

立法會 *Legislative Council*

LC Paper No. CB(2)805/02-03
(These minutes have been seen
by the Administration)

Ref : CB2/PL/HA

Panel on Home Affairs

**Minutes of special meeting
held on Tuesday, 26 November 2002 at 3:00 pm
in the Chamber of the Legislative Council Building**

Members Present : Hon Andrew CHENG Kar-foo (Chairman)
Hon IP Kwok-him, JP (Deputy Chairman)
Dr Hon David CHU Yu-lin, JP
Hon Albert HO Chun-yan
Hon CHOY So-yuk
Dr Hon TANG Siu-tong, JP
Hon Tommy CHEUNG Yu-yan, JP
Dr Hon LO Wing-lok

Member Attending : Hon CHEUNG Man-kwong

Members Absent : Hon Cyd HO Sau-lan
Hon NG Leung-sing, JP
Hon James TO Kun-sun
Hon Andrew WONG Wang-fat, JP
Hon WONG Yung-kan
Hon LAU Wong-fat, GBS, JP
Hon Emily LAU Wai-hing, JP
Hon Timothy FOK Tsun-ting, SBS, JP
Hon Henry WU King-cheong, BBS, JP
Hon Michael MAK Kwok-fung

Hon Albert CHAN Wai-yip
Hon WONG Sing-chi
Hon MA Fung-kwok, JP

Public Officers: Attending	Dr Patrick HO Secretary for Home Affairs
	Mr Stephen FISHER Deputy Secretary for Home Affairs (2)
	Ms Esther LEUNG Principal Assistant Secretary for Home Affairs (5)
Clerk in Attendance	: Miss Flora TAI Chief Assistant Secretary (2)2
Staff in Attendance	: Miss Lolita SHEK Senior Assistant Secretary (2)7

I. Gambling Review

[Legislative Council Brief (file ref: HAB/CR/1/17/109) issued by the Administration on 26 November 2002]

At the invitation of the Chairman, Secretary for Home Affairs (SHA) introduced the Legislative Council (LegCo) Brief tabled at the meeting which provided justifications for authorising soccer betting in Hong Kong and for designating the Hong Kong Jockey Club (HKJC) to be the operator of soccer betting, the broad outline of the proposed operational and regulatory framework, as well as the implications of the proposal.

Impact on youth

2. Mr CHEUNG Man-kwong noted that the objective of authorisation of soccer betting as put forth in the LegCo Brief was to combat illegal soccer gambling. However, he expressed concern that authorisation of soccer betting might lead to an increase in illegal soccer betting and triad activities in schools. Mr CHEUNG pointed out that with the increase in publicity for soccer betting after authorisation, school students would easily be attracted to it since soccer was such a popular sport among them. As they were prohibited from placing bets with

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the legal operator, they would turn to illegal operators. Furthermore, the triad society which operated illegal soccer betting would turn to schools to attract students as their new customers if their business was adversely affected after authorisation of soccer betting. Mr CHEUNG asked whether Government had assessed this impact of its decision on school students since this was not mentioned in the LegCo Brief, whether any measures would be taken to prevent the penetration of triad activities in schools, and whether Government would still consider it in the best interest of the society to authorise soccer betting in the light of this adverse effect on students.

3. In response, SHA explained that some of the teenagers in Hong Kong had already been participating in illegal soccer betting. In order to combat these illegal gambling activities which had become increasingly widespread in recent years, Government had decided to authorise and regulate soccer betting so as to restrict it to a few authorised outlets only. This would reduce illegal soccer betting activities and hence the associated triad activities, enabling the Police to combat these activities more effectively. However, the impact could yet to be assessed at this stage. SHA added that besides the Police, the education system, schools and families would all have their role to play in the prevention of triad activities in schools.

4. Mr CHEUNG Man-kwong said that SHA had not answered his questions. He considered that after soccer betting was authorised, schools would not be able to fight against increase in publicity which would induce students to bet on soccer matches and prevent students effectively from participating in illegal soccer gambling. He remained of the view that authorisation of soccer betting would inevitably result in the increase in triad activities in schools. He urged Government to rethink its decision. Sharing the view of Mr CHEUNG Man-kwong, the Chairman requested the Administration to assess the impact of authorisation of soccer betting on the young people in Hong Kong. He said that members would follow up on this issue in future meetings.

5. Holding a different view, Mr Tommy CHEUNG opined that according to the experience drawn from the case of horse racing betting, authorisation of soccer betting might not necessarily result in an increase in triad activities in school. He informed members that the Liberal Party supported Government's decision to authorise soccer betting.

6. Mr Albert HO, however, remarked that it was not appropriate to compare the impact of authorisation of soccer betting on young people with that of horse racing betting as the latter was not as popular among young people as the former. He shared the concern of Mr CHEUNG Man-kwong and urged the Administration to conduct an assessment on the adverse effect on the young people.

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7. In response to the question from Dr David CHU about the impact of authorisation of soccer betting on the number of young punters, Deputy Secretary for Home Affairs (2) (DS(HA)2) explained that soccer gambling was a complicated issue. Schools, students, families and Government all had the responsibility in minimising the adverse effect of soccer betting on the young people. He reiterated that the objective of Government policy was not to encourage gambling but to restrict soccer betting activities to a few authorised outlets so as to reduce illegal betting activities and opportunities for young people to participate in such activities. Effective measures including prohibition of credit and underage betting, restriction on promotion and advertising, provision of counselling service for and conduct of research on pathological gambling would be introduced after authorisation of soccer betting to help minimise the adverse effect on the young people. Dr LO Wing-lok agreed that family played an important role in preventing the young people from indulging in gambling.

8. In response to the question from Mr Tommy CHEUNG, SHA clarified that since Government policy was not to encourage gambling, the Administration would set a maximum number of betting outlets for soccer betting. HKJC was required to seek prior approval from Government for the provision of additional outlets.

Pathological gambling

9. Mr Albert HO remarked that the Government's gambling policy was full of contradictions. On one hand, Government had publicised the objective of its gambling policy as combating illegal gambling and that it would help prevent pathological gambling by providing counselling service and conducting research. On the other hand, it had authorised soccer betting. It was therefore very difficult to convince members of the public that Government's gambling policy was not to encourage gambling.

10. Mr Albert HO continued to point out that Chinese people seemed to be more indulged in gambling than others. With this passion for gambling as well as the popularity of soccer in Hong Kong, he expressed concern that authorisation of soccer betting might result in an increase in pathological gamblers, especially among the young people, as well as serious social and family problems. He queried if it was still worthwhile to authorise soccer betting in view of the high social costs that would likely be incurred. He asked whether Government had conducted any research on the prevalence of gambling in the culture of the Chinese as well as the impact of authorisation of soccer betting on the problem of pathological gambling.

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11. In reply, DS(HA)2 informed members that Government had not conducted any research on the prevalence of gambling in the culture of the Chinese but had commissioned the Hong Kong Polytechnic University to conduct a study on Hong Kong people's participation in gambling activities in early 2001. SHA clarified that Government policy did not aim at stimulating demand for gambling but restricting gambling activities to a few authorised outlets as a means to combat illegal gambling activities. He explained that the number of gamblers might increase after regularisation of soccer betting. However, it did not necessarily lead to an increase in pathological gamblers according to the experience in other countries. According to the study conducted by the Hong Kong Polytechnic University in 2001, more than 70% of the people in Hong Kong had participated in gambling activities. About 1.85% could be defined as probable pathological gamblers. The rate was lower in other countries like the United Kingdom, Australia and the United States of America where a variety of regulated gambling activities were available. Research also suggested that gambling activities which were "non-stop" in nature like casino gambling were more conducive to pathological gambling. Hence regularisation of soccer betting, which was not continuous in nature, might not necessarily lead to an increase in pathological gambling.

Impact on illegal soccer betting

12. The Chairman expressed concern that HKJC might not be able to match the variety of the betting options offered by its illegal counterparts and might lose its customers to the latter. It was also likely that new punters attracted by the regularisation of soccer betting might soon lose interest in the limited betting options offered by HKJC and would gradually turn to illegal bookmakers. Instead of eliminating illegal soccer betting, regularisation of soccer betting would then increase the number of people participating in these activities.

13. Mr IP Kwok-him remarked that the fact that Government had planned to implement measures to minimise the adverse effect of soccer betting indicated that it had not intended to encourage gambling by authorising soccer betting. However, he shared the concern of the Chairman and expressed reservation on the effectiveness of the policy in combating illegal soccer betting. He was also worried that the number of gamblers might increase as more people would find authorisation as an excuse for engaging in soccer betting.

14. SHA assured members that past experience indicated that authorised gambling outlets were effective in combating illegal gambling activities. He cited as an example the successful eradication of illegal lotteries like "tse fa" by the introduction of the Mark Six in 1975. Government was therefore confident that illegal soccer betting would be controlled after regularisation of soccer betting.

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He also informed members that to maintain its competitiveness against illegal bookmakers, HKJC would be permitted some flexibility in determining the types of fixed-odd games, the types of non-Hong Kong matches and the number of soccer matches available for betting, having regard to the extensive and changing types of matches and games on which bets were taken in the illegal gambling market. A variety of betting options would be offered to punters, the details of which to be discussed by the Administration and HKJC.

15. In response to the query from the Chairman whether offering different betting options to punters would be contradictory to the gambling policy which did not encourage gambling, DS(HA)2 clarified that soccer betting was very different from horse racing. While HKJC was the organiser of the latter hence able to determine the range of bets offered to punters, soccer matches were organised by overseas organisations and various betting options were provided by overseas operators. To compete with other operators, HKJC should be allowed flexibility in offering a wider range of bets to meet the needs of punters.

16. Expressing reservation on the professional experience and competence of HKJC in operating soccer betting, the Chairman queried why Government had not tried to increase the competitiveness of the operator by issuing the licence to an experienced operator or through open tender instead of to HKJC. SHA clarified that authorised gambling activities in Hong Kong had long been operated by non-commercial entities with a considerable portion of the betting proceeds directed to charitable causes. To maintain the non-commercial and charitable nature of Hong Kong's legal gambling regime which had been well accepted by the community in general, Government would license HKJC to operate soccer betting. He assured members that with its pool of experienced personnel and long years of experience in risk management, HKJC was competent in operating soccer betting.

Financial implications

17. Expressing similar reservation on the effectiveness of the policy on the eradication of illegal gambling, Dr TANG Siu-tong opined that Government's main objective in authorising soccer betting was to increase revenue. He sought information on the tax revenue to be generated. He also queried how HKJC could remain competitive against illegal bookmakers who were not required to pay tax.

18. In response, SHA advised that the Administration had proposed to charge a betting duty on the basis of "gross profits" (total turnover minus payouts) of authorised soccer betting, as opposed to "turnover" as in the case of "pools betting" in order to enhance the competitiveness of the operator. This was in line with mainstream international practice in respect of taxation on fixed-odds games. The actual duty rate would be decided later, having regard to the Government's

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fiscal considerations, the impact of the duty on the operator's competitiveness vis-à-vis its illegal counterparts, and the non-profit nature of the authorised betting operations in Hong Kong. SHA added that the annual turnover was estimated to reach \$30 billion. According to overseas experience, about 90% of the turnover would be paid out to punters. However, the percentage depended on bet types. The remaining 10% would cover operating costs, and be shared by HKJC and Government. It was estimated that about \$1 billion tax revenue would be generated annually. DS(HA)2 supplemented that such a betting duty was different from that on horse racing and a rate based on turnover would not be stipulated in the Betting Duty Ordinance (Cap. 108) as in the case of horse racing.

19. The Chairman, however, pointed out that if the betting options offered by HKJC were not as attractive as those available in the illegal gambling market, the turnover and hence the gross profit and tax revenue would drop. Since relevant data were not available in the LegCo Brief, members would not be convinced that the revenue generated by authorisation of soccer betting would be able to offset the social costs incurred. He added that the Democratic Party did not support the authorisation of soccer betting.

Dedicated fund

20. Both Dr LO Wing-lok and Ms CHOY So-yuk sought more information on the dedicated fund to be set up after authorisation of soccer betting as mentioned in paragraph 21 of the LegCo Brief. SHA informed members that the fund would be set up for the purpose of conducting research and public education in school and the community on problem gambling, as well as providing treatment and counselling services for problem and pathological gamblers in order to minimize any negative impact arising from the authorisation of soccer betting. HKJC would be required to contribute to the fund a certain percentage of the proceeds of authorised soccer betting which would be negotiated between the Government and HKJC later. The fund would be managed by Government instead of the proposed Gaming Commission which would be responsible for regulating the operation of soccer betting. SHA further advised that schools and non-profit-making organisations would be eligible for applying for subsidies for relevant activities from the fund. In response to a further question from Ms CHOY So-yuk, SHA clarified that consideration might be given to making use of the fund for promoting sports but funding allocation to sports normally came from Government's budget.

21. Ms CHOY So-yuk expressed concern that large amount of funds might not be required for conducting public education, research and counseling service hence HKJC might not be required to contribute too much to the dedicated funds. If Government did not disclose the percentage of proceeds that HKJC had to

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contribute towards the fund, the public would not be assured that sufficient resources would be secured for combating the adverse effects of gambling in the community. Ms CHOY also queried the appropriateness in granting the licence to HKJC before determining the percentage of proceeds to be charged as betting tax and its contribution towards the dedicated fund. She considered that the percentages should be determined before granting of licence so that both HKJC and the public would be aware of the financial implications and the amount of resources that would be made available to the society from the authorisation of soccer betting. Both the Chairman and Ms CHOY urged the Administration to disclose the relevant rates to the public.

22. SHA responded that as the proposal on the authorisation of soccer betting was approved by the Chief Executive in Council just shortly before the Panel meeting, the operation details had yet to be discussed with HKJC. The Administration had intended to brief members on the broad outline of the operational and regulatory framework at the meeting and would revert to the Panel with further details upon completion of negotiation with HKJC. Although the rate of contribution to the dedicated fund by HKJC was still not yet known at this stage, SHA assured members that the profits of HKJC would be directed to charitable causes.

Way forward

23. To conclude, the Chairman commented that the LegCo Brief did not provide sufficient information and data relating to the operation and regulation of soccer betting. Some members therefore had doubts about the effectiveness of authorisation of soccer betting on eradicating illegal soccer gambling activities, whether effective measures would be taken to minimise the adverse effect on the community, in particular the young people, and whether sufficient revenue would be generated to offset the social costs incurred. The Chairman therefore requested the Administration to revert to the Panel in January 2003 with more details of the operational and regulatory framework after discussion with HKJC and before drafting the relevant legislative amendments. SHA agreed to consider the request.

Adm

II. Any other business

24. There being no other business, the meeting ended at 4:25 pm.

Council Business Division 2
Legislative Council Secretariat
3 January 2003