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HD **Developers want to transform Cairns from backpacker haven to gambling hotspot**
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Once a stop on the hippie trail, Cairns is now a haven for backpackers and divers. By 2019, Tony Fung predicts it'll be a gambling destination to rival Macau.

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The **Hong Kong property** developer last week won early-stage government backing for plans to build an A\$8.15 billion (\$8.28 billion) **casino resort** on a former sugarcane farm north of the town. With targeted first-stage completion in late 2018 and 7,500 **hotel** rooms around an artificial lagoon, 18-hole golf course and water **park**, it'll nearly triple the region's **hotel** accommodations and be bigger than Singapore's two casino resorts put together.

"We are extremely confident that Cairns can be a global destination," Justin Fung, Tony's son and chief executive officer of development **company** Aquis Resort at the Great Barrier Reef Pty., said in a May 28 phone interview. "This is the closest western city to **China**," he said of the tropical Australian city where the brother of former U.S. presidential candidate Howard Dean dropped out in the early 1970s.

Fung's quest faces competition across the region as investors locked out of Macau, which has licensed just six casino operators to tap its \$45 billion gambling market, plan new resorts from Sri Lanka to South Korea, the Philippines and Japan. With **Chinese** spending on overseas trips rising 26 percent during 2013 to \$129 billion, the country is already the world's largest source of outbound tourist revenue.

Competition from Asian gaming resorts and gambling websites is a challenge to Australia's casino industry, according to a November report by researcher Ibisworld Inc. Revenue growth will slow to 2.9 percent a year over the five years to June 2019, from 3.6 percent over the previous five, Ibisworld estimates.

With A\$4.8 billion of expenditure by **Chinese** tourists in 2013, Australia is currently capturing less than 4 percent of **China**'s tourism exports. Casinos' revenue of A\$3.5 billion accounts for just 18 percent of a gambling sector dominated by slot machines in pubs, sports betting and lotteries, according to a 2010 government report.

Cairns's existing Reef Casino Trust, the city's only casino operator, posted A\$24 million in revenue last year, and competes with Crown Resorts Ltd. and Skycity Entertainment **Group** Ltd. gambling halls in Perth and Darwin that are also less than eight hours' flight from **Hong Kong**.

That's not deterring the government of the city's Queensland state, which plans to issue three new casino licenses to lure Asian gamblers and stimulate job growth amid a fall in coal prices that will help drive a A\$324 million decline in government mining royalties by June 2017.

Proposed developments in Cairns, Brisbane and the Gold Coast could bring the same benefits that Genting Singapore Plc's Resorts World Sentosa and Las Vegas Sands Corp.'s Marina Bay Sands brought to Singapore, Queensland Premier Campbell Newman said last October. The hotels helped fuel a 20 percent jump in tourist numbers to the city-state after they opened in 2010, he said.

Shares in Echo Entertainment **Group** Ltd., which operates existing casinos in Brisbane and the Gold Coast and has said those cities' gambling markets can't support much more development, fell as much as 2.6 percent before closing down 0.4 percent at A\$2.74 in Sydney. The benchmark S&P/ASX 200 index declined 0.2 percent.

"Everyone's seen the success of Singapore, which is just being used as a blueprint elsewhere," Killian Murphy, an analyst at CIMB **Group** Holdings Bhd., said by phone from Sydney. "Potentially Australia as a whole becomes a better sell into the **Chinese** market" if it has more resorts for tourists to choose from.

Cairns is well placed to exploit that market, said Fung. Another Fung family **company** has already bought about 77 percent of the Reef Casino Trust as part of a A\$214 million takeover.

"We're sitting on the doorstep of the Great Barrier Reef," he said. "As the **Chinese** middle-class and wealthy travel, one of the first things they're going to embrace is the natural environment. Cairns has that in spades."

Floods, cyclones, a strong Australian dollar and the rise of competing markets in Asia have stymied growth at some resorts along the Great Barrier Reef.

Properties on Dunk and Bedarra islands, for example, **sold** in late 2011 for about 15 percent and 20 percent of their 2007 values respectively. **Chinese**-Australian billionaire William Han paid A\$12 million for Lindeman **island** in 2012, a 10th of what Club Mediterranee SA had spent to **buy** and expand it in the early 1990s.

Sandwiched between the volcanic Atherton Tablelands and the lagoon of the barrier reef and fringed by mangrove swamps populated by man-eating crocodiles, Cairns has attracted **Chinese** visitors since gold prospectors flocked to the region in the 1870s.

It's grown into a tourist spot and jumping-off point for visits to the Great Barrier Reef, the world's largest coral system, "a perfect place to meet other travelers" whose downtown is "more **board** shorts than briefcases," according to the Lonely Planet tourist guide. It's home to more than 10 scuba-diving schools and 40 backpacker hostels.

Not everyone welcomes the proposed development.

"It's horrific," said Gayle Hannah, who came to the region as an 18-year-old in 1971. "Most likely it's going to sit there and moulder and just be a headache."

Hannah lived on communes in the hills behind Cairns in the early 1970s, where "people had the good old peace, love and brown rice philosophy," she said. She became friends with Howard Dean's younger brother Charlie while working on a organic farm in the region set up by three other Americans, "Ivy Leaguers who'd left because of Kent State and Vietnam."

The younger Dean later traveled to Laos where he was captured and executed in 1974 by guerrillas. His remains were discovered and repatriated in 2003, when the former Vermont governor was running for the Democratic presidential candidacy ultimately won by John Kerry.

Building such a big resort in the region is "crazy," she said. "The Asian market is looking for the things we already have - the reef, rainforest, quiet, birds, good food," she said. An online petition opposing the development has attracted 1,753 signatures at the website communityrun.org.

The 343-hectare (848-acre) **site** for the Aquis resort will include two theaters, a convention center, a sports stadium, a water **park**, and an aquarium, as well as shops, restaurants, and 1,800 homes for staff, according to a July 2013 proposal to the government.

Stage 1 of the Aquis resort would have 4,000 rooms, and there's no date set for the expansion to 7,500, Ben Ready, a spokesman for the Aquis project, said by phone today.

Once complete, the complex of eight hotels will be as large as Moscow's Izmailovo **Hotel** Complex, the world's biggest, and surpass the 5,044-room MGM Grand in Las Vegas.

"I see more luxury projects creating a gaming destination for the Asian market," Fung said. "If you can create enough quality product, then certainly the demand is there."

The Fung family have spoken to financial institutions about funding the resort and haven't yet committed to any, he said. He didn't name any partners for the project.

Queensland may struggle to digest such a sharp increase in gambling tourism, said CIMB's Murphy.

"I just think three new integrated resorts is stretching it," he said. "Trying to convince a gambler to come here can be difficult. You're talking a nine- or ten-hour flight" from cities in **China**.

The entire Tropical North Queensland region including the city only contained 3,892 **hotel** rooms in June 2013, according to government data. Those hotels had occupancy rates of 68 percent in the year and average room rates of A\$143 a night, about 25 percent below the national average, separate data show.

That's not deterring **Hong Kong**-based Fung. The right facilities can attract visitors in numbers like those who've been lured by other casino resorts in the region, he said.

"We're on the doorstep of Macau and we've seen the incredible growth of that market. We're close to Singapore and we've seen what just two properties there are capable of doing," he said. "There is that aspect of 'If you build it, they will come'."

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