

Philippine gaming industry

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Despite the surge of Pagcor income that has succeeded immensely in supporting the cash-strapped government, several lawmakers, nongovernment organizations and especially the religious sector are still firmly against government engaging in the business of operating casinos. Edward King, spokesman for Pagcor chairman Efraim Genuino, told The Manila Times that first and foremost, one thing that people should remember is that Pagcor is a creation of law. Pagcor, a government-owned and controlled corporation was established to regulate all games of chance in the Philippines.

It was born in 1976, created by then-President Marcos to oversee the operation of gaming casinos, to generate funds for the government's developmental projects and to help curb illegal gambling. An unaudited Pagcor report shows that Pagcor, " a vital arm of the government in nation building, " netted P25. 4 billion in income making it one of the biggest earners for 2006. " So is Pagcor a proof that casinos and legalized gaming can be a valuable source of government funding and an effective engine for national development? " We are created by law, we are just following what the law orders us to do.

It is not a question that is up to us to decide. We must obey the law," King said. Under the law, he explained, Pagcor is required to run casinos. He said that the most important thing about the government running casinos is that all funds that generated from Pagcor goes back to the government " 100 percent. " " We are operating the casinos but here is where everything lies: 100 percent of the income that we generate goes back to the government," King said. The state-run gaming firm surpassed its earlier record-breaking

P21. 9-billion total annual income in 2004 and breached its target income of P23. 1 billion for 2005. It surpassed the P24. 5 billion target for 2006 as well. Pagcor's 2005 total income of P23. 4 billion was 6. 8 percent higher than the P21. 9 billion it posted a year before. The issue of privatizing Pagcor is also very controversial, with several lawmakers pushing for it and even more congressmen against it. King said that while the act can be considered purely from the noble and idealistic viewpoint that government should not be in the business of gambling, one has to think from the point of view of generating funds for the government.

He said that if the government would privatize Pagcor, then all income goes to the private sector leaving only a small amount in taxes being paid to the government coffers. " If you give Pagcor to the private, they will just be paying taxes. There is a huge difference between a fraction of income from taxes to 100 percent," King said. An official from Pagcor who requested anonymity even claimed that perhaps the lawmakers have their own personal agenda. Maybe they want to be the ones who will buy and operate Pagcor, they said. Its simple, privatize Pagcor they get the income, the lawmakers may perhaps be getting their own kickbacks from certain lobby groups who want Pagcor for their personal purpose," the official said. King merely laughed at the statement of the official adding that he did not want to comment, not wanting to get into trouble with the congressmen. King, however, added that if Pagcor is run privately, all measures such as that of the antimoney laundering might be removed and the private personalities owning it may use the gaming for the bad purposes that the antimoney-

laundering council wants to prevent. Pagcor is created by law with the purpose of bringing much needed funds to the government.

Certainly if you are run privately mahirap bantayan. How can you impose legislation on it which means how can we protect ourselves now from money laundering, how do we prevent this money going out of the country,” he said. “ We are able to ensure that these things do not happen since the protective mechanism are all in place here. ‘Yung mga private casinos for instance maaaring lumalabas iyang pera at magamit for money laundering once they are privately owned,” he said. We do what we can,” King said. King also thanked Congress for granting them a fresh 25-year franchise. King explained that government departments are dependent on Pagcor. The Department of Education is seeking more money from us. Even many church organizations get donations from Pagcor despite the opposition to Pagcor of some bishops. Pagcor, in President Arroyo’s own words, is an important part of Philippine nation building. In its endeavor to generate more funds for the government’s pressing concerns, Pagcor has ventured beyond casino management.

To meet the challenges of the new millennium, the gaming corporation is constantly looking for ways to improve its gaming products and maximizing the efficiency of its gaming operations. Philippine Gaming Market Sports betting is, to a vast population of Filipinos, a way of life from cockfighting to horseracing and basketball. Betting on number combination games such as lotteries and basketball “ ending” offered by illegal bookies, has become part

of millions of Filipinos' daily routine. The gaming market in the Philippines is estimated to be over P100 billion a year.

Illegal gaming accounts for half of the country's gaming industry revenues. Internet Gaming Market The Internet gaming global market is estimated to be US\$10 billion in 2002 and is predicted to reach US\$14.5 billion in year 2006. Internet Sports Betting and Internet Casino dominates most of the revenues. Although US now accounts for half of industry revenues, the gaming market is changing and the biggest area of growth is in places like Europe and Asia. Pagcor aims to go global and is keen on gaining a share of the Internet gaming revenue.

Internet gaming will allow Pagcor to reach out to local and foreign gaming enthusiasts with less investment cost. About Philweb Capitalizing on its Internet technology experience, Philweb in early 2003 made a deliberate decision to focus on Internet Gaming. It established partner relationship with leading software providers in addition to establishing its own gaming software capability. On the basis of this expertise, Philweb was successful in concluding a contract with Pagcor, whereby Philweb became Pagcor's overall service provider for Internet Gaming technology.

To date, Philweb has concluded 2 Internet Gaming agreements with Pagcor, as follows: Acknowledging the Filipino's yearning for sports and gaming as well as the continuing popularity of local sports betting, Pagcor, in partnership with Philweb Corp. , designed and deployed a new and innovative way to utilize Internet technology in fueling the Filipino's passion for sports—Internet Sports Betting. Pagcor aims to compete head on with

illegal bookies and migrate most, if not all, of the illegal gaming revenues into additional source of income for the government.

Recognizing Philweb's extensive knowledge in Internet technology, software development expertise and its nationwide marketing distribution network, Pagcor signed a Memorandum of Agreement with Philweb on November 28, 2002, engaging the latter as its technology service provider and marketing consultant for Internet Sports Betting. Subsequently, Philweb and Pagcor likewise entered into several supplemental agreements to cover the expansion programs of Pagcor on Internet Sports Betting.

Philweb is a PLDT subsidiary. Pagcor license for Internet casino Pagcor has decided to offer casino games outside the land-based casinos via Internet Casino Stations. Compared with the land-based counterpart, Internet Casino Stations require less investment because of their low overhead as well as operating and marketing costs. Also, Internet Casino offers gaming enthusiasts the opportunity to play casino games in the privacy and comfort of their homes at any time of the day and at their own pace.

As an additional feature, a prepaid card system will be incorporated in Pagcor's Internet Casino betting platform to avoid credit card fraud and fast-track its nationwide distribution. Philweb is partnering once more with Pagcor to accelerate the market entry of the latter's Internet Casino products in the Philippines. With a management team rich with Internet Casino business expertise, Philweb expects to realize with Pagcor the revenue potential of Internet Casino.

Currently, Pagcor and Philweb are pursuing for the expansion of their Internet Gaming relationship to now include Internet Casino. Philweb will provide its technology and marketing services to Pagcor. These services shall include the following: Recently, Philweb, the Philippine Long Distance Telephone Co. (PLDT) affiliate that oversees the operation of an Internet casino business on behalf of the government, expects to report a full-year profit for 2006, the first since it was set up in 2000. Philweb reported net profit of P42 million (\$861, 848) in the first nine months of 2006.

The company, which oversees 45 Internet casino stations, most of them in Manila, said gross betting volume in online casinos had surged from P562 million in 2004 to P10. 8 billion in 2005. It is likely to rise by another 30 percent in 2006, according to Dennis Valdes, the company's president. That forecast looked optimistic on a recent Saturday night in Manila on the basis of competition between a bookmaker's office, crowded with laborers betting on horses, and an Internet casino station a few feet away where no-one was queuing to play.

But the relative quiet outside the online casino belies the vast and rapid flow of money into the newest game of chance to hit Manila. On entry into what looks like an Internet cafe, where about 25 desktop computers are linked to a powerful server running gambling software, customers are asked to buy at least P500 worth of credits, and it is not uncommon for players to spend P1, 000 in just 15 minutes. " We started out as an ISP [Internet service provider] and it was only recently that the company refocused on Internet gambling," said Valdes.

In November 2002, Philweb won a contract to provide consultancy services to the state gambling monopoly, which is trying to curb an illegal market that it estimates to be worth about P50 billion a year. Stock market investors are making a big bet on Philweb, whose share price more than doubled in 2006 and has risen by about a 10th so far this year. Its market capitalization of P3. 9 billion is now almost a quarter more than the combined market value of the two bigger and older companies that run horse races.