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Macau casinos weigh the odds of imposing smoking ban

LEO LEWIS THE TIMES DECEMBER 26, 2012 11:26AM

EIGHTY-five per cent of gamblers in Macau are reckoned to be smokers. The number represents the upper estimate by the casino operators and, given that the casinos have cameras trained on pretty much everyone who comes through their doors pretty much all of the time, it's probably a fairly accurate assessment. That rather high smoker ratio has not posed much of a problem to the casinos - until now.

Pandering precisely to the tastes and foibles of the visiting Chinese gambler, the environment around Macau's tables is already a manic concoction of odd habits and physical tics. Believing resolutely in Lady Luck (and determinedly ignoring the mathematical advantage to the House), the Chinese sip milk and tea with religious fervour, have obsessive rituals and allow odd superstitions to take hold so that fortune will not desert them. Smoking is only one addiction among many in the room.

The problem is that, even in a vice enclave that thrives on money laundering and prostitution and is riddled with organised crime, 21st-century views on smoking are about to prevail in the former Portuguese colony. In a week's time, smoking will be banned from 50 per cent of the floor area in Macau's casinos.

The government's suggested recipe for dividing the huge casino floors between smoking and non-smoking areas involves complicated extractor fans, two-metre walls and is generally fiddly.

But, for purely commercial reasons, it is very unlikely to come about in that way.

Macau's casinos are something of an optical illusion. Those vast gaming floors - for the ordinary or "mass" gamers - are often packed and large sums of money change hands. Yet much more money is being gambled out of sight, upstairs in the many VIP rooms on which every casino depends for most of its revenue. The high-rolling VIPs make up more than two thirds of the casino takings.

The 50 per cent floorspace rule presents casinos with a clear choice: they will not ban smoking in any of the VIP rooms because they cannot afford to annoy the high-rolling smokers.

By taking that decision, and using their quota of smoking area on the VIPs, most casinos will end up having to have total bans on their mass gaming floors. When American and Australian casinos enacted such bans, gaming revenue fell by an average of 12 per cent in the first year, and that was in countries where only about a third of gamblers smoked.

Analysts at Morgan Stanley seem particularly concerned about this and their calculations suggest that Macau gaming revenue could take a 2 to 3 per cent hit. Revenue growth for the whole Macau gaming industry in 2013 could, Morgan Stanley warns, fall even into single-digit percentages.

This may understate the risks. All the big casino operators in Macau, particularly the ones with exposure to the US, are slowly gearing themselves towards the mass market. The big question is whether the mass market will be quite so interested if one of its most important rituals is denied.

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