



持牌遊戲機中心商會有限公司
LICENSED AMUSEMENT GAME CENTRES
TRADE ASSOCIATION (LTD.)

九龍旺角彌敦道 610 號荷李活商業中心 14 樓 1409 室
Rm.1409 14/F, Hollywood Plaza, 610 Nathan Road, Mongkok, Kowloon.
Tel: 2787 1735 Fax: 2384 7030

Urgent

Our ref : 110703

11 July 2003

Chairman and Members of the
Legislative Council Panel on Home Affairs
c/o Legislative Council Secretariat
Legislative Council Building
Chater Road,
Central, Hong Kong

Dear Sirs,

Regulation of Internet Computer Services Centres and Amusement Game Centres

We understand that your Panel will be considering proposals on the regulation of Internet Computer Services Centres and Amusement Game Centres at the Panel's meeting to be held on Monday, 14 July 2003.

Our Association has recently discussed the regulation of Amusement Games Centres with HAB and TELA. Our views are clearly reflected in three letters which our consultants, the Hong Kong Experts Consultancy Co. Ltd. has helped us to draw up. Copies of these letters are attached for your information and reference.

We hope you will fully and seriously take our views as expressed in these three letters into consideration when deliberating on the issues relating to the regulation of Amusement Games Centres.

Yours sincerely,

(Peter Lam)
Chairman
Licensed Amusement Games Centres Association Ltd.

香港專業顧問有限公司
HONG KONG EXPERTS CONSULTANCY COMPANY LIMITED

Room 1507, The Metropolis Tower, 10 Metropolis Drive, Hunghom, Kowloon, Hong Kong
web-site: www.yip.com.hk/hkecccl E-mail: hkecccl@netvigator.com
Tel: 23636938 Fax: 27663201

DRAFT

Urgent by Fax

Our ref : 080703

08 July 2003

Home Affairs Bureau
31/F., Southorn Centre
130 Hennessy Road
Wanchai, Hong Kong

(Attn : Mr. Leo Kwan)
Acting Permanent Secretary for Home Affairs

Dear Mr. Kwan,

Licensed Amusement Game Centres Trade Association Ltd (LAGA)

Thank you for your prompt response to our letter of 11 June 2003 on the above subject and for arranging for your Principal Assistant Secretary, Mrs. Hedy Chu, and the Senior Licensing Officer, Mr. Lemuel Woo, to meet with representatives of LAGA on Friday, 4 July 2003 to discuss the issues raised.

At the meeting on Friday, 4 July 2003, representatives of LAGA were pleased to learn that your Bureau had lent support to:-

- (a) relaxing the operating hours of Amusement Games Centres (AGCs), and
- (b) reducing the licensing fees of AGCs,

and that firm proposals covering these two aspects would be put to the Legislative Council, Home Affairs Panel for consideration at its meeting on 14 July 2003. Once approved by the Panel, these proposals would be implemented some time in September/October 2003.

However, representatives of LAGA were extremely concerned by your Bureau's proposal that the relaxation of the operating hours of AGCs would be put on a trial period of 12 months to assess public reaction and would only apply to those AGCs located in purely commercial buildings. Whilst representatives of LAGA did not object to the trial to assess public reaction, they considered applying the trial only to AGCs located in purely commercial buildings unacceptable for the following reasons:-

- (i) it would be extremely divisive, causing unnecessary and unhealthy competitions between those AGCs located in purely commercial buildings and those located elsewhere;
- (ii) it would speed up the early demise of those AGCs not located in purely commercial buildings as once business was diverted away from them after 12 midnight for a period of 12 months, it would be very difficult, if not impossible, for them to recapture the business even if the trial was to prove successful and the relaxation was extended to them as well in 12 months' time.
- (iii) it might break up LAGA as those AGCs not included in the trial would consider withdrawing their membership and this would cause problems for the Government to liaise and consult with the Trade in future.
- (iv) it might result in strong protest from those AGCs not included in the trial with possibility of them taking to the streets to vent their dissatisfaction on grounds of discrimination and unfair treatment.
- (v) the trial would not give a comprehensive and true picture as the public reaction to AGCs not located in purely commercial buildings would not be known

We discussed this problem at length at the meeting held on 4 July 2003 and at the request of Mrs. Hedy Chu, the representatives of LAGA agreed to sound out their members to gauge their reaction. This had been done and we were sorry to report that the reaction was very strong and negative.

We therefore suggest that you consider slightly modifying your proposal to conduct the trial by extending it to cover all AGCs and to shorten the period of the trial to 6 months with a caveat to end it at any time if the public reaction was very strong and negative. The merits of this suggestion are that:

- (i) it would not be divisive.
- (ii) it would be fair and non-discriminatory, with all AGCs being treated even-handedly.
- (iii) it could be stopped at any time should the Trade misbehave and cause strong reaction from the public during the trial period.
- (iv) it would make the trial more comprehensive and meaningful, since the Government could assess the full impact of relaxing the operating hours of AGCs, thus avoiding future problems when extending the relaxed operating hours to AGCs located in non-commercial buildings, should the trial prove to be successful.

The Trade thus sincerely request you to reconsider this aspect and put their revised suggestion to the Legislative Council for consideration. The Trade is even willing to accept any reasonable measures which your Bureau and TELA consider imposing to strengthen the management of AGCs, especially during the extended hours of operation, such as increasing supervision both inside and at the entrance of AGCs to avoid unruly and rowdy customers from disturbing neighbours.

We hope you will appreciate the concerns of the Trade on this matter and be able to see your way round to modifying your proposal on the trial to relax the operating hours of AGCs along the lines suggested by the Trade. Representatives of LAGA are happy to meet with you or your staff prior to the matter being discussed in the Legislative Council Panel if you should find it useful to do so.

Regards,

Yours sincerely,

A handwritten signature in black ink, appearing to read 'James Y C So', written over a horizontal line.

James Y C So, CBE, JP
Managing Director

JS/jh

c.c. Mrs. Hedy Chu, HAB
Mr. Lemuel Woo, TELA
Mr. Peter Lam, Chairman LAGA

香港專業顧問有限公司

HONG KONG EXPERTS CONSULTANCY COMPANY LIMITED

Suite 1507, The Metropolis Tower, 10 Metropolis Drive, Hunghom, Kowloon, Hong Kong

web-site: www.yip.com.hk/hkecccl E-mail: hkecccl@netvigator.com

Tel: 23636938 Fax: 27663201

Urgent by Fax

Our ref : 090703

9 July 2003

Home Affairs Bureau
31/F., Southorn Centre
130 Hennessy Road
Wanchai, Hong Kong

(Attn : Mrs. Hedy Chu
Principal Assistant Secretary for Home Affairs)

Dear Mrs. Chu,

Licensed Amusement Game Centres Trade Association Ltd (LAGA)

We (Chu/So) spoke on 9 July 2003 with reference to my letter dated 8 July 2003 on the above subject addressed to Mr. Leo Kwan and copied to you.

I have discussed the matter with the Chairman of LAGA, Mr. Peter Lam, and wish to confirm that LAGA has no objection to your Bureau putting the original proposal as slightly modified at our discussion held on 4 July 2003, to the Legislative Council, Home Affairs Panel. The proposal is to extend the operating hours of AGCs located in commercial buildings only to 2:00 a.m. for a trial period of 6 months. If the trial proves to be successful with no strong adverse public reaction, this arrangement will be extended to all AGCs. However, LAGA would strongly urge your Bureau to fully make known its concerns on the selective nature of the trial, as expressed in my letter of 8 July 2003, to the Legislative Council Panel and to convey LAGA's desire to have the trial cover all AGCs from the beginning if administratively and politically possible.

I wish to state clearly that LAGA does not wish to delay the matter being put to the Legislative Council Panel, but would only wish to ensure that when the Panel deliberates on the matter, it is fully aware of LAGA's views and concerns.

.../to be cont'd

P.2

Regards,

Yours sincerely,

James Y C So, CBE, JP
Managing Director

JS/jh

c.c. Mr. Lemuel Woo, TELA
Mr. Peter Lam, Chairman LAGA

香港專業顧問有限公司

HONG KONG EXPERTS CONSULTANCY COMPANY LIMITED

Room 210, KCRC Hung Hom Building, KCR Hung Hom Station,
8 Cheong Wan Road, Hunghom, Kowloon, Hong Kong
web-site: www.yip.com.hk/hkecccl E-mail: hkecccl@netvigator.com
Tel: 23636938 Fax: 27663201

Our ref :110603(1)

11 June 2003

Home Affairs Bureau
31/F., Southorn Centre
130 Hennessy Road
Wanchai, Hong Kong

(Attn : Mr. Leo Kwan)
Deputy Permanent Secretary for Home Affairs

Dear Mr. Kwan,

Licensed Amusement Game Centres Trade Association Ltd.

We act for the Licensed Amusement Game Centres Trade Association Ltd. (LAGA) and would like to address you on the current plight faced by their members and to request your early and speedy considerations of the measures earlier proposed to help the Trade overcome its difficulties.

LAGA had written to the Commissioner for Television and Entertainment Licensing (CTEL) on 23 April 2003, copied to you and others, making certain proposals to help the Trade. CTEL replied on 30 April 2003 saying that the matter had been referred to you for consideration and on 14 May 2003 you gave LAGA a holding reply.

We would now wish to address you on the issues concerned and sincerely request that you give the matter urgent considerations and approve as soon as possible the proposals on which consensus has already been reached.

The Trade

The business of licensed amusement games centers had suffered a downturn since early 2002 when internet bars and cafes sprang up, many of which offered video games similar to those found in amusement games centers (AGC). More recently, with the outbreak of SARS scaring off many customers from visiting public entertainment establishments, the Trade suffered a near mortal blow. Since April this year, business has dropped by over 60% and many AGCs have to cease business or convert to internet bars or cafes. At its height in 1993, LAGA had over 900 members, with over 1,200 AGCs in operations. This has now dropped to 380, with 413 adult and 25 children AGCs in operations.

The Trade provides employment to a large number of unskilled workers who are mostly over 45 and probably unsuitable for retraining due mainly to their lack of literacy. At the height in 1993, the Trade used to employ over 13,000 such workers. Now, this figure has dropped to some 5,000, thus adding significantly to Hong Kong's unemployment problem. Unless something is done and done quickly to abate the decline of the Trade further, the future of the remaining 5,000 employees in this line of business is very dim indeed, and Hong Kong's unemployment problem will be further aggravated.

Unfair Competitions

Ever since the springing up of internet bars and cafés a few years ago, AGCs are subject to extremely unfair competitions, since these latter establishments offer similar entertainment and more to clients. Such unfair competitions include:

- a) internet bars and cafes are not subject to licensing controls; even current proposals to control these establishments do not include a licensing requirement;
- b) internet bars and cafes provide all sorts of video games to players, in addition to other forms of information and entertainment, but the contents of these video games are not subject to CTEL's approval; thus new games can be provided more quickly to attract customers;
- c) internet bars and cafes have no limit in their operating hours, whilst AGCs can only operate till 12 midnight; thus the former are able to cater for and attract customers who work evening shifts and who may wish to have some entertainment to relax after work before going home;
- d) internet bars and cafes can be located anywhere and are not subject to the "100 metres" rule;
- e) internet bars and cafes allow people of all ages to visit and there is no bar on youngsters wearing school uniforms.
- f) internet bars and cafes can freely sell refreshments, which is an added attraction to customers.

Under such unfair competitions, there is no wonder that customers are readily attracted away from AGCs in favour of internet bars and cafes. Indeed, in the past year or so, many AGC operators have converted their establishments to the latter in order to save their business!

Besides facing unfair competitions from internet bars and cafes, we would like to point out that adult AGCs have always been subject to keen competitions from other entertainment establishments such as karaoke bars, sauna and massage parlours and billiard rooms, which although under licensing control, are much less stringent as they are allowed to operate well after 12 midnight. Furthermore, your Bureau has recently relaxed certain licensing regulations governing sauna and massage parlours and guest houses, including significantly reducing their license fees, to help them ride over the operational crisis brought on by SARS. Unfortunately, in spite of strong representations from LAGA, no such relaxations have been granted to AGCs. This is clearly unfair and it appears to the members of LAGA that the Government is not really providing a level playing field to all similar entertainment establishments to operate.

Proposals to Help Revive the Trade

LAGA has in its letter to CTEL dated 23 April 2003 put forth various proposals which it hopes would maintain a level playing field to enable the Trade to compete fairly and equitably with other similar entertainment establishments and would help to revive the Trade in these bad times. These proposals are:-

- 1) Relax the requirement for new AGCs to be located in commercial buildings only, and allow them to be located in comprehensive developments as well, as commercial/residential buildings, which are the common form of all new developments now.
- 2) Extend the operating hours of adult AGCs from 12 midnight to 2:00 a.m.
- 3) Allow AGCs to give out non-cash prizes, so long as the AGCs have obtained approval from the relevant authorities under the Gambling Ordinance.
- 4) Relax the requirement to bar customers wearing school uniforms from entering adult AGCs.
- 5) Remove the "100 metres" rule in the location of adult AGCs.
- 6) Reduce the license fees for all AGCs by 29%.

We understand that LAGA has reached consensus on the above proposals with CTEL after consultations with the Trade and the public. Items 2 & 6 of the above proposals are supported by CTEL, whilst the other items are considered controversial and may require further examinations.

Requests

In light of the position set out above, LAGA would like to strongly urge your Bureau to take immediate action to:-

- (i) provide a level playing field to AGCs so that they can compete fairly and equitably with similar entertainment establishments, especially internet bars and cafes,
- (ii) help the AGC trade to ride out the adverse impact brought on by SARS, and
- (iii) prevent aggravating the already bad unemployment situation in Hong Kong by adding a group of over-age, unskilled and untrainable workers onto the ranks of the unemployed with the closure of more AGCs.

LAGA would sincerely request that your Bureau approves without delay items 2 and 6 of the proposals set out above, namely:

- (a) item 2 - extend the operating hours of Adult AGCs from 12 midnight to 2:00 a.m.,
- (b) item 6 - reduce the license fees of AGCs by 29%.

As for the other items set out in the above proposals, in particular items 1, 3 and 5, we

suggest that these be examined more closely and thoroughly in conjunction with the exercise to regulate internet bars and cafes to see if there are grounds for relaxation in the name of fair and equitable competition.

LAGA would be happy to meet with your Bureau and CTEL to discuss this matter further if you consider it necessary and fruitful to do so. If you consider that a meeting is useful, please give the undersigned a call to arrange. In the meantime, we await your early and speedy reply and hope you can give some good and encouraging news to the Trade to show that the Government is fair and caring.

Regards,

Yours sincerely,

James Y C So, CBE, JP
Managing Director

JS/jh

c.c. Television & Entertainment Licensing Authority
(Attn : Mr. P. L. Po, Assistant Commissioner)
Chairman, Licensed Amusement Game Centres Trade Association Ltd.
(Attn : Mr. Peter Lam)