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A Rising Sun?

Will 2021 finally be the year of Japan's IRs?

Like the rest of the world, the development of integrated resorts in Japan has been significantly stalled because of the Covid-19 pandemic. Japan is just beginning to reemerge as it is now starting to allow foreigners back into the country. While many speculated that 2020 would be a robust year for the integrated resorts, it looks like Covid, like the rest of the world, will push IRs back into 2021 as things finally start to move down the road.

Earlier this year, Japan transitioned from Prime Minister Shinzo Abe stepping down for health reasons to the current Prime Minister Yoshihide Suga. Suga, who was Abe's top lieutenant, has been a strong proponent of the integrated resorts initiative. His ascendancy was the ideal outcome in terms of the succession from Abe. Suga will not be a caretaker prime minister and wants to leave his own stamp over the next year coming into a fresh election next September.

The development of IRs received a boost in October when Suga provided an update on the timeline to shift the receipt of proposals at the national level, moving from January through July 2021, back to October 2021 through April 2022. While some may view this as a delay, it was inevitable because of the challenges experienced around the globe with the Great Shutdown that prevented local prefectures from also putting forward their local time frame. The timeline is still rather tight, especially as the world continues to grapple with the pandemic. Because of the slow opening of borders, it may not be surprising to see another small shift to accommodate the continued challenges.

At the same time as the shift in the timeline, the government also released its latest draft of the Basic Policy with a 30-day period for public comments that ended at the beginning of November 2020. While the changes were mostly minor and address some of the recent challenges with Covid-19, operators were looking for further definitions on important topics including taxes, license term, and spatial considerations as a reaction to the pandemic.

These were not addressed in the most recent version of the Basic Policy and are issues that still need to be resolved, or else some operators may vacate their existing development plans just as Las Vegas Sands had previously done in May 2020. The Basic Policy still needs to be solidified in a cabinet decision that will happen in either late 2020 or early in 2021.

One of the many questions that have come out of the Great Shutdown are the spatial requirements for the IR. This includes the 3 percent of gaming space to the amount of required space for MICE.

Both of these come under the challenges post-shutdown as what happens if the gaming, which serves as the economic engine, is limited even further should a pandemic rise again, but also the vast amount of space required for MICE and other non-gaming amenities. Observers need to monitor if changes may occur in the makeup of IRs but will continue to be



New Japanese Prime Minister Yoshihide Suga, like his predecessor Shinzo Abe, supports IRs, but there are other factors in play for 2021

dominated by non-gaming.

As one looks ahead to 2021, there are still many issues facing potential operators that will submit RFPs to local prefectures. The first of these is that the local prefectures must spell out their own policy once the national Basic Policy has been set, as well as laying out their timeline for the selection process. Potential IR locations including Yokohama, Osaka, Wakayama and Nagasaki will begin these operator selection efforts and become the main focus in 2021. For those prefectures that are still interested in the selection of a partner for one of up to three licenses that may be issued in Japan, timing is getting short on launching a process to select an operator and meet the current deadline of April 2022.

There are many issues that still need to be worked out in 2021 as interested parties observe what happens next in the process that has been over 20 years in the making. This includes the challenges that exist on the geopolitical landscape in Asia and throughout the world. Prime Minister Suga is trying to navigate those waters with his neighbor to the west in China, as well as Japan's relationship with the United States. There are other issues that need to be sorted in order to continue building the attractiveness of the market and keep strong operators interested, as well as provide some assurances that the market will remain stable. This includes building the relationship between operators, the Ministry of Land Infrastructure Transport & Tourism, and the regulatory body in the Casino Regulatory Commission. The further promotion of IRs and the positive impact that they can have in terms of additional entertainment, investment, job growth and tourism growth remain an opportunity for the industry and its partners to seize as the industry continues its development in 2021.

The first IRs are more than six years away from opening in Japan. There is a considerable amount of work to be accomplished in 2021 to make this a reality. However, the focus on the process will come from Suga to continue the efforts so that as Japan rebounds, and it has some additional opportunities to drive tourism beyond the Tokyo Olympics that are expected now to take place in 2021. The opportunity remains strong for IRs in Japan, but 2021 will be a key year in determining significant parameters to the future success of the market.

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