

Legislative Council Brief

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

INTRODUCTION

At the meeting of the Executive Council on 24 October 2023, the Council ADVISED and the Chief Executive ORDERED that the Hong Kong Jockey Club ("HKJC")'s proposals of –

- (a) increasing the maximum number of non-local races being simulcast on local race days ("simulcast races") per year from ten to 25 (hereinunder referred to as the "simulcast race proposal"); and
- (b) increasing the maximum number of non-local races per simulcast occasion on a non-local race day ("simulcast day") from nine to 12 (hereinunder referred to as the "simulcast day proposal")

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. HKJC has pointed out that, with the improving standard of horse racing internationally, local racing fans have become more aware of and interested in prestigious non-local races. As many of these prestigious non-local races fall on local race days, HKJC believes that there exists strong demand for betting on these prestigious horse races on local race days, which is currently met by illegal channels, and has thus put up the simulcast race proposal with a view to fulfilling the betting demand.

5. In the meantime, HKJC also points out that many racing events in overseas jurisdictions consist of more than nine races. The current restriction on the number of races on a simulcast day, i.e. no more than nine races per simulcast day, creates a hurdle for HKJC to meet the betting demand for all the races of those non-local racing events that interest Hong Kong racing fans. To meet the betting demand of these non-local racing events in full, HKJC has put up the simulcast day proposal.

6. With regard to the strong betting demand on non-local races mentioned by HKJC, it is noted that the total amount of local bets on non-local races simulcast by HKJC had been increasing over the past five years. In particular, it is worth noting that, while HKJC was allowed to increase the number of simulcast days per year from 23 to 37 (i.e. 62% increase¹) and allowing such simulcast days to take place in the summer break² starting from 2021, the total amount of local bets on simulcast races increased by a larger magnitude, i.e. from \$4,431 million in 2018/19 to \$10,240 million in 2022/23, representing an increment of 131%. This is consistent with HKJC's view that there exists strong demand for betting on non-local races.

7. To assess the proposals' effectiveness on diverting illegal demand back to the legal channel, reference could be made to the impact of the last increase in simulcast betting opportunities. As mentioned in paragraph 6 above, approval was given to HKJC to increase the maximum number of simulcast days from 23 to 37 and allowing such additional simulcast days to take place in the summer break in 2021. On this front, HKJC claims that, since then, there has been 43% (2021) and 37% (2022) year-on-year decline in Hong Kong horse racing illegal betting traffic on those 14 additional simulcast days³, reflecting that the introduction of additional authorised simulcast betting opportunities is effective in keeping betting demand away from illegal betting channels.

¹ It reflects the change in the quota of simulcast day. In the same exercise, HKJC did not request an increase in the number of simulcast races per year (i.e. at 10 simulcast races per year).

² ExCo advised and the Chief Executive ordered at the meeting on 26 January 2021 that HKJC's proposal of 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. from 17 July to 31 August) starting from 2021 should be accepted.

³ The figures are the findings by HKJC in its own tracking study of a major illegal horse race betting website that was considered most popular among Hong Kong racing fans.

Social impact

8. With regard to the concern that the proposals may have negative impact on youth betting, HKJC considers that simulcast betting is common mostly among mature racing fans and points out that 80% of its betting account holders who bet on non-local races are aged 40 and above. It does not expect that the introduction of more simulcast opportunities would encourage betting by amateur young bettors. In fact, there is also no evidence showing that the situation of youth betting has worsened since the last introduction of additional simulcast days in 2021. By way of reference, the proportion of bettors on non-local horse races that are aged between 18 and 21 was around 1% to 2% before 2021 and has reduced to around 0.5% at present. On the basis of the above data, we share HKJC's assessment that the proposals would likely have limited impact on youth.

Other potential benefits

9. The Government does not have a policy to increase its revenue through offering more authorised betting opportunities. It is also not obliged to facilitate the business growth or the charity work of HKJC. That said, it is also relevant to note the following potential benefits that might be brought by the proposals.

Strengthening of HKJC's Position in Horse Racing and Commingling

10. As advised by HKJC, while some HKJC's overseas racing partners can simulcast all 88 Hong Kong race meetings in their countries, HKJC can only offer very limited reciprocation to its partners under the existing regulatory regime of horse race betting. The proposals will enhance HKJC's ability to offer reciprocation to its overseas horse racing and betting partners. This will help strengthen HKJC's leading role in international horse racing and its position as the global hub for commingling⁴. While we do not have a policy to promote the international standing of HKJC's horse racing, maintaining HKJC's position in the international horse racing industry can be considered as being in line with the Government's objective of telling good stories of Hong Kong.

Betting duty and charitable contributions

11. It is expected that both the simulcast race proposal and the simulcast day proposal would generate more betting duty revenue for the Government. HKJC estimates that the proposals will bring about an additional betting duty revenue of about \$279 million per year in aggregate. HKJC also undertakes that, per established practice, part of the revenue generated by the proposals would be used to support various charitable programmes. For reference, the annual charitable donation made by HKJC in 2021/22 and 2022/23 was \$6.6 billion and \$7.3 billion respectively.

⁴ For a particular horse race (either local or non-local), bets received in Hong Kong can either be managed by the HKJC in a separate pool or be amalgamated with non-local bets received by overseas operator(s) to form a commingled pool and such an arrangement is regarded as "commingling".

Advice of the Betting and Lotteries Commission

12. HKJC presented the proposals to the Betting and Lotteries Commission (“BLC”)⁵ at its meeting held on 7 July 2023. To facilitate the assessment of the proposals, BLC invited members of the public to submit comments on the proposals from 28 July to 28 August 2023. Only 1.6% of the 183 written submissions received indicated objection to the proposals; the remaining ones either expressed support (91.3%) or no objection (7.1%). BLC subsequently deliberated the proposals at its meeting on 15 September 2023, with due consideration given to all the feedback received during the written submission period and other relevant factors.

13. BLC has noted that the vast majority of the feedback 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 and the possible negative impact on youth should be manageable. For the simulcast race proposal, while noting that the percentage increase in betting opportunities appears to be relatively large, BLC notes that the absolute magnitude of increase is not excessive having regard to the fact that the maximum number of simulcast races has not been changed for more than 30 years since such races were introduced in 1989. As regards the simulcast day proposal, BLC agrees that it would help meet the betting demand for all the races of certain non-local racing events. Having carefully considered all relevant factors, BLC recommends that both proposals should be approved.

14. While indicating its support to the proposals and understanding that the illegal betting situation and the horse racing industry may change from time to time, BLC is concerned about the frequent increase in horse race betting opportunities in recent years (the last increase was in 2021) as the public may doubt if the Government is relaxing its anti-gambling policy. BLC has therefore suggested that HKJC should be invited to critically review the need for further increase in horse race betting opportunities before putting up their proposals in future.

15. Having carefully considered the justifications as well as the advice of BLC as set out in the preceding paragraphs, we consider that HKJC’s proposals should be approved while HKJC should be advised to take note of BLC’s suggestion as set out in paragraph 14 above. For the sake of prudence, while noting that the social impact should be minimal, HKJC should be invited to keep monitoring the horse race betting situation and step up its effort in implementing responsible gambling measures to mitigate the impact of the proposals when necessary.

⁵ BLC is established under the Betting Duty Ordinance (Cap. 108) to advise the Secretary for Home and Youth Affairs on matters relating to the regulation of the conduct of betting on horse races, football and lotteries.

OTHER OPTIONS

16. We have considered the option of not supporting HKJC's proposals but have decided not to pursue such because it could not address the rising local demand for betting on non-local horse races which may otherwise turn to illegal channels. We have also considered acceding to only part of the proposals by allowing a smaller increase in the number of simulcast races per year (i.e. from ten to a number less than 25). As there is no scientific method to decide the most suitable magnitude of increase, noting that absolute magnitude of increase is not excessive and the number has not been increased for more than 30 years, we have decided to support the proposals in full.

IMPLICATIONS OF THE PROPOSALS

17. As far as financial implication is concerned, it is expected that the proposals would increase betting turnover and generate additional betting duty for Government revenue. As mentioned in paragraph 11 above, HKJC estimates that the proposals will increase betting duty revenue by around \$279 million per year in aggregate.

18. The proposals are in conformity with the Basic Law, including provisions concerning human rights. It has no significant economic implications, and no civil service, productivity, environmental and gender implications. Given that the increase in betting opportunities is not excessive and there is no increase in the number of days made available for horse race betting, the impact of the proposals on family gathering should not be material. The sustainability assessment indicates that there would be some positive impacts on government revenue; while the negative impacts on mental health should be minimal.

PUBLIC CONSULTATION

19. In the public engagement exercise conducted by BLC as mentioned in paragraph 12, 183 written submissions, including 134 from organisations and 49 from individuals, were received. Among the submissions received, three (1.6%) oppose to HKJC's proposals; 167 (91.3%) support HKJC's proposals; the remaining 13 (7.1%) have no objection to the proposals.

20. Those who indicated objection (1.6%) to the proposals have commented that the proposals would promote gambling, thereby leading to more problem gamblers. They have also commented that the impact on youth betting should not be underestimated as simulcast races will be broadcast in the television channel. On the other hand, those who have indicated support (91.3%) have focused on the benefits arising from the diversion of majority of the illegal bettors back to the regulated betting channel, additional tax revenue and charitable contribution, 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 proposals should have minimal impact on youth betting. Those harbouring no objection (7.1%) have indicated appreciation for the social value of HKJC's charitable contribution and/or made suggestions on what HKJC should do if the proposals are approved.

PUBLICITY

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

BACKGROUND

22. Under section 6GB of the Betting Duty Ordinance, the Secretary for Home and Youth 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 races and 37 simulcast days (which consist of no more than nine non-local races per day) per year; no betting on local races is allowed during the summer break. The above racing quota system has taken effect since the 2020/21 racing season.

ENQUIRY

23. Enquiries on this brief may be directed to Ms Cordelia LAM, Principal Assistant Secretary for Home and Youth Affairs (Home Affairs) 2 at 3509 8120.

Home and Youth Affairs Bureau
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