Casinos in Japan:
How will this happen?
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The Bill (Bill for Promotion of Implementation of Special Zones for Integrated Resorts):

- Presented to the 185th Diet on December 5, 2013 by members of the bipartisan League of Congressmen for Promotion of International Tourism (LDP, JRP, Life Party)
- On the same date, the Bill was entrusted to the Cabinet Commission of the Lower Diet for final debates during the proceeding congressional term.

The Debate:

- During the 186th Diet which ended on June 22, the parliamentary debate commenced on June 18th but due to the lack of time, the debate was arranged to be continued in the next session of the Diet.
- It is highly likely that the bill shall be voted on and passed within the next extraordinary session of the Diet commencing this autumn.
The government has started preparatory actions based on an understanding that the bill is likely to be passed during the extraordinary session of the Diet this autumn.

- **Action Program by Ministerial Meeting on Promotion of Tourism Oriented State**
- **2014 Revision of Japan Growth Strategy**
- **Declaration by Secretary of Cabinet to create IR preparatory team within Cabinet Secretary on July 17**
- **Decision by Cabinet on June 11, 2014**
  - Explicit mention of promotion of IR
- **Decision by Cabinet on June 24, 2014**
  - Explicit mention of promotion of IR
- The preparatory team of approx. 20 staff is already in place as of today.
Two-Step Legislative Strategy

The IR Promotion Law (fundamental law) is not sufficient by itself to realize Integrated Resorts. It only defines principles on how IR casino could be realized.

First Step

Diet Member Initiated Law

Law on Promotion of Special Zone for Integrated Resort (IR Promotion Law)

- Demonstrates political willingness
- Defines principles and obligates the government to conceive and implement a detailed legal implementation framework within a year after the enactment.

Second Step

Government Initiated Law

Law on Implementation of Special Zone for Integrated Resort (IR Implementation Law)

- To integrate and refine the concept developed by the bipartisan League of Congressmen.
- IR with Casinos can only be realized if this bill passes.

For the time being, the rules of implementation are yet to be determined.
IR Promotion Law 1) Purpose

The Bill on Promotion of Special Zone for Integrated Resort defines.....

Special Zone for Integrated Resort(IR)

A zone which can implement Special Integrated Resort Facilities(IR), proposed by the local government and designated by the minister in charge but the numbers of zones/locations shall be limited

Special Integrated Resort Facilities(IR)

Integral Resort facilities comprised of casinos, MICE facilities, recreation facilities, shopping malls, hotels, etc. which may contribute to promotion of tourism, constructed and operated by private entities. But flexibility given to local governments to define components of IR.

Legislative Intent: Two different categories of zones/IR with limited numbers for each (IR for big cities and IR for regional touristic cities)

To define the fundamental philosophy and fundamental policy for promotion of Special Zones for Integrated Resorts and institute a Headquarters for Promotion of Special Zone for Integrated Resort in order to promote them integrally and intensively.
Within 3 months after enactment of the law, the Headquarters for Promotion shall be instituted within the Cabinet Office which shall have a legal obligation to elaborate the details, draft up and present a bill for implementation of IR to the Diet within 1 year after the enactment.

- Chapter 1: General
- Chapter 2: Fundamental matters relating to promotion of Special Zones for Integrated Resorts
  ~ Fundamental Policy for implementation of Special Zones for Integrated Resorts
  ~ Fundamental authority and duties of Regulatory Authority
  ~ Contributions, etc.
- Chapter 3: Headquarters for Promotion of Special Zone for Integrated Resort
The core concept of the regulatory structure was defined by the League of Congressmen within the Fundamental Principles for IR Implementation Law dated Nov 12, 2013.

- The quantity and quality of IR with casinos shall be strictly regulated and controlled (number and location of IR/casinos shall be restricted).
- Casinos are entertainment for adults only, accessible by eligible patrons regardless of nationality.
- The national government will choose a limited number of zones (locations/sites for IR with casinos) based on proposals by local governments, under fair and transparent criteria and procedures.
- The chosen local government will conduct a tender to choose a developer/investor who can invest, finance, construct and operate the IR with a casino.
- Operation of the casino segment is subject to stringent licensing requirements which the chosen developer/investor shall have to seek separately from the regulatory authorities.
- National regulatory authorities shall be created in order to regulate, license, control and monitor gaming activities as an independent and neutral Article 3 commission, having quasi-legislative powers.
Predicted Regulatory Structure 2

Complexity stems from the splitting of tasks & responsibilities among the national government, local governments and private operators/developers.

Legal structure for implementation of IR including a casino

Legal structure for selecting site and private investor/operator

(Initiate/implement legal structure, designate/select zones, licensing, regulation and monitoring)

National Government

Designation of zone (1)

Licensoring, regulation and monitoring (3)

Local Government

Selection of investor-developer (2)

Private Operator

(Concrete business proposal, construction & operation of IR including casino)

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Private Operator

(Concrete business proposal, construction & operation of IR including casino)
Overall structure shall be something like the following

Prime Minister

5 members to be designated by the Prime Minister to be approved by the Diet

Casino Control Committee
(Independent committee placed under Cabinet Office having quasi-legislative powers)

- Admin Office
- Special judicial police officer
- Stringent regulation, control and monitoring

Minister in Charge

Council on IR to Advise Minister

Specified Local Government

Other Relevant Ministers

Application
Advice
Designation

Designated Developer Operator

Shareholders
Management/Employees

Suppliers/Manufacturers
Service Providers

Application
License
Agreement
Designation
RFP

License
Application
Permit

Designated Certification Agency

Central Police Agency

Finance Control Agency
Social Safeguard Measures
Shall become subject of detailed debates while elaborating substance of IR implementation bill

Issues under debate may include the following.....

- Stringent control of quality and quantity of games offered
- Imposition of entrance fee for domestic patrons only
- Comprehensive policy/program to deal with problem/pathological gambling including
  - Conducting detailed & continuous social surveys/research
  - Creation of national organization responsible for management of problem gambling (long-term strategy/short-term program/securing required funding)
  - Conducting various programs (patron/employee education, capacity building of counsellors & doctors, free counselling, mental care, self & family exclusion, etc.)
Locations/Sites
Sites are not predetermined but selected by the national government based on proposals by local governments through a competitive process.

National Government

Core Siting Selection Criteria (defined in the law)
Fundamental Policy on Selection of Zones (under cabinet decision)
Call for Proposals by Local Governments
Presentation & Evaluation of Proposals by Local Government
Selection of Zones (local governments)

Local Governments

Political Willingness/Intent to Realize IR
Policy Research & Study

- Vision and strategy
- Harmonization with existing local development policy and tourism policy
- Market study, social & economic impact study
- Master plan for Implementation of IR
Milestones

National Government

Bill passes (Autumn 2014)
- National structure mobilized
- Study on detailed implementation framework (2014)
- IR implementation bill presented to Diet and passes (2015)
- Creation of national regulatory mechanism
- Call for proposals from local governments (2015)
- National government chooses and fixes the site (late 2016)

Local Government

- Preparatory moves (2014)
- Comments to the national government on detailed structure
- Preparation and study (2015)
- Establishment of fundamental plan, master plan
- Local consensus building
- Proposal to national government (2015)
- Selection by national government
- Establishment of implementation policy
- Proposal to national government (2016～17)
- Issue RFP
- Evaluation /Negotiation
- Selection of developer/operator
- Conclusion of development agreement (2017)

Materialization on or around 2020?
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