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The Cyprus Integrated Casino Resort: a brand new chapter for the island's tourism.

It has been widely communicated that Cyprus is about to license its first ever fully fledged casino. This is a new concept for the Island nation as well as a brand new sector. We examine the situation, try to establish what this really means for the country and what its impact will be on the tourism sector.

The establishment of a large casino in any location has always had a significant impact on the surrounding area, and whilst some might debate that its social impact is a negative one, even though there is substantial research that proves otherwise, there is no doubt its impact on the local economy and tourism is both positive and significant. In 2015 the Republic of Cyprus has announced a call for Expression Of Interest (EOI) from consortiums that wish to invest in establishing the first and only Integrated Casino Resort (ICR) on the Island. It has to be said that by looking at the greater picture the government has gone about this the right way. Not only because the EOI process was designed to surface the most diligent, pre-planned and capable of candidates, but also because they made it clear that one of the main objectives of the casino is to help develop Cyprus's tourism sector, primarily by rendering the construction of a hotel a requirement and by evaluating how the proposed ICR will specifically address the tourism segment.

Cyprus is a special case when it comes to establishing an ICR for two reasons. One being that this is the first ever fully fledged, legal casino for the Island nation and secondly because the competitive environment is sort of a "unique" case. The geographical position of Cyprus makes it a very good location for establishing an ICR. The island is in the crossroads of three continents and has especially good relationships with Europe and the middle east, with the two of them accounting for over 92% of the nations tourism arrivals and marking some of the longest stays. Further than that, in the surrounding international neighborhood there are almost no large casino establishments to bring upon serious competition, with Loutraki Casino in Greece and Casino du liban in Lebanon being the exceptions. Having said that, smaller casinos

have been functioning for many years on the occupied north side of the Island, but are in essence non-regulated, and small in size compared to the proposed ICR for which serious applicants are approaching with investment propositions that will probably surpass half a billion euro in the smallest of cases. Some scenarios even predict that the existence of these smaller casinos could be of benefit to the ICR since they have developed the gaming culture and image of Cyprus as a destination, plus the substantial switching that is expected from a large portion of their recurring clientele.

Considering the above along with the fact that the Republic of Cyprus will now be added on the map as a gaming destination for the first time, the tourism sector gains through the ICR will be mainly incremental, and of great value.

There are many ways by which the ICR will contribute to tourism but they are split into 2 main channels: the increase in arrivals and the increase in expenditure per tourist. So far the most profitable of segments has been business tourism leaving an average of €220 per person, per day. Gaming tourism is predicted to almost double that amount. Further than that, there will always be the increase in expenditure effect of subsidized tourism, (tourism that would anyway come to Cyprus, but will now either come specifically for the ICR or at least visit and play during their stay) meaning that the average expenditure of tourists on the island will also grow. Through primary research that Horwath has executed on the ground, it has been found that the average tourist has a propensity of visit around 30% and an average frequency slightly over 1 visit, both indications depending on their region of stay and distance they would need to travel. This amounts to c.550.000 casino visitations per annum, referring only to foreign tourists, that are not here for the casino specifically, and that are accommodated off-site.

In terms of developing the volume of tourism in Cyprus, there are various means by which this will be materialized such as the increase in bed supply by the ICR's hotel (or hotels), the provision of new topnotch facilities in the form of conference centers, exhibition halls, theme parks, spas etc., the infrastructural development of the surrounding area, the increase in occupancy for all hotels in the ICR region, and other. But even these important and progressive expansions might seem of secondary importance compared to the following crucial contributions that the ICR will have to offer:

- **Induced Tourism:** All of the applicants have presented their own numbers and strategy by which they intent to attract organized groups from abroad that will be flown to Cyprus and accommodated by the ICR for the sole purpose of gaming. c. 70% of the individuals in these groups will be gamers (since many will be escorted by non-gaming family or friends), spanning from daytrips to 7 day groups. Russians, Israelis and other Middle Eastern visitors are presumed to be amongst the most popular feeder markets.
- **The attraction of the autonomous gaming tourist:** This straight forward effect considers the number of tourists that will flock to the Island specifically for playing in the newly build ICR. Since the RoC did not have the means to attract this segment in the past, these tourists will be added to the annual arrivals incrementally. This includes gains from tourists that would potentially be visiting the north side of the Island.
- **The attraction of FDI:** The call for EOI has attracted some of the world's top casino operators such as Melco, Hard Rock, Acorr, Sun, bloomberry and others. As a prerequisite, the casino operator member of the consortium applying, will need to be one of the main shareholders of the establishment. This means an FDI of hundreds of millions of euro, an amount that varies from one consortium to the other, which in any case will be of significant size a nation such as Cyprus. Although this contribution could fall under the wider economical benefits we need to appreciate that it will almost be completely absorbed by the tourism sector.
- **The increase in domestic tourism.** Even though as a general rule, domestic tourism is not as beneficial as foreign tourism to any country, Cyprus has comparatively weak domestic tourism. The ICR is predicted to attract a large amount of tourists domestically. This in turn

means greater circulation of cash, growth in expenditure, with a large amount of this money flowing into touristic infrastructure. The propensity of Cypriot nationals to visits has been identified over 30%, and considering a frequency of around 3 visits per year amounts to over half a million visits per annum, which is a significant number considering the Island's total residents of c. 850,000.

It is obvious to us that such an establishment in any location across the world will have a significant positive impact on the local economy and specifically on tourism, let alone a market in which the gaming sector is a completely new thing. For sure, by June we will know which fortunate consortium will be considered the most capable one to be awarded the license, and of course carry the responsibility of defining the commencement, the first steps if you like, of a brand new chapter for the country's tourism. I for one, cannot wait to see how the story unfolds.

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Pambos Michaelides is a Business Consultant who specializes in the hotel and tourism sector. After a 3 years of practicing consulting for Nielsen in the UK he has returned to the Horwath HTL Cyprus office of which he is a founding member of. Today he serves as an executive director, responsible for Horwath's operations in Cyprus as well as other neighbouring markets.

During his career, amongst other, Pambos has led projects such as regional tourism development plans, Casino market assessments and has contributed to the Strategic planning of Hotels, resorts etc. Pambos Michaelides has studied in the University of Brighton for a degree in Management with Marketing and has a Masters degree in HR.

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