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Norrie MacKillop

2009/07/03 PM 05:18

Subject: HKJC Proposals

Gentlemen,

Please refer to the attached letter concerning our thoughts on the proposals tabled by the Hong Kong Jockey Club to increase race days and simulcasts of overseas races.

Yours faithfully,

Norman MacKillop

**Country Manager Macau**

Spectrum OSO Asia Ltd.

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7 July 2009

Secretary  
Panel on Home Affairs  
Legislative Council  
Legislative Council Building  
8 Jackson Road  
Central  
Hong Kong

Re: Hong Kong Jockey Club's proposals

Dear Sir/ Madam,

Spectrum is the world's leading research and consultancy for the gaming industry. We have intimate knowledge on the development of gaming in many jurisdictions and are consulted by many governments worldwide including the US, Singapore etc. We have also conducted numerous research projects on the Macau gaming industry and have examined its impact on horse racing in Hong Kong. We wish to share our views with members of the Panel on Home Affairs of Legislative Council on the recent proposals tabled by the Hong Kong Jockey Club to increase racedays and simulcasts of overseas races.

We are of the view that the proposals represent a very insignificant change to the gaming scene in Hong Kong and we are taken by surprise by the strong reaction this proposal has generated.

Gamblers of the type who frequent land and Internet based casinos are looking for games, which give them instant gratification. This partly explains the success of the Macau gaming industry, which caters for this type of gambler by offering round-the-clock casino games. Problem gambling and other negative social impacts such as loan sharking and prostitution are clearly associated with the type of gambling on offer in Macau.

Information from the Macau Statistics and Census Service indicated that the arrivals of visitor and non-resident reached 30 million in 2008, with visitor arrivals totaling 23 million. The majority of visitors came from Mainland China (11.6 million), Hong Kong (7 million), Taiwan, China (1.3 million), Malaysia (0.43 million) and Japan (0.37 million).

Since the vast majority of visitors to the casinos are from Mainland China, Hong Kong and other jurisdictions, the Macau Government has less incentive to adopt internationally recognized measures to safeguard Macau citizens from problem gambling.

The extent of the 'responsible gaming' programs adopted in Macau is to encourage casino operators to make leaflets easily available in casinos, providing information on voluntary agencies which can help with problem gaming and to raise awareness amongst casino employees. The negative social impact of problem gaming associated with casino type gambling is therefore felt more severely in neighboring jurisdictions such as Mainland China and Hong Kong.

Another unique feature of the gaming industry in Macau we wish to highlight is the use of junkets (or marketing agents) by casino operators. The junket business is secretive by nature as their clients are reluctant to reveal their identity to third parties as some of these clients are themselves government officials or senior executives of state owned enterprises from the Mainland. Although there are laws regulating junkets in Macau, the degree of transparency of their operation is extremely low. This would be unacceptable in many gaming jurisdictions including Hong Kong where the fundamental principle is "know your customers". We note that some junkets provide a wide range of "services" to their customers including travel arrangements, credit and loan facilities (including loan sharking), facilitating illegal cross border cash movement (money laundering). We have reasonable grounds to believe that some junkets are connected to Triads and criminal syndicates. Their business largely depends on recruiting new clients and they utilize a vast network of sub junkets who lure customers to VIP rooms in return for a share of the gross revenue that they spend.

In recent years, junket companies have successfully listed on the Hong Kong Stock Exchange, which has increasingly become a means to raise funds for their operations in Macau. Junket activities are very widespread not only in Macau but more so in Mainland China and Hong Kong and this mode of business promotion contributes considerably to the spectacular growth of the casinos in Macau vis-à-vis the relatively static business of the Hong Kong Jockey Club. It is a well known fact that up to 70% of the revenue from casinos in Macau is generated by junkets catering to 'high rollers', mainly from Mainland China and Hong Kong. The economic power and influence in the hands of a handful of junkets who have invested little in Macau compared to casino owners has created an obvious dilemma for the Macau government. We respectfully submit that Hong Kong society should be thankful that junkets are absent from preying on the activities and customers of the Hong Kong Jockey Club.

In general terms, the type of gamblers who are clients of the Hong Kong Jockey Club can be differentiated from the type who frequent casinos in Macau. There are only two race days per week during the racing season. On each race day there are only about 10 races available for bettors and there are 30-minute intervals between one race and the next one. Compared to the pace and the non-stop excitement offered by Macau, horse racing is considered much too mild for serious gamblers. Although, it would be wrong to state that 'problem gambling' is not associated with horse racing in Hong Kong, it is submitted that the problem among the community of racing punters is considered to be far less than that associated with casino gamblers. The type of person who studies racing form, or spends time on the terraces of the Hong Kong Jockey Club is far removed from the type who indulges in frenetic gambling in Macau where he or she is under the relentless

pressure of high intensity marketing programs, junket agents, prostitutes and other undesirables who frequent the casinos of Macau.

We therefore believe that it is pure conjecture 'that the increase of a few race days a year will result in an increase in adverse social impacts such as problem gambling' – as seen in recent letters published in the South China Morning Post.

The Hong Kong Jockey Club is coming under increased pressure from Macau's casinos that lure Hong Kong citizens to their casinos by offering complimentary ferry tickets, cheap hotel rooms and other incentives. We submit that the Hong Kong Jockey Club's modest proposals to increase betting opportunities will have an insignificant negative social impact on Hong Kong citizens compared to the major influence of gambling in Macau. The positive contributions to Hong Kong society of the highly regulated Hong Kong Jockey Club and their efforts to maintain and grow their business in the face of increasingly intense competition from Macau should be carefully weighed in the balance when considering the proposals.

We hope our insights into the industry are useful to the Panel on Home Affairs in your deliberation of the various proposals put forth by the Hong Kong Jockey Club.

Yours sincerely

Norman MacKillop  
Country Manager, Macau