



香港賽馬會
The Hong Kong Jockey Club

14 May 2013

Legislative Council Secretariat
Council Business Division 2
Legislative Council Complex
1 Legislative Council Road
Central, Hong Kong
Attn: Ms Alice Leung
(Fax: 2509 9055)

Dear Ms Leung,

Bills Committee on Betting Duty (Amendment) Bill 2013

Meeting on 15 May 2013

I refer to your email dated 14 May 2013 and two following questions arising from the Bills Committee meeting held on 8 May 2013. Your questions and our responses are set out below.

Q.1. Provide revenue projections for future racing seasons after the expiry of the three-year guarantee period to ensure/maintain a stable revenue for the Government from the racing business in the long run.

A.1.

- a. The turnover of local bets on overseas races is affected by the number of Hong Kong horses and jockeys competing in overseas races and the number of such simulcast races in favourable time zone. However these vary from season to season. It is therefore very difficult to forecast local betting turnover on overseas races several seasons in advance. This is not to mention the uncertainty in the global economic environment, which could impact Hong Kong. The agreement with the Government is to use the average of the turnover in the past three years as a reference for the next three years.
- b. The objective of commingling is to eliminate odds difference and hence contain offshore and illegal bookmakers; not to drive the selection of simulcast race programme with a revenue target.

- c. Offering simulcast races is essential for Hong Kong as a world city and for Hong Kong Jockey Club (HKJC) to negotiate inbound commingling agreements with overseas partners who expect reciprocity.

Q.2. Advise on the consequences if no financial relief was provided to HKJC in relation to the anticipated increase in royalty fees e.g. whether it would impact on HKJC's capacity in carrying out charitable work.

A.2. Overseas operators have already been asking for higher royalty and product fees. As royalty fees to be paid to overseas operators increase from the current 1.5% of the respective turnover to the global market level of about 3%, the HKJC will be unable to simulcast major international races such as the Golden Slippers Day from Australia and SIA Cup from Singapore. Due to the high tax rate and the higher fees imposed by the US operator, the HKJC was unable to reach a commercial deal to bring the prestigious Breeders Cup (which attracts top horses from all over the world) to Hong Kong in the last two years. Besides causing disappointment of the racing public, this could result in the leakage of bets to illegal and offshore bookmakers. Once hooked onto the illegal channels which also offer credits and other incentives, bettors will tend to continue betting illegally even on local races. If nothing is done to rectify this trend, the ability of offshore and illegal bookmakers to take bigger bets will progressively increase and as much as 10% of Hong Kong's total horse race betting turnover (including bets on overseas and local races) will be lost to offshore and illegal channels over time. When this happens, HKJC's ability to fund charitable causes will be jeopardized.

Yours sincerely,



Kim Mak
Executive Director, Corporate Affairs

c.c. Hon Tommy CHEUNG Yu-yan, SBS, JP

Secretary for Home Affairs
(Attn: Miss Winnie TSE) (Fax No.2591 6002)