much on the table. This may signal that they will eventually address these two issues, which in fact are one and the same: the convergence and improvement of Macau's gaming and entertainment offerings. This breakthrough will not come as fast as some would expect but compromises rarely do. **Rui Pinto Proença** Partner, MdME

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