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A Study on Gaming Industrial Cluster in Macao

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7/3/2008

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Concept of Industrial Cluster

Groups of enterprises with strong vertical linkages and located within one country, but not always geographically (Porter , 1990)

Clusters are geographic concentrations of interconnected companies and institutions in a particular field(Porter, 1998)

Literature Review

Clusters have received increasing attention in research on advanced countries, especially in

- * Some lines of New Mainstream Economics (Krugman, 1991)
- * Business Economics (Porter, 1990)
- * Regional Science (Scott, 1996)
- * Innovation Studies (Braczyk, Cooke and Heidenreich, 1998).

Literature Review (Cont.)

- Industrial clustering in developing countries is significant.
- The growing amount of case material shows that clusters are common in a wide range of countries and sectors

---Nadvi and Schmitz, 1994

Literature Review (Cont.)

Introduced to the traditional industry

Introduced to the service industry

Introduced to the tourism industry

Introduced to the gambling industry

History of Macao Gaming Industry

Early Development of the Macao Gaming Industry

- 1847 The first time of legalization gaming
- 1930 The monopoly concession for operating all forms of approved casino games
- 1937 The casino monopoly concession
- 1961 “Permanent Gaming Region”
“ a Low Taxation Region and Regarded Gaming and Tourism as its Major Economic Activities”

Monopoly System in Gaming Industry

- STDM was granted her gaming license in 1961.
- STDM had been the only firm operating casino business in Macao for 40 years.

Gaming Liberalization after the Handover

- Feb., 2002 Sociedade de Jogos de Macau ("SJM"), Galaxy Casino, S.A. ("Galaxy"), and Wynn Resorts (Macao) S.A. ("Wynn") had granted the concession
- Dec., 2002 Galaxy had a sub-concession relationship with Venetians Macao S.A. ("Venetian")
- Apr., 2005 SJM signed a sub-concession with the MGM Grand Paradise, S.A. ("MGM")
- Sep., 2006: Wynn signed a sub-concession with the Melco PBL Jogos (Macao), S.A. ("Melco PBL")

THE SANDS



Gross revenue from different gaming activities in 2007

Unit: MOP million

Item	Gross Revenue	Percentage
Games of Fortune	83,022	99.07%
Greyhound Racing	98	0.12%
Horse Racing	403	0.48%
Chinese Lottery	6	0.01%
Instant Lottery	0	0.00%
Sports Lottery - Football	273	0.33%
Sports Lottery - Basketball	44	0.05%

1 USD= 8 MOP

83,802.02

CASINO IN MACAO, 2007

- **No. of Casinos :** **28**
- **Gaming Tables :** **4,375**
- **Slot Machines :** **13,267**

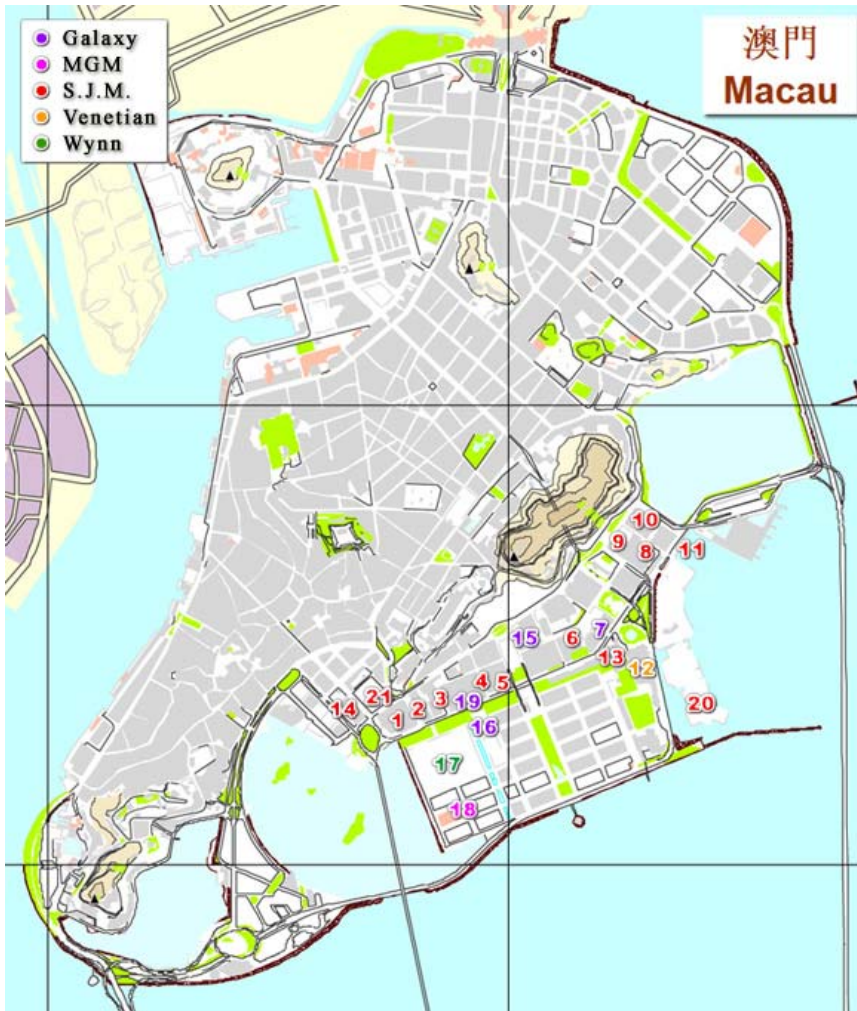
**The Situation
of
Macao Gaming
Industrial Cluster**

MACAO



- Peninsula: 8.8 km²(a)
- Taipa: 6.5 km²(b)
- Coloane: 7.6 km²(c)
- 'a+b+c: 28.6 km²

ZAPE, Macao Peninsula



- 1. Lisboa
- 2. Kam Pek
- 3. Fortuna
- 4. Diamante
- 5. Club VIP Legend
- 6. Kingsway
- 7. Waldo
- 8. Golden Dragon
- 9. Casa Real
- 10. Jai Alai
- 11. Macau Palace (closed)
- 12. Sands
- 13. Oriental
- 14. Emperor Palace
- 15. Rio
- 16. Star World
- 17. Wynn
- 18. MGM Grand Paradise
- 19. President
- 20. Babylon
- 21. Grand Lisboa

Casinos in ZAPE

	Wynn	Star World	Grand Lisboa	MGM Grand Paradise
Opening Date	Sep. 6, 2006	Oct. 19, 2006	Feb.11, 2007	Dec.18, 2007
Gaming Tables	420	260	300	380
Slot Machines	1 , 280	500	480	900
Hotel Rooms	600	500	420	500

Source: Hong Kong Economic Times, January, 8, 2008. A8.

Gaming Industrial Cluster in ZAPE

	No.	Percentage in Macao
Concessionary	5	83%
Casino	20	71%
Five Star Hotel	6	40%
Four Star Hotel	7	58%
Pawnbroking	20	90%
Catering Trade & Other Entertainments	>100	

Cotai Strip, Taipa



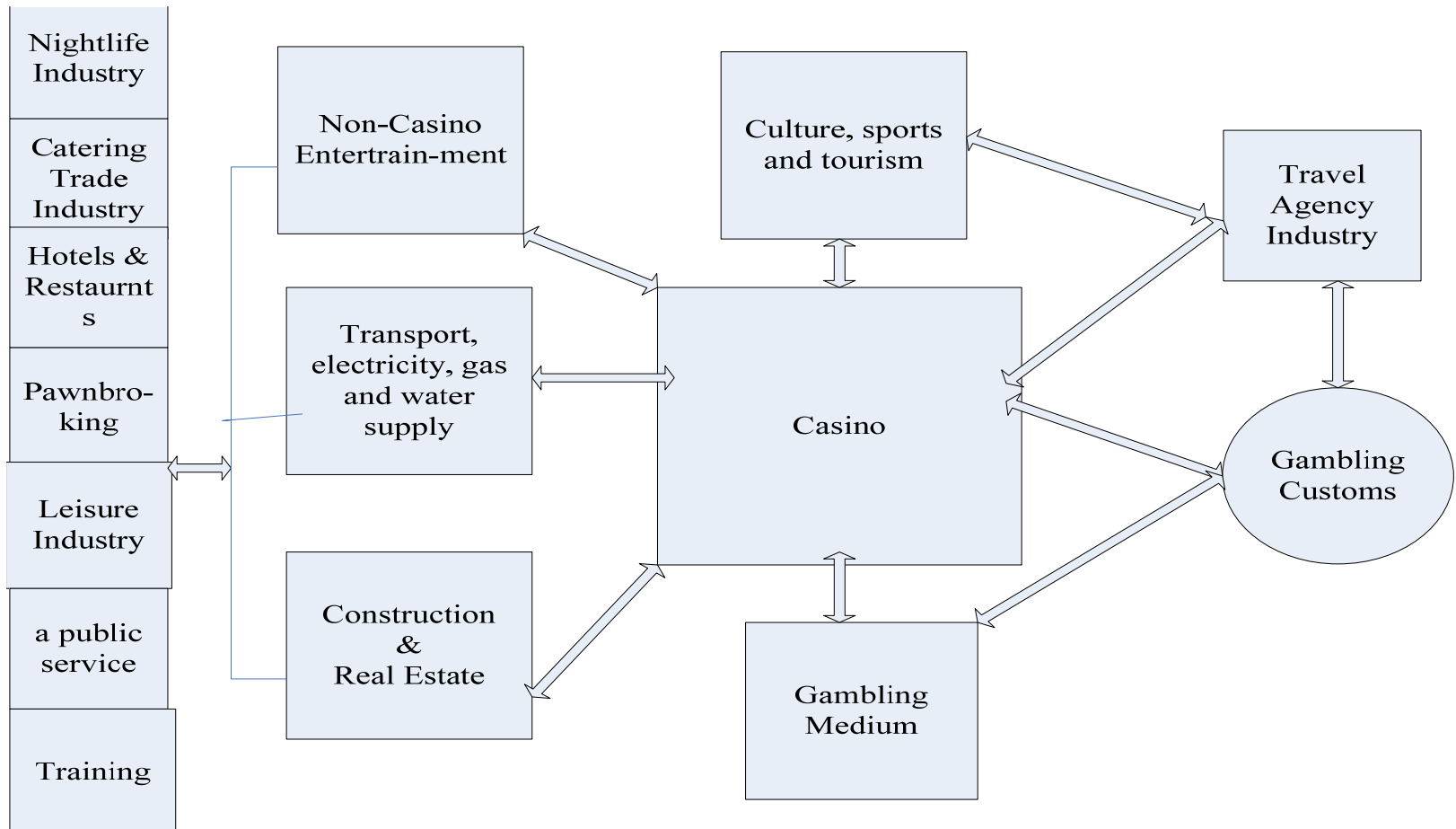
- 1. Marina
- 2. MJC
- 3. Taipa
- 4. New Century
- 5. Grand Waldo
- 6. Crown
- 7. Galaxy Resort
- 8. Venetian Resort

The Planned Cotai Strip



- Sands
 - 7 resort hotels
 - 20,000 hotel rooms
 - Over 1.5 mm sq ft of casino space
 - Over 3.0 mm sq ft of MICE space
 - 25,000 seats for live entertainment
 - 3.0 mm sq ft of retail space
 - Over 4.0 mm sq ft of vacation suites
- Melco-PBL
 - City of Dreams
 - Macau Studio City (Melco-PBL will not own this but will manage the casino)
- Galaxy
 - Grand Waldo Hotel
 - Cotai Mega Resort (aka GalaxyWorld Resort).
- Wynn
 - Owns land on Cotai and has stated that they plan to build one casino resort that will be "the most beautiful hotel on earth".

An Industrial Aggregation



The Characteristics of Macao Gaming Industrial Cluster

The Characteristics of Macao Gaming Industrial Cluster

- **Spatial Aggregation**

The Characteristics of Macao Gaming Industrial Cluster (Cont.)

- **Competition and Cooperation**

The Characteristics of Macao Gaming Industrial Cluster (Cont.)

- **Externality**

The Impact Factors of Macao Gaming Industrial Cluster

The Impact Factors of Macao Gaming Industrial Cluster

- **Gaming Licence**

The Impact Factors of Macao Gaming Industrial Cluster (Cont.)

- **Location**
- **The geographical features of Macao**
- **Distance**
- **Facilitated**

The Impact Factors of Macao Gaming Industrial Cluster (Cont.)

- **Policy**

**Government Role
in
Macao Gaming
Industrial Cluster**

Government Role in Macao Gaming Industrial Cluster

- **How to develop the advantage of location**

Government Role in Macao Gaming Industrial Cluster (Cont.)

- **Planning for a promotion on Macao Gaming Industrial Cluster**

Government Role in Macao Gaming Industrial Cluster (Cont.)

**Promote more effective policies to
enhance the Macao Gaming Industrial
Cluster**

Conclusion

Conclusion

Characteristics

- * **Spatial Agglomeration**
- * **Competition and Cooperation**
- * **Externality**

Conclusion (Cont.)

Impact Factors

- * **Gaming Licence**
- * **Location**
- * **Policy**

Limitation

- **Lack of Quantitative Analysis**
- **Lack of Comparison of Macao and Other Gaming Destinations**

Thank you for your attention