

**Response from the Administration to the questions raised by  
Members at the Bills Committee meeting on 11 May 2006**

***Question (a)***

*Explain the basis for the estimated size of the illegal market in horse race betting amounting to \$50 to \$60 billion.*

***Question (b)***

*Provide update information on the total amount of cash and betting slips seized by the Police from illegal bookmakers on horse racing and an estimate on the number of illegal bookmakers.*

***Question (d)***

*Provide information on the estimated amount of betting turnover of illegal gambling on horse racing from 1996-97 onwards. Please elaborate how the change in betting duty rates in the past has affected legal and illegal betting on horse racing.*

**Answers to questions (a), (b) and (d)**

The following serves as a consolidated reply to questions (a), (b) and (d).

The existing betting duty system and regulatory regime on horse race betting which were introduced in the 1970s have become inadequate for the purpose of effectively combating illegal gambling. We consider that the proposed betting duty reform, having taken reference from that adopted by the United Kingdom and Singapore, provides a greater flexibility for the horse race betting conductor (i.e., the Hong Kong Jockey Club (HKJC)) to set take-out rates in respect of its betting products, will enhance its competitiveness vis-à-vis illegal bookmakers.

Given the underground and covert nature of illegal gambling, it is not possible to estimate accurately the size of the illegal market in horse race betting in Hong Kong. Media reports of other Asian racing jurisdictions show that illegal horse race betting is a serious problem in those countries.

The HKJC's assessment of horse race betting turnover is based on a steady and significant decline starting from 1996-97. While the decline in betting turnover has in part been a result of a number of factors, it is largely due to certain structural reasons, in particular the growing illegal gambling market, which have led to a shrinking share of authorised horse race betting in the overall gambling market. Having taken reference from the analysis provided by the HKJC, and the information and intelligence from various sources, we are of the view that the estimate of the existing size of illegal gambling markets is reasonable.

It is estimated that the increase in duty rates on horse race betting in 1996-97, 1999-2000 and 2003-04 respectively has provided the illegal bookmakers with a larger margin for operation. Nevertheless, it is not possible to conduct a scientific analysis of the impact of the changes in betting duty rates on legal and illegal betting on horse racing. Similarly, there is no information on the estimated amount of betting turnover of illegal gambling on horse racing from 1996-97 onwards. Nevertheless, according to HKJC's intelligence, illegal bookmakers have increasingly been using a "supermarket" approach by offering betting opportunities on horse racing, football and other sports at the same time to attract customers.

Vigorous law enforcement continues to be a key element in our anti-illegal gambling policy. From 2001 to 2005, the cash and betting slips seized by the Police during raids on illegal bookmakers amount to around \$230 million, i.e. on average around \$46 million per year. The figures cover (a) bets on horse racing; (b) bets on football betting; and (c) a mix of different types of bets. A detailed breakdown of the number of raids and the cash amount is set out in the following table.

	(a)Horse race betting		(b)Soccer betting		(c)Mix of betting products	
	Amount involved (\$million)	<i>No. of raids</i>	Amount involved (\$million)	<i>No. of raids</i>	Amount involved (\$million)	<i>No. of raids</i>
2001	5	17	20	44	4.3	7
2002	9.1	11	57	70	1.6	4
2003	4.9	12	36	53	2.8	9
2004	2.6	9	21	42	16.7	20
2005	6.3	10	27.5	24	11.2	34
Total	27.9	59	161.5	233	36.6	74

The amount of bets seized in the police raids cannot be taken to represent the total size of the illegal betting market for the following reasons:

- Illegal operators are increasingly offering a wide range of betting products. In many police raids, the betting slips seized were a mix of bets on football, horse racing and sometimes Mark Six lotteries. It is therefore difficult to determine from the betting slips and bank deposits the amount of bets taken on a particular type of betting activity.
- Since some raids take place during race time or match time while bookmakers are still taking bets, the amounts seized only reflect a proportion of total betting turnover for the day. In some raids, the betting slips were known to have been destroyed.
- The amount seized by the Police in any particular raid is likely to reflect illegal bets taken on that day only and not illegal bets for the month or year.
- The amount seized in raids constitute only a small part of the unexplained deposits in the bank accounts of illegal bookmakers. Given that most illegal bookmakers offer credit betting, actual betting turnover will be significantly greater than the amounts found in the raids and in their deposits.
- The likelihood of police raids involving football betting is higher as there are more football match days than horse racing days.
- It has to be assumed that the Police only successfully raided a proportion of all the illegal bookmakers as detection of such operations is difficult given the heavy use of advanced communications and technology, especially mobile phones and the Internet, and the tendency for bookmakers to move their bases frequently and also to operate on a cross-border basis.

We have taken \$50 to \$60 billion a year as our estimate of the illegal market on horse race betting. It was based on a combination of factors such as law enforcement statistics, studies on Hong Kong people's participation in gambling activities, intelligence, anecdotal and

corroborating evidence from persons familiar with the illegal market and a number of working assumptions.

***Question (c)***

*Provide the respective amounts of turnover and betting duty on horse race betting, football betting and lotteries in each of the years from 2003 to 2006.*

**Answer to question (c)**

The amount of turnover and betting duty on horse race betting, football betting and lotteries from 2003 to 2006 respectively are set out in the following table :

Football betting and lotteries

Fiscal Year	Football betting		Lotteries	
	Turnover (\$million)	Betting Duty (\$million)	Turnover (\$million)	Betting Duty (\$million)
2000-01#	-	-	4,990	1,248
2001-02#	-	-	4,174	1,044
2002-03#	-	-	4,780	1,195
2003-04	9,657	1,024	5,412	1,353
2004-05	24,706	1,928	6,649	1,662
2005-06	27,400 ^	2,355	6,534	1,633

#Authorised football betting commenced operation in August 2003

^Estimated figure

Horse race betting

Racing year	Turnover (\$billion)	Betting Duty (\$billion)
2000/01	81.53	10.95
2001/02	78.16	10.50
2002/03	71.47	9.52
2003/04	65.03	8.78
2004/05	62.66	8.35
2005/06	60.00*	7.97*

\* denotes figures projected by HKJC under the existing tax regime

***Question (e)***

*Provide the respective findings of the surveys commissioned by the Administration and conducted by the Hong Kong Polytechnic University and the University of Hong Kong concerning the gambling population.*

**Answer to question (e)**

Comparing the results of the survey (both on the basis of a sample of some 2,000 respondents aged between 15 to 64) conducted by the Hong Kong Polytechnic University in 2001 with those by the University of Hong Kong in 2005 on the participation in gambling activities by Hong Kong people, we note that the overall participation rate in gambling remains relatively stable. The slight increase in participation rate may be attributable to the authorisation of football betting in Hong Kong and consequently more respondents were willing to admit having engaged in football betting.

A comparison of the findings of the two studies is set out at the following table. The detailed report is attached for Members' reference.

	<b>Year 2001</b>	<b>Year 2005</b>
Population aged 15-64 (target population)	About 4.9 million	About 5.1 million
Respondents who participated in gambling activities in the past year	78% (about 3.8 million)	81.1% (about 4.1 million)
Respondents who participated in HKJC horse race betting in the past year	30.4% (about 1.5 million)	25.2% (about 1.3 million)
Respondents who participated in Mark Six lotteries in the past year	64.2% (about 3.1 million)	68.6% (about 3.5 million)

	<b>Year 2001</b>	<b>Year 2005</b>
Respondents who participated in HKJC football betting in the past year	football betting not yet authorised	16.3% (about 800,000)
Prevalence of pathological gamblers	1.8% (about 90,000)	2.2% (about 110,000)
Among pathological gamblers, those who participated in HKJC horse race betting in the past year	81.1% (about 70,000)	66.5% (about 70,000)
Among pathological gamblers, those who participated in Mark Six Lotteries in the past year	81.1% (about 70,000)	85.7% (about 100,000)
Among pathological gamblers, those who participated in HKJC football betting in the past year	football betting not yet authorised	64.4% (about 70,000)

Note :

- Figures in brackets denote a rough estimate of the gambling population.
- As authorised football betting commenced operation in August 2003, data relating to football betting in 2001 are not available.

***Question (f)***

*Explain the measures taken or contemplated to combat illegal bookmaking activities*

*Answer to question (f)*

The Government established the Ping Wo Fund in 2003. Since then, the Fund has financed a series of preventive and remedial measures to address the gambling-related problems, which include research and studies into problems and issues relating to gambling, public education and other measures to prevent or alleviate problems relating to gambling, and counselling, treatment and other remedial or support services for problem and pathological gamblers and those affected by them. In terms of public education, the Fund has financed a range of anti-gambling education programmes in the past few years for the young people, with a view to strengthening the knowledge of problems related to gambling for the young people, teachers and parents, and to enhance the capacity of the young people to resist engagement in gambling.

In view of the coming World Cup, the Government will strengthen the on-going public education and publicity efforts against participation in illegal betting activities. For example, some \$1 million has been set aside from the Ping Wo Fund to finance a series of education programmes targeting the young people and the public. The Home Affairs Bureau and the Radio Television Hong Kong will organise a no-gambling campaign known as the “World Cup Watching But No Betting 世界盃睇波不賭波, 不賭樂趣多” for young people in the months of June to July 2006 to educate them against gambling during the World Cup 2006 period. The Home Affairs Bureau will also strengthen publicity against excessive gambling through more frequent television broadcast of such messages and production of new posters.

The Police will strengthen publicity against illegal gambling through production of police report programmes and launching of new posters and pamphlets, with a view to reminding the public of the serious consequences of indulging in illegal gambling activities.

Illegal bookmaking activities has long been an enforcement target of the Police, in particular, the organised bookmaking syndicates are usually controlled by triads. To target their operations and sources of income, the subject has been included in the Commissioner of Police’s Operational Targets and the management has been co-ordinating strategies and enforcement action against the activities. A three-tiered enforcement structure involving the Police Headquarters, Regions and Districts is adopted to counter the illegal activities. Operation ‘Crowbeak’ is one of the major intelligence led operations, which is

mounted to tackle soccer bookmaking activities on a regular basis.

Over the years, the Police have focused on enforcement as well as prevention of bookmaking activities, in particular soccer bookmaking, and educating the public. The Police remains vigilant and place greater emphasis on enforcement action against illegal gambling activities, particularly against syndicated bookmaking during key football matches and major tournaments. The cultivation and exchange of intelligence, liaison with overseas law enforcement agencies, remains a priority in order to tackle bookmaking activities based outside Hong Kong.

Prevention includes :

- (i) publicity of police enforcement action; and
- (ii) publicity of the positive result of the enforcement action.

Education covers :

- (i) dissemination of anti-gambling publicity material;
- (ii) distribution of leaflet to customers at problematic area where live coverage of matches are shown;
- (iii) circulation of notices to and visiting bars and entertainment premises; and
- (iv) visits to schools.

Intelligence consists of :

- (i) liaison and exchange of intelligence with other law enforcement agencies on tackling cross border bookmaking activities;
- (ii) cultivation, coordination and analysis of intelligence from various sources;
- (iii) conducting intelligence-based operations against key bookmakers and known syndicates;
- (iv) conducting cyber patrol to detect site operators / punters of illegal soccer betting websites;
- (v) liaison with HKJC; and
- (vi) where appropriate, conducting financial investigation against major illegal soccer bookmakers.



Enforcement includes :

- (i) mounting anti-soccer bookmaking activities;
- (ii) conducting visits and license checks on problematic entertainment premises;
- (iii) giving warning or summoning licensees of any illegal gambling activities carried out in their premises; and
- (iv) stepping up Police enforcement actions during major sporting events, with priority given to enforcement / intelligence activities.

***Question (g)***

*Explain how the Administration could monitor Hong Kong Jockey Club (HKJC) on the provision of rebates to high-value bettors given that this has not been provided in the Bill.*

**Answer to question (g)**

There will be a licensing system for horse race betting if the Bill is enacted into law. The Government can regulate the horse racing related activities through the inclusion of conditions in the licence. The functions of the existing Football Betting and Lotteries Commission will also be expanded to include advising the Government on the regulation of the conduct of betting on horse racing, as well as monitoring compliance with licensing conditions by the licensee.

***Question (h)***

*Assess the impact of the reformed betting duty system on HKJC staff.*

**Answer to question (h)**

According to HKJC, the reformed betting duty system will not affect staff salaries or benefits.

May 2006

# **REPORT**

**on**

## **A Study of Hong Kong People's Participation in Gambling Activities**

**Social Sciences Research Centre  
The University of Hong Kong**

Commissioned by  
Home Affairs Bureau, Government of the Hong Kong Special  
Administrative Region

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