

Betting and Lotteries Commission

Hong Kong Jockey Club's Proposal of Increasing the Number of Simulcast Days

Background

The Betting and Lotteries Commission (“BLC”) is a statutory advisory body set up under the Betting Duty Ordinance (Cap.108) to advise the Secretary for Home Affairs on the regulation of the conduct of horse race betting, football betting and lotteries.

For horse race betting, the Hong Kong Jockey Club (“HKJC”) is currently allowed to conduct betting on no more than 88 local race days, 10 non-local races falling on local race days and 23 simulcast occasions on non-local race days (known as “simulcast days”) in each racing season; no betting on local and non-local races is allowed during the summer break from 17 July to 31 August.

HKJC's Proposal

HKJC has proposed to increase the maximum number of simulcast days per year by 14 (i.e. from 23 to 37 days) and allow such additional simulcast days to take place during the summer break starting from 2021. For details, please refer to the proposal at **Annex I**.

Submission of Views

BLC now invites members of the public to submit views on HKJC's proposal (submission form at **Annex II**). The deadline for submission is **27 November 2020**. Please send the submissions by post (date of the stamp chop will be taken as the submission date), fax or e-mail to:

Address: 13/F, West Wing,
Central Government Offices,
2 Tim Mei Avenue, Tamar, Hong Kong
(Attention: Secretariat to the Betting and Lotteries Commission)
Fax No.: 2591 6002
E-mail: hab3@hab.gov.hk

Please note that the submissions received may be made available to the media and the public unless parties concerned have advised otherwise.

Secretariat to the Betting and Lotteries Commission
29 October 2020

**Proposal of Increasing the Number of Simulcast Days
Submitted by the Hong Kong Jockey Club to the HKSAR Government**

PROPOSAL

1. In order to combat illegal gambling particularly during the summer breaks between Hong Kong's racing seasons, the Hong Kong Jockey Club ("HKJC") has made the following proposal for conducting horse race betting in respect of non-local horse races ("simulcast day"):

increasing the maximum number of simulcast days per year by 14 (i.e. from 23 to 37) and allowing the additional simulcast days to take place during the summer break (i.e. 17 July to 31 August each year) starting from 2021.

OVERVIEW

2. An overview of the implications of the proposal:
 - a) it will have minimal impact on youth since 80% of HKJC's simulcast bettors are aged 40 or above, and people aged 18-21 accounts for only 1% of the simulcast bettor population.
 - b) an increase of 14 simulcast days will create–
 - up to ~ HK\$350 million betting duty per season
 - around 1 100 job opportunities
 - revenue for charities donations
 - c) summer break of local racing will maintain and the two racecourses will remain closed.

JUSTIFICATION

Illegal/offshore bookmakers are exploiting the summer break to target Hong Kong bettors

3. July and August is the peak season for racing overseas particularly in Europe. For example, some of the most valuable and prestigious UK races such as the Group 1

King George VI & Queen Elizabeth Stakes at Ascot (GB) and other major races are held during these two months. However, unlike most racing jurisdictions where horse racing is year-round, Hong Kong has a summer break from 17 July to 31 August, when Hong Kong is not allowed to simulcast these overseas races. Hong Kong's two racecourses will remain closed during the summer recess.

4. In contrast to the situation in Hong Kong, illegal/offshore operators offer year-round betting opportunities on a wide range of international horse races without limitation on the schedule or number of races. Consequently, illegal/offshore bookmakers are taking advantage of this gap to encourage Hong Kong bettors to place bets through illegal platforms.
5. According to the *Report on Illegal Betting on Overseas Horseraces in Hong Kong* conducted by Hong Kong University of Science and Technology ("HKUST"), in the summer of 2018, the total amount wagered by Hong Kong bettors on overseas races via illegal channels was HK\$320 million.
6. Another example is Citibet, a global illegal betting platform with a focus on Hong Kong horse racing. During the summer break between the 2016/17 and 2017/18 racing seasons, when there was no legal betting available with the HKJC, Citibet's average weekly traffic volume increased by 46% compared with their average volume during the Hong Kong racing season. This demonstrates the effectiveness of illegal/offshore bookmakers in capturing betting demand when there is no legal channel available during the summer break.
7. In fact, when interviewed by the HKUST research team in 2020, up to 75% of bettors who have "temporarily" participated in illegal gambling activities in the summer responded that they would switch back to a legal channel if the HKJC were to offer simulcast betting during the summer break.

Hong Kong racing fans are increasingly interested in overseas/international races

8. In the past decade, Hong Kong racing has been able to establish a leading position in world racing. For example, Hong Kong has increased its total number of International Group 1 races to 12, with 11 ranked in the best 100 races in the world in 2018. Hong Kong's two flagship international racedays, i.e. The LONGINES Hong Kong International Races and FWD Champions Day, have attracted over 200 horse entries from countries around the world, and many of these horses run in races overseas during the summer break.

9. The excellent performance of Hong Kong trained horses must also be noted. Despite having only 0.7% of the world's active thoroughbred horses, a record 25 Hong Kong horses featured in the 2018 World's Best Racehorse Rankings.
10. With the globalisation of horse racing and more Hong Kong horses and jockeys competing globally, local racing fans have become more aware of and interested in overseas races particularly those with Hong Kong connections. However, due to the current summer break restriction on simulcasts, they are unable to place bets through the HKJC's legal betting channel, and in consequence they are turning to illegal/offshore bookmakers.

The replacement simulcast day - Kranji Mile Day 2020

11. To cater for the postponement of non-local races due to COVID-19 which HKJC is allowed to simulcast, HKJC has received a one-off approval by the Government to allow the conduct of simulcast day(s) in summer 2020 without increasing the total number of horse race betting opportunities per year. The Kranji Mile Day, which was the only simulcast day eventually rescheduled for the summer break due to COVID-19, was simulcasted on 16 August 2020 (Sunday). The turnover and the betting duty of this simulcast day was HK\$223.9 million and HK\$28.8 million respectively, which is similar to the business result for the same simulcast day on Kranji Mile Day in 2018/19. Despite that Off-course Betting Branches ("OCBBs") were all closed, the turnover of simulcast remained strong, which reflected the demand for simulcast betting and its popularity among racing fans.
12. This simulcast day held in summer had minimal impact to youth, with only 326 betting account holders who aged 18-21 took part in betting on Kranji Mile Day 2020, which accounted for less than 1% of the total active account holders of this specific simulcast day. Among them, only six of them were first time simulcast bettors.
13. HKJC also recaptured betting demand back from illegal to legal channels. During the Kranji Mile Day 2020, illegal betting traffic dropped 16% when compared with the same simulcast day held last year.

IMPLICATION

The HKJC proposal will have little impact on young people

14. Horse race betting is a low-frequency mind game which requires considerable investment of time to study the performances of horses and jockeys. Simulcast

betting, which involves the study of overseas races, horses and jockeys, is even less attractive to young bettors.

15. Based on the latest statistics gathered in 2020 by HKJC, the majority (74%) of simulcast betting customers are aged 40 or above. This pattern is consistent with the fact that the average age of Hong Kong racing fans is over 40. In consistent with this, bettors aged between 18 and 21 accounted for only 1% to 2% of simulcast betting customers, a figure which has remained stable for the past few years.

Financial and Economic implication

16. It is estimated that simulcast betting turnover from an additional 14 simulcast days will increase by HK\$2.8 billion per racing season (based on average turnover per simulcast day i.e. HK\$200 million x 14 additional simulcast days);
17. Government Betting Duty will further increase by up to ~ HK\$350 million per season.
18. Summer simulcast days will create additional job opportunities, particularly part-time jobs, for the Hong Kong community. It is estimated that on a single simulcast day, an additional 1 100 job opportunities will be created at OCBBs and Telebet Centres.

Social implication

19. By providing a legal channel for racing fans to place bets on overseas races, the proposed simulcast days will help to fill the existing gap during the summer break, address local demand for betting, and help combat illegal gambling.
20. The two racecourses will not be opened for simulcast betting during the summer break, and the summer break for local horse racing and betting will be maintained.
21. Since many of the simulcast races will be held in the evening of Hong Kong time and racecourses will not be opened for bettors, we believe that there will not be a significant impact on family gatherings and/or leisure bettors.

Sustaining HKJC charitable contributions

22. Aside from their important role in combatting illegal gambling and channeling betting demand back to legal channels, the HKJC's betting operations also generate substantial community revenue, with the overwhelming majority of its

annual operating surplus after tax being donated to the HKJC Charities Trust. In 2019/20, the HKJC donated 96% of its annual operating surplus after tax to the HKJC Charities Trust.

23. By reducing “leakage” of betting revenue to illegal/offshore bookmakers, the proposal to increase simulcast days would stabilize betting turnover, contribute to government betting duty and support charitable donations.

Highest level responsible gambling standard

24. The HKJC has implemented the highest standard of responsible gambling (RG) measures across betting channels and customer interfaces. In 2018, the Club was for the third consecutive time awarded the Level Four RG accreditation, the highest international level, by the World Lottery Association.

Hong Kong Jockey Club
October 2020

Personal Data Collection Statement

It is voluntary for any members of the public to provide his/her personal data as requested in this submission form. Any personal data provided will only be used by BLC for the purpose of understanding the views of members of the public on HKJC's proposal of increasing the number of simulcast days. If necessary, the submission and personal data collected may be transferred to the relevant Government bureaux or departments for the purpose of handling HKJC's proposal.

The written submissions received may be published to the media and the public. If you do not wish your name / your representing organisation's name and / or your views to be disclosed, please specify in your submission.

For access to or correction of personal data contained in your submission, please contact the secretariat in writing.