

# 立法會

## *Legislative Council*

LC Paper No. CB(2)68/05-06

(These minutes have been  
seen by the Administration)

Ref : CB2/PL/HA

### **Panel on Home Affairs**

#### **Minutes of special meeting held on Thursday, 16 June 2005 at 8:48 am in the Chamber of the Legislative Council Building**

**Members present** : Hon Tommy CHEUNG Yu-yan, JP (Chairman)  
Hon TAM Heung-man (Deputy Chairman)  
Hon Emily LAU Wai-hing, JP  
Hon CHOY So-yuk  
Hon Andrew CHENG Kar-foo  
Hon Albert CHAN Wai-yip  
Hon LI Kwok-ying, MH  
Dr Hon Fernando CHEUNG Chiu-hung  
Hon WONG Ting-kwong, BBS  
Hon Patrick LAU Sau-shing, SBS, JP

**Member attending** : Hon Audrey EU Yuet-mee, SC, JP

**Members absent** : Hon Albert HO Chun-yan  
Hon James TO Kun-sun  
Dr Hon Philip WONG Yu-hong, GBS  
Hon WONG Yung-kan, JP  
Hon LAU Wong-fat, GBS, JP  
Hon Timothy FOK Tsun-ting, GBS, JP  
Hon Daniel LAM Wai-keung, BBS, JP  
Hon CHEUNG Hok-ming, SBS, JP

**Public Officers attending** : Mr Stephen FISHER  
Deputy Secretary for Home Affairs (1)

Ms Esther LEUNG  
Principal Assistant Secretary for Home Affairs (1)

Mr Ryan CHIU  
Assistant Secretary for Home Affairs (1)1

Miss Erica NG  
Principal Assistant Secretary for Financial Services and  
the Treasury (Treasury) (R Division)

**Attendance by invitation** : Sing Yin Secondary School

Mr KWOK But  
Principal

Evangelize China Fellowship Tsim Sha Tsui Canaan Church

Mr Leo KWAN  
Paster In-charge

Mr SO Hang-tai  
Postgraduate Student, Division of Social Science, The  
Hong Kong University of Science & Technology

The Association of International Accountants – Hong  
Kong Branch

Mr Tommy LOK  
Chief Executive Officer

Zion Social Service

Mr LI Cheuk-yan  
Executive Director

Mr CHAN Chi-wah  
Service Co-ordinator

Hong Kong Christian Service

Dr Alvin KWOK  
Professional Assistant

The Hong Kong Racehorse Owners Association LTD

Mr Tony CHAN Tung-ngok  
President

Mr David HO Chi-hoo  
Secretary – Racing

Hong Kong Gambling Watch

Mr WONG Hak-lim  
Representative

The Association of Hong Kong Racing Journalists

Mr TSUI Wai-man  
Chairman

The Society for Truth and Light

Mr CHOI Chi-sum  
General Secretary

Miss Helen FU Dan-mui  
Registered Social Worker

Miss Jess CHAN  
Postgraduate Student, Department of Journalism &  
Communication, the Chinese University of Hong Kong

IEF Rehabilitation Centre for Problem Gamblers

Mr POON Yau-chi  
Director

Mr YUEN Fat-yin  
Placement Student

Min-Nam Chinese Christian Trinity Church

Mr LAU Chi-hung  
Pastor

Christian New Hope Fellowship

Mr CHAN Kam-wing  
Pastor

Mr Kenny WONG Yiu-tong  
Staff

Mr CHAN Wing-ho

PhD Candidate, The University of Hong Kong

Kau Yan Church, Tsung Tsin Mission of Hong Kong

Mr HO Sin-pan  
Reverend

Mr MAN Wai-po  
Pastor

Community Concern Group of North Point Alliance  
Church

Mr Joe YAU  
Representative

The Church of Christ in China Heep Woh College

Mr YU Yuen-lun  
Teacher

Ms Tin Yuen-shan  
Teacher

Hong Kong Joint Union of Workers of the Horse Racing  
Industry

Mr George MA  
Convenor

The Hong Kong Jockey Club

Mr Ronald ARCULLI  
Chairman

Mr Paulus LEE  
Executive Director, Finance

**Clerk in attendance** : Miss Flora TAI  
Chief Council Secretary (2)2

**Staff in attendance** : Ms Joanne MAK  
Senior Council Secretary (2)2

Miss Sherman WOO  
Legislative Assistant (2)2

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- I. Proposed reforms to betting duty system on horse race betting**  
[LC Paper Nos. CB(2)1520/04-05(02), CB(2)1880/04-05(01) and CB(2)1912/04-05(01)]

Opening remark

The Chairman welcomed the deputations and representatives of the Administration to the meeting. The Chairman reminded the deputations that they would not be covered by the protection and immunity provided under the Legislative Council (Powers and Privileges) Ordinance in addressing the Panel.

2. The Chairman informed members that six members were required to form a quorum for the meeting but there were only five members present. He said that according to House Rule 24(g), unless a quorum was present within 15 minutes of the appointed time for the meeting, the meeting would not be held.

3. While waiting for a quorum to be formed, members present considered that if a quorum was not present within 15 minutes of the appointment time, the Panel should still receive views from deputations in the form of an informal briefing. They also considered that the Panel should hold a formal meeting once there was a quorum.

Informal briefing

4. As a quorum was not present within 15 minutes of the time appointed for the meeting, the Chairman declared that the special meeting scheduled for 8:30 am that day was cancelled and the informal briefing proceeded.

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*Views of the Sing Yin Secondary School*

5. Mr KWOK But, the principal of Sing Yin Secondary School, said that the whole idea behind the proposed reforms to the betting duty system was to encourage more people to gamble by offering more attractive odds and such an idea went against education objectives. He also expressed doubt about the accuracy of the estimation made by the Hong Kong Jockey Club (HKJC) that the existing total turnover of the illegal horse race betting market amounted to about \$50 to \$60 billion a year. He considered it impossible for the estimated amount to be so large, as the turnover on horse race betting conducted by even such a large organisation like HKJC was only \$65 billion in 2003-04. In addition, he considered it inappropriate to project the horse race betting turnover for the next five years on the basis of that in the last five years which had been a period of economic downturn. He said that even if no reforms were introduced to the betting duty system, he believed that the turnover on horse race betting would not drop to \$45 billion by 2008-09 as projected by HKJC.

*[Note : Another member turned up at 8:48 am and a quorum was present.]*

Holding of a formal meeting

6. With the agreement of all the members present, the Chairman instructed that the Panel convened another special meeting immediately. Written notice of the meeting was issued by the Clerk to members vide LC Paper No. CB(2)1965/04-05 dated 16 June 2005 and all members were also notified by paging.

Meeting with deputations

*Evangelize China Fellowship Tsim Sha Tsui Canaan Church*

7. Mr Leo KWAN, Paster In-charge of Evangelize China Fellowship Tsim Sha Tsui Canaan Church, said that soccer betting activities were already quite common among secondary school and university students. He considered that the proposed reforms would give rise to an increase in public participation in horse racing, and it would be necessary for the Administration to devote more resources for tackling problems anticipated to arise in association with such an increase.

*Mr SO Hang-tai*

*[LC Paper No. CB(2)1977/04-05(01)]*

8. Mr SO Hang-tai expressed doubt about the accuracy of the total turnover of the illegal horse race betting market estimated by HKJC. He pointed out that it was actually very difficult, if not impossible, to accurately calculate the

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amount of turnover of the illegal betting market. He suggested that HKJC should release details of its method of calculation and the information based on which it had made the estimation.

9. Mr SO further said that apart from the economic downturn in the past few years accounting for the decline in betting turnover, the loss of attractiveness of horse racing and the legalisation of soccer betting, which in effect had channeled some bets on horse racing to soccer gambling, were also part of the reasons. Mr SO added that since all along there was no horse race betting conducted by HKJC during the summer break, he failed to see why the racing season was proposed to be extended during the summer break for the purpose of stemming leakage of betting turnover to illegal or offshore bookmakers.

*The Association of International Accountants – Hong Kong Branch  
[LC Paper No. CB(2)1912/04-05(02)]*

10. Mr Tommy LOK, Chief Executive Officer of the Association of International Accountants – Hong Kong Branch (the Association), presented the views of the Association as detailed in its submission. Mr LOK said that the Association supported the proposed reforms to the horse race betting duty system, which it considered would enhance the competitiveness of HKJC and ensure a stable income from horse race betting duty for the Government.

*Hong Kong Christian Service*

11. Dr Alvin KWOK, Professional Assistance of Hong Kong Christian Service, said that based on research studies he had conducted, he found that there was statistically a correlation during 1993 to 2004 between the annual amount of turnover on horse race betting and the following factors –

- (a) movements of the Consumer Prince Index (A);
- (b) movements of the salary rate index; and
- (c) changes in the unemployment rate.

12. Dr KWOK said that the findings had shown that the decline in horse race betting turnover did not necessarily have to do with illegal bookmaking activities. Moreover, he found that HKJC had not provided detailed justifications to prove any direct relation between the decline in the betting turnover and illegal bookmaking activities.

13. Dr KWOK also invited members to note that the turnover on soccer betting and mark six lottery had increased from \$9.6 billion in 2003-04 to \$24.7 billion in 2004-05 and from \$5 billion in 1997 to \$6.6 billion in 2004-05

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respectively. He pointed out that the total annual turnover on horse race betting, soccer betting and mark six lottery in recent years had actually increased as follows –

- (a) \$10.7 billion in 2002-03;
- (b) \$11.1 billion in 2003-04; and
- (c) \$11.8 billion in 2004-05.

He added that as the Government's revenue from betting duty had increased during these years, he did not see why the proposed reforms should be introduced.

*Zion Social Service*

14. Mr LI Cheuk-yan, Executive Director of Zion Social Service, expressed concern about the possible impact of the proposed reforms on the youth. He said that a survey published by the Hong Kong Gambling Watch in December 2004 had revealed that the number of underage secondary school students participating in football betting had increased by 52.5%, compared with 2003, accounting for 6.1% of the student population. Among such students, 24.5% could be classified as pathological or problem gamblers. He said that as found in a survey jointly conducted by Zion Social Service and a tertiary institution, the youngest age of gamblers found was six. Another survey conducted by the Hong Kong Young Men's Christian Association in 2003 had found that 3-5% of the youth could be classified as pathological gamblers. Mr LI said that it was necessary for the Administration to put in place adequate preventive and remedial measures for the youth alongside the introduction of any reforms to the betting duty system. He added that the advice and information relating to problem and pathological gambling disseminated by the Hong Kong Education City on its dedicated website was not of much use because not many young people were interested in visiting the website.

*The Hong Kong Racehorse Owners Association Ltd*  
*[LC Paper No. CB(2)1944/04-05(01)]*

15. Mr Tony CHAN Tung-ngok, president of the Hong Kong Racehorse Owners Association Ltd (HKROA), presented the views of HKROA as detailed in its submission. Mr CHAN said that HKROA supported the proposed reforms to the horse race betting duty system which, as considered by HKROA, would –

- (a) enhance the interest of racehorse owners to back their horses participating in races;

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- (b) ensure that HKJC would remain financially sound so that it could continue to perform its roles as a major tax payer, a major donor to charitable organisations and a major employer in Hong Kong; and
- (c) ensure that cash reward payable to owners of winning horses would not be reduced and this would provide incentive for racehorse owners to import more expensive horses of higher standards into Hong Kong.

*Hong Kong Gambling Watch*

16. Mr WONG Hak-lim, representative of Hong Kong Gambling Watch, said that Hong Kong Gambling Watch had the following views on the current proposals –

- (a) it opposed the proposed extension of racing season because the more racing days, the more opportunities would be provided for illegal or offshore bookmakers to make money by receiving bets on the additional horse races to be conducted and, since these additional racing days were in the summer vacation, young people would easily be attracted to participate in betting on horse racing;
- (b) it was possible to make gambling more popular by allowing HKJC to introduce more different ways of gambling or to increase the number of horse races;
- (c) given the present performance of the Football Betting and Lotteries Commission, it would be necessary for the Administration to first reform the Commission's composition and operational mode with a view to enhancing its work effectiveness, before it was to be given the proposed additional function of regulating the conduct of betting on horse racing; and
- (d) it was worried that under the current proposal, in order to ensure sufficient revenue to pay for the \$8 billion guaranteed minimum, HKJC would promote gambling and introduce more bet types in order to attract more bettors or would even target at people who did not gamble.

*The Association of Hong Kong Racing Journalists*  
*[LC Paper No. CB(2)1912/04-05(03)]*

17. Mr TSUI Wai-man, chairman of the Association of Hong Kong Racing Journalists (HKRJA), presented the views of HKRJA as detailed in its

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submission. Mr TSUI said that HKRJA was of the view that the proposed reforms would benefit horse punters as they might get more attractive odds under the new system, enhance the competitiveness of HKJC vis-à-vis the illegal and offshore bookmakers, and enable HKJC to capture a larger share of the gambling market. Mr TSUI pointed out that further decline in betting turnover would not only reduce charity donations but would also affect the livelihood of members of the horse racing industry.

*The Society for Truth and Light*

18. Mr CHOI Chi-sum, General Secretary of the Society for Truth and Light (the Society), stressed that the Administration and the Legislative Council (LegCo) were obliged to ensure that the current proposals would be scrutinised in a fair and impartial manner. He, however, felt that HKJC had a great influence on the Administration, and the Administration seemed to have just accepted whatever information was provided by HKJC, such as its estimation of the total turnover of the illegal horse race betting market. He also expressed concern as to whether there was any collusion between the Administration and HKJC and whether LegCo Members had been lobbied by HKJC. He suggested that HKJC should release the names of all its important members so that the public could know whether any senior Government officials or LegCo Members were amongst such members of HKJC. He said that the Administration and LegCo should have a declaration system. He also expressed doubt about whether the Football Betting and Lotteries Commission could discharge the role of regulating the conduct of betting on horse racing as its chairperson had a close relationship with HKJC.

19. Mr CHOI further said that the Society was concerned that under the proposed new betting duty system, HKJC would change to operate on the basis of commercial principles and might be allowed to step up promotion of betting in order to earn enough revenue to pay for the \$8 billion guaranteed minimum. Mr CHOI also expressed concern about the neutrality of the Chairman of the Panel who had openly expressed support for the proposed reforms. He said that it was doubtful whether the discussion at this meeting would be meaningful.

20. In response to concern expressed by Mr CHOI, the Chairman referred to the draft minutes of the last meeting of the Panel held on 13 May 2005 and pointed out that, at the beginning of that meeting, he had already declared interest as the Voting Member of HKJC. In addition, Mr Timothy FOK and Ms Emily LAU had declared that they were the Voting Member and the spouse of a Full Member of HKJC respectively, as recorded in the said draft minutes. Ms Emily LAU expressed dissatisfaction with the allegation made against the neutrality of the Chairman and LegCo. She pointed out that this meeting was meant to provide an open forum for interested parties to express their views. Ms LAU commented that as long as the Chairman chaired meetings in a fair

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and impartial manner, it did not matter for him to have his own views on any subjects discussed by the Panel. The Deputy Chairman also considered that the allegation made was unfair. She pointed out that she had considered the current proposals in a fair and objective manner.

*Miss Helen FU Dan-mui*

21. Miss Helen FU Dan-mui expressed grave concern about the possible social impact of the current proposals especially on young people. She criticised HKJC for stepping up promotion, in recent years, of the Club itself and of its betting activities in a concealed way, such as by holding carnivals, promoting its catering facilities and distributing souvenirs. She was worried that, if the current proposals were adopted, the offer of \$8 billion guaranteed minimum to the Government would be used by HKJC as an excuse to justify any further attempts to enhance the promotion of horse race betting. She also expressed opposition to the proposed extension of the racing season as summer recess was an important time for families and the proposed extension might have an adverse impact on family lives. She considered that since the Government's revenue from betting duty had increased in recent years, she did not see the need to introduce the proposed reforms to boost betting turnover.

*Miss Jess CHAN*

22. Miss Jess CHAN said that since October 2004, HKJC had conducted a series of promotional activities and had placed advertisements in newspapers to indirectly promote its betting activities. She was worried that with the introduction of the current proposals, HKJC would further step up the promotion of horse race betting, which would lead to large increases in public participation in horse racing and would have an adverse impact on young people.

*IEF Rehabilitation Centre for Problem Gamblers  
[LC Paper No. CB(2)1977/04-05(02)]*

23. Mr POON Yau-chi, director of IEF Rehabilitation Centre for Problem Gamblers, said that according to his calculations, the betting turnover would have to reach \$110 billion in order that HKJC could pay for the \$8 billion guaranteed minimum under the proposed new betting duty system. He pointed out that youth participation in gambling was prevalent and the problem might become worse with the introduction of the proposed reforms. He informed the meeting that with the opening of two counseling and treatment centres funded by the Ping Wo Fund since 2003, his Centre had still received some 1 100 cases on problems relating to gambling in 2004. However, the Administration still had not submitted a report on assessment of the social impact of the authorisation of soccer betting. He suggested that HKJC should explore whether there was room for reducing its administrative costs to cope with the

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decline in the betting turnover on horse racing rather than introducing the proposed reforms.

*Min-Nam Chinese Christian Trinity Church*

24. Mr LAU Chi-hung, pastor of Min-Nam Chinese Christian Trinity Church, suggested that the Administration should first conduct a research study on the participation of Hong Kong people in gambling before it was to consider the current proposals. He urged the Administration to take into serious account the possible social costs involved in its consideration of the proposals.

25. Mr LAU pointed out that with the authorisation of soccer betting, the Administration had only allocated funds from the Ping Wo Fund to subsidise the setting up of two counselling and treatment centres for problem and pathological gamblers. The Administration, however, had not allocated additional resources to deal with gambling-related problems and had done little in disseminating messages about the adverse effect of gambling or in preventing gambling-related problems.

*Christian New Hope Fellowship*

26. Mr Kenny WONG Yiu-tong, staff of Christian New Hope Fellowship, said that there were about 30 persons who committed suicide each year for problems associated with excessive gambling. He urged the Administration to take into account the possible social costs involved in its deliberations of the current proposals and the likelihood that they might give rise to increases in public participation in horse racing. He also queried whether there was any urgency to introduce the proposed reforms as he noted that, over the past five years, there had been steady increases in the Government's overall revenue from betting duty.

*Mr CHAN Wing-ho*

*[LC Paper No. CB(2)1977/04-05(03)]*

27. Mr CHAN Wing-ho presented his views as detailed in his submission. He considered that it was a wrong approach for the Administration to combat illegal or offshore bookmakers by way of enhancing the competitiveness of HKJC, which might lead to a substantial increase in public participation in horse race betting. He said that as pointed out in the submission of the Hong Kong Joint Union of Workers of the Horse Racing Industry, there might be a greater need for reforms to be introduced to the administrative structure of HKJC rather than to the betting duty system, in order to address the problem of decline in turnover of horse race betting.

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*Kau Yan Chruch, Tsung Tsin Mission of Hong Kong*

28. Mr HO Sin-pan, Reverend of Kau Yan Chruch, Tsung Tsin Mission of Hong Kong, said that the Administration's assessment of the impact of the proposed reforms was too brief without any information and data provided to support its conclusion that the proposed reforms would not give rise to a substantial increase in public participation in horse racing. He also found that much of the information and estimates set out in the Administration's paper was actually provided by HKJC. He suggested that the Administration should conduct its own study on the effectiveness of the current proposals in combating illegal betting on horse racing and on their potential social impact.

*Community Concern Group of North Point Alliance Church*

29. Mr Joe YAU, representative of Community Concern Group of North Point Alliance Church, considered that the proposals would in effect give rise to increased participation in betting on horse racing. He further said that the only really effective means to combat illegal or offshore bookmakers was to completely prohibit betting on horse racing in Hong Kong.

*The Church of Christ in China Heep Woh College*

30. Ms TIN Yuen-shan, teacher of the Church of Christ in China Heep Woh College, said that she had come across some students placing bets in the amount of a few hundred dollars on soccer matches. She considered that the proposed reforms to the betting duty system, coupled with the proposed extension of racing season in the summer break, would enhance the attractiveness of betting on horse racing and would lure more young people to participate. Mr YU Yuen-lun expressed disagreement that ensuring stable donations for charitable organisations should be a justification for the current proposals. He added that illegal and offshore bookmaking activities should be tackled by strengthening law enforcements rather than by introducing the current proposals.

*Hong Kong Joint Union of Workers of the Horse Racing Industry  
[LC Paper No. CB(2)1944/04-05(02) and CB(2)1977/04-05(04)]*

31. Mr George MA, convenor of Hong Kong Joint Union of Workers of the Horse Racing Industry (the Union), presented the views of the Union as detailed in its two submissions. He urged the Administration to provide responses to the five questions set out on page 2 of the Union's first submission [LC Paper No. CB(2)1944/04-05(02)]. In addition, he requested HKJC to also respond to question 5 on page 2 of the Union's first submission and to explain the basis on which the conclusion that the decline in horse race betting turnover was completely caused by illegal bookmaking activities had been made.

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32. Referring to the information on the amount of betting turnover on horse racing as set out in the Union's second submission [LC Paper No. CB(2)1977/04-05(04)], Mr MA said that the information had shown that the amount of betting turnover would not increase with increases in the number of horse races. He said that the Union objected the proposed extension of horse racing season.

33. Mr MA further said that the Union urged the Administration to step up monitoring of the operations of HKJC as it considered that the present level of monitoring was quite inadequate.

*The Hong Kong Jockey Club*

34. Mr Ronald ARCULLI, the Chairman of HKJC, said that HKJC had discussed the current proposals with the Administration for quite some time before both sides agreed on the proposed arrangements. He said that it was not true to say that HKJC had a great influence on the Government. He stressed that HKJC was a non-profit making organisation, and the greatest stakeholders were the Government and the general public. He added that HKJC would be willing to seriously consider increasing the allocation of resources for the prevention of gambling-related problems, if the Government considered that there was such a need.

35. Mr ARCULLI also made the following clarifications –

- (a) the total amount of turnover of the illegal football betting market that had been projected by HKJC in the past was \$20 to \$40 billion, not \$80 billion; and
- (b) the estimation that the total betting turnover of illegal horse race betting amounted to \$50 to \$60 billion was not just made by HKJC but was also by external economic consultants appointed by HKJC.

Administration's response to views expressed by deputations

36. Deputy Secretary for Home Affairs (1) (DSHA(1)) made the following initial responses to some of the views expressed by deputations at this meeting–

- (a) the Administration should not adopt policies to deprive people of their right of choice as long as they were law abiding;
- (b) prohibiting betting on horse racing in Hong Kong would not eradicate the problem of illegal horse race betting;
- (c) even though there might be minor variations in the information

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and data provided by HKJC, this would not change the fact that there had been a large decline in horse race betting turnover due to certain structural problems, and it was necessary for the Administration to tackle these structural problems; and

- (d) the proposed reforms only aimed at curtailing room for illegal bookmakers to survive and the Administration did not expect that they could eradicate illegal gambling.

Concerns raised by members

37. Mr Andrew CHENG said that the Administration should uphold its established gambling policy which had all along been a conservative one and not encouraging people to gamble. He stressed that the Administration was also obliged to take into serious account the potential social impact of the proposed reforms in its deliberations of the proposals. Referring to the supplementary information paper [LC Paper No. CB(2)1880/04-05(01)] provided by the Administration, Mr CHENG pointed out that the total turnover of football betting, lotteries and horse race betting had actually increased from \$86.52 billion in 2000-01 to \$92.155 billion in 2004-05. He believed that a lot of bets had been diverted from horse race betting to football betting, and the reason for the decline in betting turnover had more to do with the authorisation of football betting rather than structural problems as currently claimed by HKJC and the Administration.

38. Mr Andrew CHENG concurred with depositions that HKJC should release the information and data on the basis of which it had come up the estimation that the total betting turnover of illegal horse race betting amounted to \$50 to \$60 billion. He also queried how HKJC would be able to compete with illegal bookmakers, given that the latter could always offer more attractive odds to bettors, short-term credit and other incentives. He took the view that the proposed extension of horse racing season was tantamount to promoting the culture of gambling, which was bound to cause serious social problems.

39. In response, DSHA(1) pointed out that the United Kingdom (UK) and Singapore had both introduced reforms to their respective betting duty systems of horse racing, and the Malaysia had not due to religious and other reasons. As a result, UK had seen an increase in the share of the horse race betting market captured by the authorised betting establishment there. The taxing reforms introduced in Singapore to its horse race betting system were also for the purpose of tackling illegal bookmaking activities. He pointed out that Malaysia, however, had not introduced any reforms and its take-out rate for horse racing bets was also very high. It was estimated that the amount of horse race betting turnover of the illegal market was several times of that of turnover of authorised horse race betting activities in Malaysia.

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40. Mr Ronald ARCULLI said that it was the intention that by converting the betting duty from the current turnover-based duty system for horse race betting to a new system based on the net stake receipts and by lowering the take-out rates for different bet types under the new system, HKJC would be able to combat illegal bookmaking activities more effectively. He added that under the new system, bettors would continue not to be allowed credit to bet. DSHA(1) pointed out that bettors would not be allowed to place bets with HKJC by credit cards as well.

41. Ms Emily LAU considered that the attendance of so many deputations at this meeting and the grave concern expressed by many of them about the current proposals had shown that the Administration had failed to conduct adequate public consultation beforehand. In response, DSHA(1) pointed out that the Administration had consulted the Football Betting and Lotteries Commission and the Ping Wo Fund Advisory Committee and had initially responded to concerns raised by them. In addition, the Administration had already held a meeting with Hong Kong Gambling Watch for discussion of the current proposals.

42. Ms Emily LAU sought the views of HKJC regarding the concern that the proposed reforms would give rise to rampant gambling and a substantial increase in public participation in horse racing, especially among the youth. She considered that the Administration should not attempt to push through any legislation or policies which had met strong objection from the society.

43. Mr Ronald ARCULLI responded that HKJC made its estimation based on an assumption that people who did not gamble would not be attracted to participate in horse race betting under the new betting system. He said that HKJC expected that the proposed reforms would be able to divert about 30% to 40% of the bets currently placed with illegal and offshore bookmakers. He added that as the current proposals only aimed at enabling HKJC to capture a larger share of the gambling market by diverting more effectively the bets placed with illegal and offshore bookmakers to the authorised channels, it was anticipated that the proposed reforms would not give rise to a substantial increase in public participation in horse racing.

44. The Deputy Chairman asked why the Administration considered that there was an urgent need to introduce the proposed reforms, given that the turnover of football betting and lotteries had been on the rise. In response, DSHA(1) explained that the Administration considered that there was a need to reform the betting duty system on horse race betting as it found that the decline in betting turnover was largely due to longstanding structural problems, and, according to HKJC's forecast, if no action was taken to tackle the problems, the betting turnover would decline by a further 30% by 2007-08, and HKJC's present mode of conducting business might not even be feasible any more by then.

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45. Referring to the supplementary information paper [LC Paper No. CB(2)1880/04-05(01)] and noting that the amount of turnover of football betting had increased from \$9.657 billion in 2003-04 to \$24.706 billion in 2004-05, the Deputy Chairman asked why the amount of football betting duty had not increased proportionally. Mr Ronald ARCULLI clarified that the amount of turnover of football betting of \$9.657 billion in 2003-04 was calculated on a fiscal year basis, i.e. the year ending on 31 March 2004. He said that the actual amount of turnover of football betting, for the first 12 months after implementation of authorised football betting, was \$16 billion.

46. The Deputy Chairman further raised the following questions –

- (a) even with the proposed reforms introduced, how HKJC would be able to compete with illegal bookmakers in attracting bettors who had been placing bets with illegal bookmakers for their credit offered;
- (b) whether any measures were proposed by HKJC to enhance the quality of horse racing and the monitoring of the conduct of horse races in order to strengthen bettors' confidence in such races; and
- (c) what payout rates HKJC was going to set for horse racing bets under the new system. In case the illegal bookmakers offered the same or even slightly better payout than that offered by HKJC, how HKJC could compete with the illegal bookmakers?

47. DSHA(1) responded that the Administration was of the view that in the scenarios as mentioned in paragraph 46(c) above, bettors who had been placing bets with illegal bookmakers would probably change to place bets with HKJC, as the general attitude of people was that they did not want to breach the law. Mr Ronald ARCULLI pointed out that under the new system, HKJC would announce the take-out rates for various bet types before the relevant horse races were held. In addition, HKJC would offer payout very close to that offered by illegal bookmakers in order to combat illegal bookmaking activities.

48. Dr Fernando CHEUNG said that the current proposals would have a great impact on the taxing system on horse race betting and requested the following information to be provided –

- (a) any research findings which showed that the new betting duty system would bring about a substantial increase in the turnover of horse race betting, in order to support the argument that the new system would generate a stable income for the Government from betting duty revenue;

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- (b) any feasibility study conducted which shed light on the possible changes in the rate of betting duty on turnover and the corresponding changes in the Government's betting duty revenue for the next five years; and
- (c) what percentage that HKJC's charity donations constituted of its total business turnover.

49. DSHA(1) responded that the Financial Services and the Treasury Bureau had discussed the current proposals with HKJC for a very long period of time. It was agreed that the current proposals could be introduced only on the condition that the stability of the Government's betting duty revenue would not be affected. As such, it had come up with the proposal that HKJC would guarantee that the duty receivable during each of the four years from implementation would be no less than \$8 billion plus the amount of duty in respect of any overseas bets. He added that this arrangement, if agreed to, would be stipulated in the relevant ordinance in the future.

50. Mr Ronald ARCULLI pointed out that there was a big difference between the amount of business turnover and that of profit. He said that generally speaking, after deducting betting duty from profit, a large share of the net surplus would be allocated to the HKJC Charities Trust while some would be reserved for future development plans on horse racing. He informed members that HKJC Football Betting Ltd had allocated \$300 million to the HKJC Charities Trust in the first year of the implementation of authorised football betting. Over the past 10 years, the smallest amount of allocation made from horse racing to the HKJC Charities Trust a year had been \$400 million, and that the largest one had been \$950 million a year. He added that the HKJC Charities Trust had its accumulated reserve.

51. In response to concern raised by Dr Fernando CHEUNG in paragraph 48(a) above, DSHA(1) reiterated that the current proposals were aimed at diverting bets with illegal gambling market to the authorised channel and it was expected that there would only be a slight increase in public participation in horse racing as a result of the introduction of the proposed reforms.

52. Mr Albert CHAN considered that if the proposed reforms proved to be able to make it more attractive to bettors to place bets with HKJC than with illegal or offshore bookmakers, the reforms would most likely also give rise to an increase in public participation in horse racing. He said that if this was the case, the Administration should take active measures to address the social problems that would arise in association with the increase. He further said that the Administration should promote a more enriched cultural life and wider public interest in participating in recreational and sports activities, which, in his view, would be a way to reduce public participation in horse race betting.

Action  
Clerk

53. Ms Emily LAU suggested that the Clerk should compile a list of questions about the proposed reforms raised by deputations and members to seek the responses of the Administration and HKJC. Members agreed that the list, when compiled, should be forwarded to the Administration which would prepare a consolidated response in collaboration with HKJC.

Admin

*[Post-meeting note : a list of questions prepared by the Clerk and the Administration's response were issued vide LC Paper No. CB(2)2674/04-05 dated 4 October 2005.]*

54. There being no other business, the meeting ended at 10:45 am.

Council Business Division 2  
Legislative Council Secretariat  
17 October 2005