

LCQ 18: Horse racing bets

Following is a question by the Hon Abraham Shek and a written reply by the Secretary for Home Affairs, Dr Patrick Ho, in the Legislative Council today (April 6):

Question:

It has been reported that the Hong Kong Jockey Club (HKJC) has proposed to the Government a reduction of the rate of betting duty in view of the continued drop in betting turnover in horse racing. On the other hand, betting on horse racing with an extra-territorial element, including horse racing held in Macau, is prohibited in Hong Kong under the existing Gambling Ordinance. However, a number of programmes have been launched by HKJC in co-operation with the Macau Jockey Club (MJC) in recent years, including the holding of annual races in both places and the introduction of cross-betting on Hong Kong races in Macau. In this connection, will the Government inform this Council:

- (a) apart from receiving views from HKJC on the drop in betting turnover in horse racing, whether it has assessed the reasons for such a drop; if it has, of the assessment results; if it has not, the reasons for that;
- (b) how the authorities deal with the proposal for reducing the rate of betting duty, and whether an in-depth study, with reference to overseas experience, has been conducted on the proposal, especially on its revenue implications; if so, of the study results; if not, the reasons for that; and
- (c) whether the authorities will consider amending the relevant provisions of the Gambling Ordinance, having regard to the strengthened co-operation between HKJC and MJC as well as the fact that both places are within the territory of China, so that betting by people in both places on horse racing organised by the two jockey clubs will be permitted, thereby alleviating the pressure of holding additional races in Hong Kong to maintain the level of betting revenue and HKJC's charitable and community donations, combating illegal bookmaking activities on horse racing, and increasing the betting revenue for Hong Kong and HKJC; if so, of the details; if not, the reasons for that?

Reply:

Madam President,

My reply is as follows:

(a) The decline in turnover on horse racing bets can be attributed to a combination of various factors, including the general economic performance, availability of other betting forms, and competition from overseas betting and illegal bookmakers. With a view to enhancing the competitiveness of its licensed betting operations vis-a-vis illegal bookmakers, the Hong Kong Jockey Club (HKJC) has proposed to change the current betting duty regime, which is based on turnover, to a regime taxing on gross profits (i.e. betting turnover minus payouts), and to reduce the betting duty rate. We are considering the proposal.

(b) Betting duty has been a stable source of Government revenue. The Administration has been keeping the betting duty under constant review. We have looked at the experience of other relevant jurisdictions, such as the United Kingdom, in changing from a turnover-based system to one on gross profits. We noted that there are both pros and cons in switching to a duty system based on gross profits, but found that the experience of other jurisdictions cannot be directly applied to Hong Kong. In considering HKJC's proposal, apart from studying the experience of other jurisdictions, we would also need to assess the impact of the proposed changes to the betting duty structure on the effectiveness of combating illegal gambling activities and Government's revenue.

(c) Under the Gambling Ordinance, it is illegal for a person in Hong Kong to place bet with any unauthorised bookmaker, irrespective of where the bet is received, including Macau. This is in line with our gambling policy which seeks to restrict gambling opportunities to a limited number of controlled authorised gambling outlets only. The underlying rationale is not to encourage gambling.

Allowing people in Hong Kong to place bets on Macau horse races with an overseas bookmaker would in effect be providing a new authorised gambling opportunity in Hong Kong. Under our gambling policy, we would consider authorising a certain type of gambling only if all the following three criteria have been satisfied:

- (i) there is substantial and persistent demand for that particular gambling activities;
- (ii) the demand are now satisfied by illegal means and the problem cannot practically and fully be tackled by law enforcement alone even with the devotion of substantial resources; and
- (iii) the proposition of authorising the new gambling outlet commands wide public support.

We do not consider that betting in Hong Kong on Macau horse races satisfies the above three criteria at the moment. We do not have any plan to allow two-way betting arrangement with Macau.

Ends/Wednesday, April 6, 2005

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