

LEGISLATIVE COUNCIL BRIEF

GAMBLING REVIEW – A CONSULTATION PAPER

INTRODUCTION

At the meeting of the Executive Council on 19 June 2001, the Council ADVISED and the Chief Executive ORDERED that the consultation paper on the Gambling Review at Annex A should be published for public consultation.

BACKGROUND AND ARGUMENT

2. The Administration has recently completed a review of the gambling policy and a range of gambling-related issues (the Gambling Review). The review seeks to identify the challenges to the existing gambling regime and recommend possible measures to tackle the problems.

The Gambling Policy

3. The long-established Government policy is to restrict gambling to a limited number of authorized outlets only. The rationale of this policy is two-fold -

- (a) the conduct of gambling should be **authorized and regulated** because unregulated gambling can give rise to various social problems and provide a lucrative source of income for triad and criminal activities; and

- (b) the number of authorized gambling outlets should be **limited**, to satisfy demand for gambling by certain sectors of the public who would otherwise turn to unauthorized operators.

There are very **few** authorized gambling outlets in Hong Kong, as compared to many other jurisdictions.

4. Our gambling policy is underpinned by the following three principles -

- (a) **strict laws** to render all gambling activities illegal except those authorized or exempted;
- (b) **firm law enforcement actions** to combat illegal gambling activities; and
- (c) provision of **limited authorized outlets** to satisfy punters' demand.

The Proliferation of Unauthorized Soccer Betting

5. Soccer betting has become increasingly widespread in Hong Kong since the 1998 World Cup, as evidenced by the extensive coverage of tips and odds in newspapers and the significant increase in the number of raids and amount of bets seized by the Police in 2000 (see Table 3.1 in Annex). Recent surveys reveal that around 120,000 to 340,000 Hong Kong people have taken part in soccer betting. A conservative estimate puts the annual turnover at about \$20 billion. We believe that the prevalence of soccer betting in Hong Kong is the result of the following mutually reinforcing factors -

- (a) the Gambling Ordinance (Cap. 148), which was first drafted in the 1970s and has no extraterritorial application, is unable to deal with cross-border gambling where offshore bookmakers take bets from punters in Hong Kong. As a result, a growing number of offshore

bookmakers have targeted the Hong Kong market by actively promoting their business in Hong Kong;

- (b) technological advancement has significantly increased not only the ease of betting with offshore bookmakers but also the law enforcement difficulties (e.g. the use of mobile phones by illegal bookmakers to take bets). The shift of operation bases outside Hong Kong and the enhanced security measures adopted by some bookmakers have also made enforcement actions more difficult; and
- (c) it seems that the existing authorized gambling outlets cannot satisfy the substantial and growing demand of Hong Kong punters for soccer betting. This leaves the local and offshore soccer bookmakers a huge market to serve.

The Proposal

6. Having examined the experience of other jurisdictions and assessed the local sentiment, the Administration considers that the current **restricted approach** towards gambling (see paragraph 3 above) is still in the best interest of the community and hence should be upheld. However, in view of the challenges brought about by the changing local and international gambling landscape, we consider that some adjustments within the existing gambling policy framework may be needed.

Tackling Soccer Betting

7. The problem of soccer betting may be tackled by the following measures.

(a) Updating the Gambling Ordinance

8. We need to amend the Gambling Ordinance in order to plug the loopholes. On 22 November 2000, the Administration introduced the

Gambling (Amendment) Bill 2000 into the Legislative Council, which is being scrutinized by a Bills Committee. To recapitulate, the Bill seeks to criminalize unauthorized cross-border gambling activities and activities in Hong Kong which promote or facilitate cross-border gambling. We believe that the Bill, when enacted, would significantly reduce cross-border gambling by making it more risky and costly for offshore bookmakers to entice bets from Hong Kong people, and more inconvenient for Hong Kong punters to bet with them.

(b) Stepping Up Enforcement

9. Enforcement against illegal gambling activities, especially syndicated ones, has always been the Police's priorities. Despite the enforcement difficulties, the Police will adopt a more proactive approach against illegal bookmaking, particularly bookmaking on soccer which has become increasingly widespread. Enforcement will be stepped up especially when major overseas matches take place. The Police will also strengthen cooperation with the Mainland and overseas law enforcement agencies in tackling gambling-related crimes with an extraterritorial element.

(c) Provision of Authorized Outlets for Soccer Betting

10. The popularity of soccer betting in recent years has given rise to concerns about the harm that such unregulated activities may cause to the society and whether the problem can be tackled by strict laws and firm enforcement alone. A further suggestion is to provide authorized outlets for soccer betting.

11. In line with the existing gambling policy, authorized outlets should be provided only if there has been a **sufficiently large and persistent demand** for the particular type of gambling, the demand is being **satisfied by illegal means** and the problem **cannot be tackled effectively by law enforcement alone** even with the devotion of substantial resources. The proposal to regulate soccer betting through authorized outlets represents a major expansion in the scope of authorized gambling activities since no new form of gambling has been authorized for decades. We therefore consider it essential that the

proposition must **command public support** before it should be taken forward. We will therefore conduct an extensive public consultation exercise and listen very carefully to the views of the public on this issue.

12. To facilitate the public's consideration of the desirability of providing authorized outlets for soccer betting, we have worked out a **possible operational framework** for authorized soccer betting **if** such is to be provided. The proposed framework seeks to ensure that authorized soccer betting, if introduced, will be properly regulated through the **imposition of clear and firm licensing conditions** to guard against underage gambling and credit gambling, to prevent the provision of excessive gambling opportunities, and to restrict promotional activities.

13. Another key focus of the consultation will be on the **potential operator(s)**. We consider it desirable to follow the existing policy, viz. the provision and the number of authorized outlets should be regulated and that part of the proceeds generated by soccer betting should be directed to public causes including, for example, charity donations, sports and culture development, publicity programmes to enhance public awareness of the impact of gambling, and provision of dedicated services to those who suffer from gambling-related problems. A non-profit-oriented operator will be in a more appropriate position to fulfil these conditions. Accordingly, the proposed operational framework is drawn up on the assumption that only one operator for soccer betting will be licensed. Amendments to the Betting Duty Ordinance (Cap. 108) will be required to authorize legal betting on soccer and to stipulate the distribution of betting proceeds.

Tackling the Negative Impact of Gambling

14. We acknowledge that gambling has both positive and negative impact. As far as the negative impact is concerned, we are particularly concerned about **pathological gambling**¹ and **underage gambling**. We

¹ The term is used to characterize punters who have difficulties in controlling their gambling behaviour and, as a result, gamble beyond their means, leading to accumulation of debts and other adverse effects on their life and families.

therefore propose that surveys and researches should be conducted to gauge the nature and scale of the above problems and, in the light of the findings, consider how best to implement preventive measures and treatment services to pathological gamblers.

Issues for Consultation

15. The consultation paper invites public views on the following issues -

- (a) whether the Government should continue to adopt the existing gambling policy in paragraph 3 above;
- (b) whether the Government should regulate soccer betting through authorized outlets, and if yes, whether it should be pursued along the lines of the possible operational framework mentioned in paragraph 12 above; and
- (c) whether the Government should, in the light of the findings of studies and researches, devise suitable measures to address the possible negative impact of gambling (see paragraph 14 above).

PUBLIC CONSULTATION

16. The Gambling Review is an in-house exercise and so far we have not yet conducted any formal consultation. However, we have held informal discussions with interested parties and concern groups and received representations from members of the public on various gambling issues from time to time. We have taken into account their views and those expressed by the public as appropriate in drawing up our proposals.

BASIC LAW IMPLICATIONS

17. The Department of Justice advises that the above proposals do not conflict with those provisions of the Basic Law carrying no human rights implications.

HUMAN RIGHTS IMPLICATIONS

18. The Department of Justice advises that the above proposals are consistent with the human rights provisions in the Basic Law.

FINANCIAL AND STAFFING IMPLICATIONS

19. The propositions made in the consultation paper to tackle illegal and unauthorized gambling will have financial implications. The Home Affairs Bureau will need to be strengthened should a decision be taken to set up a regulatory framework for authorized soccer betting and to implement measures to address the negative impact of gambling. The staffing requirements will be worked out in due course. The Police will absorb any additional workload arising from the implementation of these propositions from within its existing resources.

20. The proposition of providing authorized outlets for soccer betting, if implemented together with any proposal to impose a tax on soccer betting, may generate additional revenue. It is however difficult to estimate the quantum of revenue to be generated as it will depend on, among other things, the betting turnover and the tax rate.

ECONOMIC IMPLICATIONS

21. Illegal bookmaking, as a parallel market to legal bookmaking, is induced by a favourable cost differential due to the betting duty imposed on the latter and the saving in overheads resulting from the externality of betting information provided by the authorized operator. In practice, the financial equivalent of such an incentive is shared between the illegal

gambling operators and the punters. Unless this distinct incentive is substantially offset by imposing sufficient risk and effective cost on both of these parties through, inter alia, strong enforcement actions and adequate penalties, measures to stamp out the illegal operations will not be fully effective. Thus, any proposed operational framework for authorized soccer betting must seek to address the above incentive issue.

PUBLICITY

22. A press conference will be held on 22 June 2001 to launch the public consultation. On the same day, we will -

- (a) issue a press release; and
- (b) release the consultation paper to the public with a leaflet summarizing the contents of the paper (at Annex B) and an Announcement of Public Interest (API). Copies will be available at the District Offices and on the homepage of the HAB.

A spokesman will be available to handle media and public enquiries.

ENQUIRY

23. Enquiries on this Legislative Council brief may be directed to Mr. Francis Lo, Principal Assistant Secretary for Home Affairs at tel. No. 2835 1484.

Home Affairs Bureau
22 June 2001
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