

Japanese Diet Enacts Controversial Laws to legalize Casinos

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The Japanese Diet has passed a so-called “integrated resort promotion bill” that would legalize casinos in Japan.

Introduction

In the midst of contentious nationwide debates about gambling, the Japanese Diet passed the “Bill Promoting Implementation of Specified Integrated Resort Areas” (the “**Bill**”) on December 15, 2016. Although the details regarding the process and requirements of the Bill are still uncertain, the Bill opens the door to casinos in Japan by legalizing casino resorts for the purposes of increasing tourism and development of local economies.

This Client Alert outlines the Bill and briefly discusses some key issues for all interested parties.

Outline of the Bill

The Bill consists of only 23 articles and sets out the general principles and basic policies for promoting “Specified Integrated Resort Areas” in Japan, such areas which will be a complex of facilities made up of casinos, convention centers, recreation spaces, exhibition halls, hotel accommodation and other recreational facilities, not unlike what is seen in Las Vegas and Macau. The Bill envisions that detailed rules and regulations will be separately legislated. An outline of the Bill is summarized below.

Purpose

The purpose of the Bill is to promote the implementation and construction of “Specified Integrated Resort Areas” in order to promote tourism and contribute to local economies (Article 1).

Specified Integrated Resort Area/Specified Integrated Resort

A “Specified Integrated Resort Area” is defined as an area or precinct in Japan that will be specified by the competent minister¹ as an area where a “Specified Integrated Resort” may be constructed (Article 2, Paragraph 2). The competent minister will specify which areas will be classed as Specified Integrated Resort Areas from applications made by local governments. However, the detailed process and criteria for making an application is still unsettled.

A “Specified Integrated Resort” is defined as a complex of facilities made up of casinos, convention centers, recreation spaces, exhibition halls, hotel accommodation and other recreational facilities (Article 2 Paragraph 1). With respect to the casino facilities, the Bill specifically provides that it must be constructed and operated by a private operator that has been approved by the Casino Supervisory Committee.

The Casino Supervisory Committee will be established as an affiliated governmental agency of the Cabinet Office and regulate persons related to casino facilities in order to maintain order and ensure the safety of the operation of casino facilities (Article 11).

¹ It is still not determined who will be the relevant minister.

Basic Principle

The basic principle of the Bill is to create an internationally competitive and highly attractive long stay tourism business in Japan by taking advantage of regional innovations and the vitality of the private sector, to contribute to the stimulation of regional economies, and to redistribute the proceeds from healthy casino facilities appropriately supervised and managed by the national government to those local communities (Article 3).

Further Legislative Measures/Basic Policies

The national government will promote the development of these Specified Integrated Resort Areas in accordance with the Bill, and take all necessary measures (including the implementation of the technical rules and regulations) for this purpose (Article 4). The national government must take such necessary measures within one year of the effective date of the Bill (Article 5). The basic policies underpinning these further measures include, among others:

- (A) establishing internationally competitive and highly attractive tourist destinations (Article 6);
- (B) strengthening the international competitiveness of Japan's tourism business and stimulate local economies (Article 7);
- (C) respecting plans and concepts established by local governments (including those with respect to the selection of the facility operator) (Article 8);
- (D) properly regulating persons related to casino facilities (e.g. appropriate license requirements) (Article 9); and
- (E) properly regulating the construction and operation of casino facilities (e.g. measures for preventing crimes and exclusion of organized crime groups) (Article 10).

Fee and Payments to Government

1) Payments to Government

The national and local governments may collect payments from casino operators (Article 12). The details of such payments will be separately codified by national and local laws.

2) Entrance fee

The national and local governments may collect entrance fees from visitors to casino facilities (Article 13). The details of such payments will be separately codified by national and local laws.

Proper Implementation

One of the most serious concerns about the Bill expressed by opposing parties is the potential this Bill has to give rise to an increase in social ills, such as gambling addiction and organized crime. The incidental resolution by the House of Councillors with respect to the Bill obliges the government to introduce, among other things, proper countermeasures to gambling addiction, admission regulations for casino facilities, and limitations on the size a casino can be within a Specified Integrated Resort. As a further concession to opposing parties, the Bill also provides that the legislation will be reviewed within the first five years of its enactment.

Key Issues

Details are still unknown

As briefly summarized above, the Bill does not set out any detailed processes or requirements for the implementation or operation of casinos or other facilities. This is more of a policy statement by the Japanese government to facilitate the implementation of "integrated resorts". Further detailed rules and regulations should be revealed within the next year.

A Specified Integrated Resort can be constructed within a Specified Integrated Resort Area, for which local governments must apply in order to be considered. As the Bill provides that a local government's plans and concepts (including those plans with respect to the selection of the facility operator) are to be respected for future legislation, it is possible that local governments may also enact local laws with respect to the construction and operation of the facilities. Interested parties should keep an eye on any discussion at the local government level as well as the national government level during that period.

Physical facilities only

As the basis of the Bill is promotion of the Specified Integrated Resort with an aim to facilitate tourism and contribute to local economies, the Bill only applies to physical casino facilities and is not intended to legalize any form of on-line casino services or gambling.

No prohibition against foreign investors/operators

The Bill does not have any restriction on foreign investors or operators for the Specified Integrated Resort.

Two step selection processes

In order to construct and operate a Specified Integrated Resort, there is a two-step selection process.

The first step begins at the local government level. As it is expected that any application will require a tangible plan for the integrated resort with some level of detail, the local government must first select a proper facility operator for the proposed project who will need to advise on the content of the application. Any plan submitted by the local government to the national government should require input from that proposed facility operator(s).

The second step is selection by the national government. At this stage, it is expected that substantive collaborative work between the local government and the potential facility operator(s) will be required.

Importance of the Local Government

As noted above, you must have the local government's proper support before you can apply to the national government to construct or operate a Specified Integrated Resort. According to the media, a number of local governments have already started showing an interest in making applications for a Specified Integrated Resort in their area, including Yokohama, Osaka, Hokkaido and Miyazaki.

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