

Legislative Council Brief

Hong Kong Jockey Club's Proposal of Increasing Non-local Horse Race Betting Activities

INTRODUCTION

At the meeting of the Executive Council on 26 January 2021, the Council ADVISED and the Chief Executive ORDERED that the Hong Kong Jockey Club ("HKJC")'s proposal of increasing the maximum number of simulcast occasions on non-local race days ("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. from 17 July to 31 August) starting from 2021 should be accepted.

JUSTIFICATIONS

Demand for betting on non-local horse races

2. As a matter of policy, the Government does not encourage gambling. There is however undeniably a strong and persistent demand for gambling in Hong Kong which, if left unregulated, would likely give rise to illegal gambling activities and associated social problems and other criminal activities. The Government therefore adopts a three-pronged approach: regulating authorised gambling activities, taking enforcement action on illegal gambling, and putting in place measures that seek to discourage gambling and mitigate addictive gambling.

3. Therefore, when assessing the need to authorise new gambling activities, the key factor of consideration is whether there is indeed a strong public demand for such type of activities. We shall also consider whether the demand is persistently satisfied by illegal means and the problem could not practically and fully be tackled by law enforcement alone.

4. It is noted that the total amount of local bets on non-local races currently simulcast by HKJC during the non-summer period had increased from \$3,520 million in 2016/17 racing season to \$4,971 million in 2019/20 racing season, representing an increase of 41% in three years. According to HKJC, the demand persists throughout the summer break period and is now being met by illegal betting channels. This is because horse racing is year-round in many of the overseas racing jurisdictions and, with more Hong Kong race horses and jockeys participating in prestigious non-local races in the summer period, more Hong Kong bettors become aware of such races. According to a

study conducted by the Hong Kong University of Science and Technology and commissioned by HKJC (“the Study”), around 31 000 Hong Kong people took part in illegal betting on non-local horse races during the summer of 2018 and the amount wagered was estimated to be \$320 million. The findings of the Study also suggest that 75% of the illegal bettors would be willing to switch back to the legal channel if authorised simulcast betting would be offered by HKJC in summer.

5. To assess the demand for betting on non-local horse races during summer, reference could be made to the betting turnover of the Kranji Mile Day 2020 which was a replacement simulcast day exceptionally approved to be conducted during summer 2020 (on 16 August 2020)¹. According to HKJC, despite the fact that all off-course betting branches (“OCBBs”) were closed to minimise the health risk associated with the COVID-19 pandemic, the betting turnover for the Kranji Mile Day 2020 was \$224 million, more or less the same as that of the same simulcast day conducted in 2019 outside the summer break (i.e. \$230 million). This reflects that the demand for betting on non-local races in Hong Kong during summer is genuine.

Social impact

Youth betting

6. With regard to the concern that the proposal may have negative impact on youth betting, HKJC points out that 74% of its betting account holders who bet on non-local races are aged 40 or above while only around 1% to 2% of the non-local horse race bettors are aged between 18 and 21. Reference could also be made to the betting account holders who took part in betting on the Kranji Mile Day 2020. Of the account holders who placed a bet on the said simulcast day, only less than 1% (i.e. 326) were aged between 18 and 21 and among them, only six were first-time bettors on horse racing. On the basis of the above data, we share HKJC’s assessment that the proposal would likely have limited impact on youth.

Family gathering during summer

7. According to HKJC, since non-local races are usually conducted in the evening of Hong Kong time and the two racecourses will remain closed during the summer break, the proposal should not have a significant impact on family gatherings during summer. Also, given that introducing 14 simulcast days during the 6.5-week summer break would mean an average of 2.1 simulcast days per week, which is lower than the frequency of horse race betting activities (i.e. around 2.4 days per week) during the racing season (i.e. 1 September to 16 July of the next year), we consider that the increase in horse race betting opportunities is not excessive in magnitude and hence the negative impact of the proposal on family gatherings should not be significant.

¹ The Betting and Lotteries Commission supported and the Secretary for Home Affairs approved the variation of condition of the licence for horse race betting 2019/20 to allow the conduct of simulcast day(s) which were postponed to the summer break 2020 due to COVID-19 pandemic. Only one simulcast day, i.e. the Kranji Mile Day in Singapore, was eventually postponed to summer 2020.

Other potential benefits

8. While the Government does not have a policy to increase its revenue and boost local economy through offering more authorised betting opportunities, it is also relevant to note the following potential benefits that might be brought by the proposal.

Betting duty and charitable contributions

9. The proposal of increasing the number of simulcast days would generate more betting duty revenue for the Government. HKJC estimates that the additional 14 simulcast days will generate \$350 million of betting duty per year. HKJC also undertakes that, per established practice, part of the revenue generated by the additional simulcast days would be used to support various charitable programmes. For reference, the annual charitable donation made by HKJC over the past three years ranges from \$4.2 billion to \$4.5 billion.

Employment opportunity

10. According to HKJC, the proposal will create 1 100 additional job opportunities, which are mainly part-time jobs in its OCBBs and Telebet Centre, on each additional simulcast day.

Advice of the Betting and Lotteries Commission

11. HKJC presented the proposal to the Betting and Lotteries Commission (“BLC”)² at its meeting held on 20 October 2020. To facilitate the assessment of the proposal, BLC invited members of the public to submit comments on the proposal from 29 October 2020 to 27 November 2020. Only 3% of the 133 written submissions received indicated objection to the proposal; the remaining ones either expressed support (83%) or no objection (14%). BLC subsequently deliberated the proposal at its meeting on 15 December 2020, with due consideration given to all the feedback received during the written submission period and other relevant factors.

12. BLC has noted that the vast majority of the feedbacks from members of the public are either supportive or neutral. BLC acknowledges that there is a genuine public demand on betting on non-local races as reflected in HKJC’s betting turnover of the past few years and such demand during summer is now being met by illegal channels. As regards the possible negative impact on youth, BLC notes that the possible social impact should be manageable given the fact that simulcast betting is common mainly among mature racing fans. It also recognises the potential economic benefits in terms of additional job opportunities and increase in betting duty revenue. Though noting that HKJC’s donations for charities should not be made a quid pro quo for the approval of the proposal, BLC nevertheless acknowledges that the additional revenue generated by the proposal could help support HKJC’s charitable donation. Having carefully considered

² BLC is established under the Betting Duty Ordinance (Cap. 108) to advise the Secretary for Home Affairs on matters relating to the regulation of the conduct of betting on horse races, football and lotteries.

all the above-mentioned factors, BLC recommends that the proposal should be approved.

13. While indicating its support, BLC has suggested that HKJC should be asked to closely monitor the implementation of the additional simulcast days in summer 2021 and submit to BLC and the Government all relevant statistics and information in respect of the effectiveness of diverting illegal betting activities back to the authorised channel as well as the impact on youth betting. To further minimise the potential negative impact on youth betting, BLC has also suggested that HKJC should consider enhancing responsible gambling programmes targeting at youth especially during summer.

14. Having carefully considered the justifications as well as the advice of BLC as set out in the preceding paragraphs, we consider that HKJC's proposal should be accepted while HKJC should be advised to adopt BLC's suggestions as set out in paragraph 13 above.

OTHER OPTIONS

15. We have considered the options of not supporting HKJC's proposal or acceding to only part of the proposal (i.e. increasing the number of simulcast days by less than 14). We have decided not to pursue such options because they would not meet the objective of addressing the rising local demand for betting on non-local horse races which is currently met by illegal channels.

IMPLICATIONS OF THE PROPOSAL

16. The economic and financial implications are set out at **Annex**. The proposal is in conformity with the Basic Law, including provisions concerning human rights. It has no civil service, productivity, environmental and gender implications. As analysed in paragraph 7 above, the family implications should not be material. The sustainability assessment indicates that there would be some positive impacts on government revenue and job creation; while the negative impacts on mental health should be minimal.

PUBLIC CONSULTATION

17. In the public engagement exercise conducted by BLC as mentioned in paragraph 11, 133 written submissions, including 75 from organisations and 58 from individuals, were received. Among the submissions received, four (3%) oppose to HKJC's proposal; 111 (83%) support HKJC's proposal; the remaining 18 (14%) have no objection to the proposal.

18. Those who indicated objection (3%) to the proposal have commented that the proposal would promote gambling and inadvertently induce illegal bookmakers to provide more betting opportunities, thereby leading to more problem and pathological gamblers. They have also commented that the impact on youth betting and family relations should not be underestimated. On the other hand, those who have indicated

support (83%) have focused on the benefits arising from the diversion of majority of the illegal bettors back to the regulated betting channels, additional tax revenue and charitable contribution, more employment opportunities and the further consolidation of Hong Kong's leading role in the international racing community. Some have commented that non-local horse racing appeals to mature bettors and therefore the proposal should have minimal impact on youth betting. Those harbouring no objection (14%) have indicated appreciation for the social value of HKJC's charitable contribution and/or made suggestions on what HKJC should do if the proposal is approved.

PUBLICITY

19. A spokesman will be made available to handle media enquiries.

BACKGROUND

20. Under section 6GB of the Betting and Duty Ordinance, the Secretary for Home Affairs may, by issuing a licence to a company, authorise the company to conduct horse race betting. HKJC Horse Race Betting Limited is the only licensed operator for horse race betting in Hong Kong, and is authorised to conduct fixed-odds and pari-mutuel betting on the results of, or contingencies relating to, approved local and non-local horse races. Under the current licence, HKJC is allowed to conduct betting on no more than 88 local race days, ten simulcast non-local races falling on local race days and 23 simulcast days in the racing season; no betting on local and non-local races is allowed during the summer break. The above racing quota has taken effect since the 2016/17 racing season.

ENQUIRY

21. Enquiries on this brief may be directed to Miss Vinci CHAN, Principal Assistant Secretary for Home Affairs (Civic Affairs) 3 at 3509 8120.

**Home Affairs Bureau
3 February 2021**

Implications of the proposal

Financial Implications

It is expected that the proposal of HKJC would increase betting turnover and generate additional betting duty for Government revenue. According to HKJC, the latest available actual average betting duty collected per simulcast day in the 2019-20 racing season was \$26 million. Taking a slightly conservative estimate of \$25 million betting duty per simulcast day, HKJC estimates that the proposal will generate around \$350 million additional betting duty per year (i.e. \$25 million x 14).

Economic Implications

2. The proposal would divert some existing illegal betting demand back to the legal channel, which should help create additional part-time job opportunities in OCBBs and Telebet Centre of HKJC and some business opportunities in the local media industry. However, the overall impact on the Hong Kong economy should be insignificant.