

**Papers on the Local Governance System and its Implementation
in Selected Fields in Japan No.16**

**Japanese Publicly Managed Gaming (Sports Gambling)
and Local Government**

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Foreword

The Council of Local Authorities for International Relations (CLAIR) and the National Graduate Institute for Policy Studies (GRIPS) have been working since FY 2005 on a “Project on the overseas dissemination of information on the local governance system of Japan and its operation”. On the basis of the recognition that the dissemination to overseas countries of information on the Japanese local governance system and its operation was insufficient, the objective of this project was defined as the pursuit of comparative studies on local governance by means of compiling in foreign languages materials on the Japanese local governance system and its implementation as well as by accumulating literature and reference materials on local governance in Japan and foreign countries.

In FY 2009, we continued to compile “Statistics on Local Governance (Japanese/English)”, “Up-to-date Documents on Local Autonomy in Japan”, “Papers on the Local Governance System and its Implementation in Selected Fields in Japan” and “Historic Development of Japanese Local Governance”. We also continued to conduct a search for literature and reference materials concerned with local governance in Japan and overseas to be stored in the Institute for Comparative Studies in Local Governance (COSLOG).

If you have any comments, suggestions or inquiries regarding our project, please feel free to contact the Council of Local Authorities for International Relations (CLAIR) or the Institute for Comparative Studies in Local Governance (COSLOG) of the National Graduate Institute for Policy Studies (GRIPS).

February 2010

Michihiro Kayama

Chairman of the Board of Directors

Council of Local Authorities for International Relations (CLAIR)

Tatsuo Hatta

President

National Graduate Institute for Policy Studies

Preface

This booklet is one of the results of research activities conducted by the Institute for Comparative Studies in Local Governance (COSLOG) as one part of a project that started in FY 2005 entitled “Project on the overseas dissemination of information on the local governance system of Japan and its operation”, in cooperation with the Council of Local Authorities for International Relations (CLAIR). For the purpose of implementing this project, a “Research committee for the project on the overseas dissemination of information on the local governance system of Japan and its operation” has been set up, and a chief and deputy chiefs with responsibility for the project have been designated from among the members concerned with each research subject.

“Papers on the Local Governance System and its Implementation in Selected Fields in Japan” (FY2009, Volumes 15-18) were written under the responsibility of the following four members. (Title of members as of January 2010)

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This booklet, the 16th volume in the series, is about Japanese publicly managed gaming (sports gambling) and local government, and was written by Mr. Ishikawa.

After the end of World War II, many local governments in Japan operated publicly managed gaming; in addition to offering the public a wholesome form of entertainment, the profits from these gaming events made a huge contribution to local government finances. This booklet aims to describe, mainly for the benefit of readers outside Japan, the circumstances that led to local governments in Japan operating publicly managed gaming and the structures in place to ensure the fairness and safety that are indispensable in the holding of a publicly managed gaming event; and also looks at some of the issues facing publicly managed gaming in recent years.

Finally, I would like to express my appreciation to Mr. Ishikawa, and also to other members of the research committee for their expert opinions and advice.

February 2010

Hiroshi Ikawa

Chairperson

Research committee for the project on the overseas dissemination of information
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Japanese Publicly Managed Gaming (Sports Gambling) and Local Government

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1 Introduction

1.1 Purpose of publicly managed gaming

In Japan publicly managed gaming (horse-racing, *keirin*, *kyotei*, *autorace*) has been operated by local governments, the profits from these events contributing to local government finances. Gambling in Japan is prohibited by law, on the grounds of the negative effects that often accompany it; depriving gamblers of the incentive to work, and giving rise to trouble over money. However, publicly managed gaming has been given official approval on condition that the harmful effects are removed as far as possible and the event remains within the scope of wholesome entertainment and is for the purpose of attaining a specific goal.

For local governments, publicly managed gaming became an important enterprise generating revenues for post-war reconstruction. The fact that the establishment of the system of local autonomy gave local governments independence has been another factor in the success of publicly managed gaming.

In this booklet we will look at the sports gambling operated by the local governments in the form of publicly managed gaming.

1.2 The types of event

(1) Regional horse-racing

This takes place on a racecourse where one lap is 1,000m or more (200m or more in the case of Ban-ei racing). As of April 2009 regional horse-racing was taking place at 18 racecourses throughout the country¹. Horses and jockeys race at the racecourse to which they are attached, but there are also open race events held in conjunction with other regions or in conjunction with national horse-racing.

Flat Racing

Racehorses compete in terms of speed over a racetrack where one lap is 1,000m or more. The horses may be thoroughbred or Arabian, and carry a jockey. Placing is determined by the order in which the horses' noses pass the finish line.

Ban-ei Racing (Draft Horse Racing)

Racehorses pull a sled, competing in terms of strength and speed. The race is run over a distance of 200m, on a straight course with obstacles in two places. *Ban-ei* race horses are mostly agricultural horses; they carry a jockey and pull an iron sled. Placing is determined by the order in

which the back ends of the sleds cross the finishing line. This type of horse-racing takes place only in Hokkaido².

(2) *Keirin* (Bicycle Racing)

This event takes place on a cycling track in a velodrome with a lap length of between 333m and 500m. The bicycles used must conform to *keirin* standards. Normally 9 cyclists at a time compete, lining up at the start line, starting out at the same time and racing in laps for a distance of 2,000m to 3,000m. In the lead is the pacer, whom the contestants must not overtake. 1.5 laps before the end of the race, the pacer leaves the track; the contestants put on a last spurt, and speeds can reach up to 70 km per hour. Placing is determined by the order in which the contestants reach the finish line.

As of April 2009, there are 47 velodromes. Registered *keirin* racers are invited to compete in velodromes all over the country based on to their ranking.

(3) *Autorace* (Motorcycle Racing)

Autorace takes place on a race circuit with a lap length of 500m. The motor cycles³ used are of a specification unique to *autorace*. The start line is staggered in order to impose a handicap on riders according to their degree of skill. 8 motorcycles race over a course of 6 or 8 laps. Placing is determined by the order in which the motorcycles cross the finish line.

As of April 2009 there are 6 *autorace* tracks. Riders are invited to compete at race circuits all over the country.

(4) *Kyotei* (Motorboat Racing)

Races take place in a boat racing stadium with a lap length of 600m. The motorboats used conform to *kyotei* standards. Six boats race anti-clockwise three times around the race course. On the straight, speeds of up to some 80 km per hour are reached. Placing is determined by the order in which the boats cross the finish line.

As of April 2009 there are 24 boat racing stadiums. Registered racers are invited to compete at stadiums all over the country.

2 Circumstances leading to the launch of these gaming events

2.1 The resumption of horse-racing and the launch of regional horse-racing

October 1946 saw the resumption of horse-racing, the only publicly managed gaming event from before the war. Racecourses in Tokyo and Kyoto were the first to reopen, followed by the reopening of racecourses throughout the country. In November of the same year the Regional Horse-racing Act was promulgated (at present, regional horse-racing is also uniformly stipulated in the Horse Racing Act); it became possible for local governments to hold horse-racing events, and many local governments began to hold horse races.

2.2 The launch of *keirin*, *autorace* and *kyotei*

In August 1948 the Bicycle Racing Act came into effect, and in November of the same year the

city of Kokura (the present city of Kitakyushu) held the first *keirin* event at the Kokura Velodrome. Seeing the success of the event, other local governments announced their intention to hold events and the popularity of *keirin* spread rapidly.

In May 1950 the Auto Racing Act came into effect, and in October of the same year the first *autorace* event was held at the Funabashi Autorace Circuit.

In June 1951 the Motorboat Racing Act came into effect, and in April 1952 the first *kyotei* event was held at the Omura Stadium.

2.3 The example of one local government (Kitakyushu City)

One local government that played a huge role in the establishment of publicly managed gaming is the city of Kitakyushu. The city of Kitakyushu was formed by the merger in 1963 of the cities of Moji, Kokura, Wakamatsu, Yahata and Tobata.

Prior to this merger, the city of Kokura, which had been laid waste by bombing in World War II, was the first local authority in the country to hold *keirin* events to finance the reconstruction of the city. In 1949 the port city of Moji also started to hold *keirin* events and realize a profit. The city of Wakamatsu, which had once prospered as a base for the transport of coal from Chikuho but now faced financial difficulties from a combination of a slump in the marine transportation business and the bombing damage incurred during World War II, also began in 1952 to make use of its water area to hold *kyotei* events.

Hitherto Kitakyushu had been a base for raw-material industries, such as iron and steel, chemicals, etc., and the city also had port facilities. The city had large numbers of factory workers and dockworkers, most of whom were shift workers. After World War II Kitakyushu prospered, riding the wave of rapid economic growth; and a major factor in the growing popularity of publicly managed gaming events was the fact that they provided these workers with a place for recreation and relaxation.

2.4 The establishment of the structure

(1) National organizations

The fact that publicly managed gaming events came to be held by the local governments is largely due to the instructions of the then GHQ (General Headquarters Supreme Commander for the Allied Powers). The instructions of GHQ with regard to the bills on *keirin*, *autorace* and *kyotei* were that publicly managed gaming should not be sponsored by the central government, but that the right to sponsor the events should be given to the local governments; a national organization would not be sanctioned. It was under these circumstances that publicly managed gaming spread throughout Japan and developed into recreation for the common people.

However, trouble caused by fans flared up regularly at the public race courses, and the call went

up for greater control of the events. There were also calls for an organization to handle the use of proceeds from the events to promote the development of industry, which was one of the aims of publicly managed gaming – to return the proceeds to society. In other words, because of the insistence from GHQ that ‘a national organization would not be sanctioned’ organizations were regionally based and formed a loosely-bound alliance. In this way, in each sport a national organization concerned with the management and operation of the publicly managed gaming events was established, as was a national organization to promote business and social development by means of subsidies. Preceding these organizations, national organizations of operators were also set up.⁴

(2) Promotion of measures to minimize the harmful influence of publicly managed gaming (Naganuma Report)

However, once more there was a succession of incidents and disturbances caused by fans at publicly managed gaming venues, and it was even suggested that publicly managed gaming should be abolished. Thus in 1961 the Publicly Managed Game Commission, an advisory body to the Prime Minister set up in response to this, presented a report on its recommendations for publicly managed gaming. This report is called the Naganuma Report, from the name of the chairman of the Commission.

The gist of the report was that ‘while publicly managed gaming is giving rise to some socially-undesirable phenomena, it is also instrumental in assisting related industries and promoting social welfare work and the development of sports, and provides financial support to local authorities; nor can the role it plays in providing recreation for the people be ignored’. While ‘sanctioning the continuation of the present publicly managed gaming’, the report called for improvements in the way the publicly managed gaming events were held. Thus publicly managed gaming was allowed to continue, but with a policy of restraint; it would not be encouraged beyond its present levels.

(3) Towards the appropriate management of publicly managed gaming (The Yoshikuni Meeting)

Following this, publicly managed gaming continued to develop without trouble; but when as a result of the Oil Shock of 1973 the Japanese economy moved out of the period of rapid growth via a period of economic disorder into a period of stable growth, publicly managed gaming was once more subject to a review. Thus in 1977 the government set up a public meeting to discuss publicly managed gaming. This meeting is called the Yoshikuni Meeting, from the name of the chairman of the meeting. The meeting submitted its findings in 1979.

The opinion of the meeting was that ‘The number of fans of publicly managed gaming has increased substantially, and both sales and profits have soared; its economic and social influence has clearly grown. However, in view of the fact that publicly managed gaming events, incorporating as

they do an aspect of gambling, have special legal sanction, it is vital that in addition to ensuring greater fairness in their management and working for the appropriate, effective use of their proceeds, the effort be made to eliminate harmful influences and put in place a clean environment for popular recreation and relaxation.’ As such, greater flexibility was allowed in the number of off-site betting booths, the number of race courses and the frequency with which events could be held; up until then the general rule had been that there should be no increase in these.

Thus with the backing of the findings of the Yoshikuni Meeting, that the overall restrictions that had been in place thus far could be viewed with some flexibility, publicly managed gaming has pursued initiatives towards modernization.

3 The significance and structure of publicly managed gaming

3.1 The significance of publicly managed gaming

Publicly managed gaming is a form of sports gambling run by local governments following certain procedures, to which the criminal charges relating to gambling and lotteries⁵ are not applied. In addition to horse-racing, which takes place in countries all over the world, publicly managed gaming includes *keirin* and *kyotei* that take place in Japan and South Korea, and *autorace* which takes place only in Japan.

Another form of sports gambling that takes place in Japan is National Horse Racing (*keiba*), managed by JRA as a special government corporation.⁶

3.2 Laws and regulations relating to publicly managed gaming

Due to the laws relating to them, publicly managed gaming events are exempt from prosecution for the crimes of gambling and lotteries. At the same time, taking into consideration the intent of the penal code, each of the related laws imposes strict restrictions on the holding of the publicly managed gaming events. These restrictions ensure that the proceeds are used for the public good, that harmful influences are eliminated, and that the events are managed fairly and safely.

The proceeds from the holding of a publicly managed gaming event must be used mainly for the achievement of a local public objective, and the rate of payout, etc., is determined so as to ensure a profit. In order to eliminate harmful influences there are restrictions on the venues where publicly managed gaming may take place, and the frequency with which the events are held. In order to ensure fairness and safety, competitors and referees must be registered, there are rules regarding operating standards and methods, government supervision and strict penalties for cheating.

With regard to the local government bodies operating publicly managed gaming, the laws relating to publicly managed gaming and ministerial ordinances based on those laws make detailed provision for the establishment of the facilities where the races are held, standards for the holding of the races (frequency of events, price of betting tickets)⁷, the rights and responsibilities of the

organizers regarding supervision of the premises, structural standards for the facilities, etc.

The local government bodies each enact their own racing bylaws, based on the laws relating to the relevant publicly managed gaming sport. These racing bylaws set out the measures necessary for the local government to hold a publicly managed gaming event: the date and time of the event, admission charges, sale of betting tickets, maintenance of order at the sporting facility, etc.

There are guidelines set out for the smooth management of each type of publicly managed gaming sport.

3.3 The structure of publicly managed gaming

(1) Implementing body: Local government

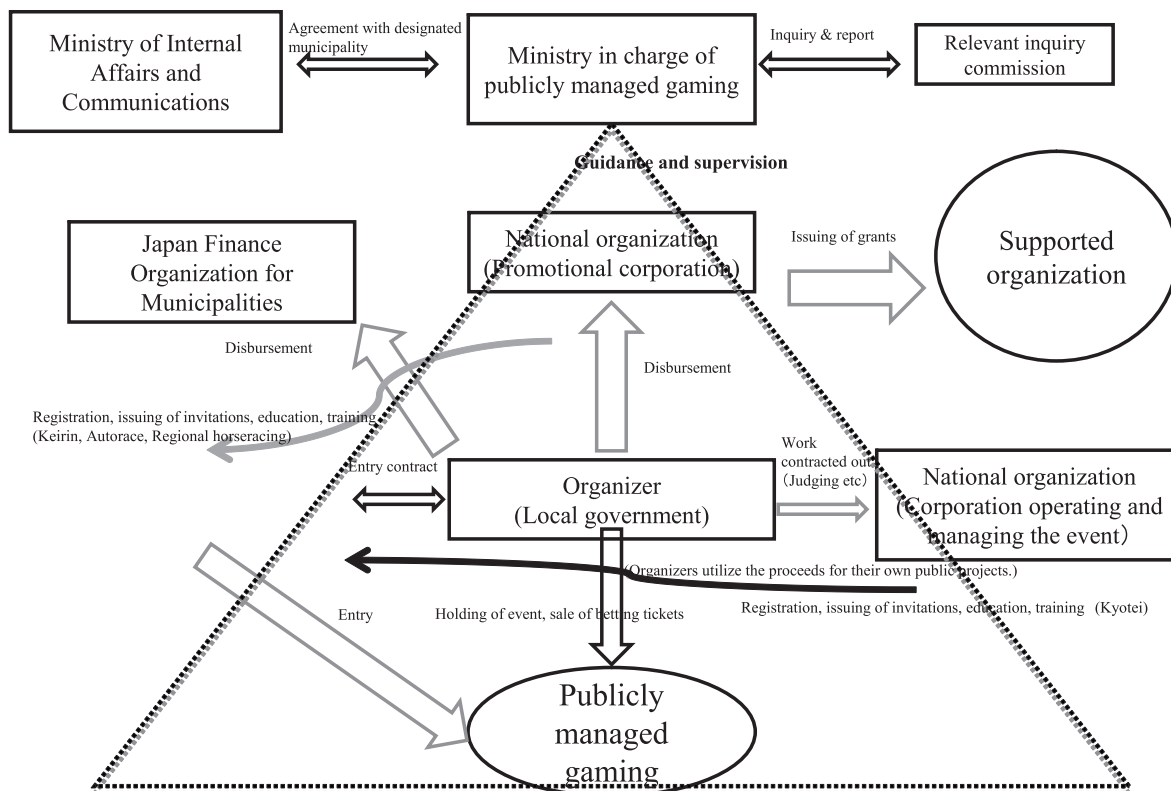
The local governments that are allowed to hold publicly managed gaming events are the prefectures and municipalities specified by the Minister for Internal Affairs and Communications. In the specification of a municipality, the Minister takes into account its population and financial situation and bases his decision on the laws relating to publicly managed gaming. When a publicly managed gaming event is to be held, notification must be made to the Minister.

The organizer of a publicly managed gaming event (In the case of regional horse-racing, the promoter, who will be referred to from here on as the organizer) reimburses 75% of the proceeds from the sale of betting tickets as prize money; the remaining 25% is gross earnings.⁸ Organizational expenses are paid out of these earnings, and the amount remaining becomes the organizer's income.⁹

Number of organizers: There are more organizers of *keirin* than the other publicly managed gaming sports, and the greater number of racetracks are velodromes. The second most numerous are organizers of *kyotei*, followed by regional horse-racing and *autorace*, in that order.

Fig. 1 is a diagram of the basic structure for the operation of publicly managed gaming.

Fig. 1 Schematic chart for the operation of publicly managed gaming



(2) National organizations to ensure fairness and safety and to restore the profits to society

The instructions of GHQ were that the operation of publicly managed gaming by a national organization would not be sanctioned, but later national organizations were established and, in line with the law, put into practice what is one of the intentions of publicly managed gaming, namely the restoration of profits to society.

Moreover, while the implementing bodies for publicly managed gaming are the local governments, for the sake of smooth implementation and in order to ensure fairness and safety, measures for the registration and testing of those involved – competitors, referees and vehicles – and measures to secure referees, are essential. The bodies that carry out these tasks have gradually become national organizations.

The national organizations are, for regional horse-racing the National Association of Racing; for *keirin* and *autorace* the JKA, the Nihon Zitensya Kyougikai and the Kogata Jidosha Kyosokai (two organizations, for East and West Japan); and for *kyotei*, the Japan Motorboat Racing Association and the Nippon Foundation.

Table 1 List of national publicly managed gaming sports organizations

Regional horseracing	National Association of Racing	Established as a special corporation following a legislative amendment of 1962. In addition to taking over the registration of owners and horses and the licensing of trainers and jockeys, which until then had been carried out by the prefectures or prefectural associations, the Association also carries out the education and training of trainers and jockeys and the training and dispatch of judges. Under a legislative amendment of 2007 the Association was reorganized into a regional public corporation, making the organizers of regional horseracing its main administrators. This enabled the Association to manage matters relating to regional horseracing under contract from the local governments.
Keirin	JKA Foundation	Receiving ministerial designation in 2007, the JKA Foundation took over from the Nihon Jitensha Shinkokai, a special corporation, and handles the registration of riders, judges and bicycles, the certification of cycle inspection staff, the issuing of invitations to riders and the education and training of riders. The JKA also supports the promotion of the machine industries and the promotion of public utility works.
	Nihon Zitensya Kyougikai Foundation	Contracted to carry out part of the administrative affairs of the organizers, the Nihon Zitensya Kyougikai handles matters relating to the sport of keirin (judging, cycle inspection, supervision of riders, program organization, etc) and matters relating to the holding of keirin events, such as the sales of betting tickets. In 2007 the 7 regional organizations that were spread across the country were merged, reorganized as an incorporated foundation, and granted ministerial designation.
Autorace	JKA Foundation	Formerly the Nihon Kogata Jidosha Shinkokai handled matters such as the registration of autorace competitors, judges and vehicles, the certification of vehicle inspection staff, the issuing of invitations to competitors and the education and training of competitors and the auxiliary business of restoring profits to society; from 2008 the JKA Foundation was granted ministerial designation and took over these duties.
	East Japan Kogata Jidosha Kyosokai, West Japan Kogata Jidosha Kyosokai	Contracted to carry out part of the administrative affairs of the organizers, these organizations handle matters relating to the sport of autorace (judging, vehicle inspection, supervision of competitors, program organization, etc) and matters relating to the holding of autorace events, such as the sales of betting tickets.
Kyotei	The Japan Shipping Promotion Foundation (The Nippon Foundation)	The Japan Shipping Promotion Foundation was founded and licensed under a legislative amendment of 1962, and carried out its promotional activities in accordance with the Motorboat Racing Act. It was made a designated foundation under a legislative amendment of 2008. The Foundation is engaged in maritime development and supports the promotion of public utility works.
	Japan Motorboat Racing Association	Granted ministerial designation in 2008 and taking over the duties that had until then been carried out by 18 racing associations and racing federations across the country, the Japan Motorboat Racing Association handles the registration of competitors, judges, motorboats, motors and inspection staff, the issuing of invitations to competitors and the education and training of competitors, judges and inspection staff.

(3) Holding an event

a) *Keirin, autorace, kyotei*

i) Work carried out by the organizer

It is the organizer who holds the publicly managed gaming event, and it is the organizer who determines such things as the date and time the event will be held, the venue to be used, the number of races, the order in which they are to be held, off-site betting booths, the price of betting tickets, and the amount and type of prize money.

ii) Work that the organizer must contract out to others

In contrast, in order to ensure that the publicly managed gaming event is fair and safe, there are certain jobs that must be contracted out to an organization that will manage the event.

In the case of *keirin*, the Nihon Zitensya Kyougikai handles the pre-race inspections of competitors participating in the *keirin* event and the bicycles to be used in the race, judging of the race and other matters relating to a *keirin* event. In the case of *autorace* it is the East Japan Kogata Jidosha Kyosokai or the West Japan Kogata Jidosha Kyosokai that handles the pre-race inspections of competitors participating in the small automobile race event and the motorcycles used in the race, judging of the race and other matters relating to a small automobile race event. In the case of *kyotei*, the Japan Motorboat Racing Association handles the pre-race inspections of competitors participating in the event, the boats and motors used in the race, judging of the race and other matters relating to a race event. The rules stipulate that certain of these tasks must be contracted out together.

b) Regional horse-racing

In the case of regional horse-racing, the prefecture or municipality may, pursuant to government ordinance, contract out to another prefecture or municipality, to the Japan Racing Association, to the National Association of Racing or to a private individual matters related to the holding of the horserace.

3.4 Regulations governing publicly managed gaming

(1) Venue

The establishment of a race course at which publicly managed gaming events are to be held (in this paper, racecourses, velodromes, racing circuits and boat racing stadiums will be called, collectively, ‘race courses’) necessitates the permission of the competent minister. The reason for this is that because of the nature of a race course, as a place where gambling takes place, consideration must be given to the environment in the vicinity of the location, for example with regard to education; and the presence of spectator facilities presents a need to maintain safety and order.

(2) Restrictions on ticket sales

Restrictions are in place for the sale of betting tickets for publicly managed gaming events. In

addition to the facilities at which the event is being held, there are off-site betting booths. The establishment of an off-site betting booth requires the permission of the competent authorities.

(3) Event restrictions

Restrictions are in place for the holding of publicly managed gaming events. Enforcement regulations place legal restrictions on the frequency of the events, the dates on which they can be held, and on the daily program. At the present time there is no longer any legal requirement to collect an admission charge, but most organizers collect an admission charge, the amount being determined by bylaws.

In the case of regional horse-racing, events are held within the range of frequency determined for each of the prefectures by an ordinance of the Ministry of Agriculture, Forestry and Fisheries: this varies from a maximum of 43 times annually (Hokkaido) to less than 13 times annually (Saitama Prefecture, Chiba Prefecture). Each event is held over 6 days or less, with no more than 12 races per day.

In the case of *keirin*, events are held within the range of frequency determined by ordinance of the Ministry of Economy, Trade and Industry; up to 24 times annually for each velodrome, and up to 24 times annually for each organizer. Each event is held over 8 days or less, the annual total number of racing days at each velodrome to be 144 days or less, with no more than 12 races per day.

In the case of *autorace*, events are held within the range of frequency determined by ordinance of the Ministry of Economy, Trade and Industry; up to 14 times annually per racing circuit, and up to 14 times annually for each organizer. Each event is held over 9 days or less, the annual total number of racing days at each circuit to be 126 days or less, with no more than 12 races per day.

In the case of *kyotei*, events are held within the range of frequency determined by ordinance of the Ministry of Land, Infrastructure, Transport and Tourism; within the frequency determined for each boat racing stadium by notice of the Minister up to 48 times annually per boat racing stadium, and within the frequency determined for each organizer by notice of the Minister up to 12 times annually for each organizer, with no more than one event per month per organizer. Each event is held over 21 days or less, the annual total number of racing days at each boat racing stadium to be within the frequency determined by notice of the Minister up to 252 days, with no more than 18 races per day.

3.5 Ensuring fairness; Education and training; ICT

(1) Ensuring fair competition

Ensuring fair competition by cracking down hard on illegal gambling and bookmaking and eliminating race fixing is a prerequisite for the continuation of publicly managed gaming.

Besides the organizers all kinds of people, including of course the competitors, are involved in publicly managed gaming events. In regional horse-racing there are the horse owners, the trainers,

the jockeys, the stablemen, the judges; in *keirin*, *autorace* and *kyotei*, there are the riders and the judges. For this reason, severe restrictions are placed on those involved, requiring registration, licensing and certification. Measures are in place to block contact between jockeys and riders and the outside world from the day before the scheduled start of an event.

Guards are stationed permanently within the race course premises and keep a tight watch on bookmaking. In addition a system of investigations to ensure the fairness of the racing is in place for each publicly managed gaming event.

(2) Education and training of competitors

The education and training of competitors is essential for ensuring fair competition, as well as for ensuring that the sports have the necessary competitors. Regional horse-racing, *keirin*, *autorace* and *kyotei* each have their own arrangements for the education and training of competitors. According to the laws relating to publicly managed gaming, the education of competitors is deemed to be the responsibility of the national organization for each event (National Association of Racing, JKA, Japan Motorboat Racing Association).

In the case of regional horse-racing, the training of jockeys, horse trainers and stable staff is carried out at the Regional Horse-racing Education Center in Shiobara City, Tochigi Prefecture.

In the case of *keirin*, training takes place at the Nihon Keirin Gakkou (Japan Keirin School) in Izu City, Shizuoka Prefecture.

In the case of *autorace*, training takes place at the Auto Race Driver Training Center (within the Auto Sports Center) in Shimotsuma City, Ibaraki Prefecture.

In the case of *kyotei*, training takes place at the Yamato Kyotei School in Yamato-machi, Yanagawa City, Fukuoka Prefecture.

(3) ICTs

It is ICTs that have supported the growth of publicly managed gaming. First of all the computers used for administrative work provided a direct online link between race courses all over the country and the Totalizator Center, making possible the sale of betting tickets off-site and telephone betting. This in time developed into Internet betting.¹⁰ The sale of mark-sheet type betting tickets also became possible, and the installation of information systems also helped make betting tickets more diverse. The organizers and national organizations of each type of publicly managed gaming sport set up a single shared ICT system: the organization manages the system and the organizers and national organization each pay a proportionate share of the cost of running the system.

In addition, the expansion of off-site betting booths and the spread of telephone betting and Internet betting have also had an effect on the management of publicly managed gaming. Combined with the increase in the opportunities at the race courses to buy betting tickets for races taking place at other race courses and the increase in the number of dedicated off-site betting booths, the share of

bets placed on nationally-popular races has expanded, and there is a growing tendency for organizers to depend on the sale of those tickets.

3.6 The contribution to local government finances and the return of profits to society

(1) The contribution to local government finances

(a) Organizers' earnings

Since the establishment of the system the proceeds from publicly managed gaming have been a source of revenue for the local governments holding the events and have made a huge contribution in the maintenance of schools, roads and other public facilities and in social welfare.

In the case of *keirin*, between 1948 when *keirin* started and 2006 this contribution reached a total of 3.323 trillion yen, equivalent to 6.8% of the total sales of betting tickets. In the case of *kyotei*, between 1951 when *kyotei* started and 2007 the contribution reached 3.7781 trillion yen, equivalent to 6.8% of the total sales of betting tickets.

However, in recent years all the publicly managed gaming sports have seen a decline in sales that has greatly reduced the organizers' takings; and in many cases no profit at all is generated.

(b) Sharing of the proceeds from publicly managed gaming

The proceeds from publicly managed gaming have made an enormous financial contribution to the local governments holding the gaming events. There are many local governments whose financial situation is severe, and in the latter half of the 1960s the uneven distribution of financial resources became a problem. Accordingly, from 1970 measures began to be taken with the aim of rectifying the uneven distribution of financial resources brought about by the holding of publicly managed gaming events.

The organizers were obliged to pay a fixed proportion of their takings into the Japan Finance Corporation for Municipal Enterprises, a body specializing in the funding of public enterprises; and this capital was used to reduce the interest on local bonds relating to public enterprises. Later, in 2009, the Japan Finance Corporation for Municipal Enterprises was reorganized into the Japan Finance Organization for Municipalities.

(2) Return of profits to society, social contributions of every kind

In addition to helping make local government finances more healthy, the proceeds from publicly managed gaming have also been used to repay or contribute to society in many ways.

In the respective laws relating to publicly managed gaming, the purpose of holding the events is given as the restoration of proceeds to society, or social contribution. In regional horse-racing, 'the improvement and breeding of horses and the promotion of stockbreeding' is mentioned; in *keirin* and *autorace*, 'the promotion of the machine industries and the promotion of public utility works'; in *kyotei*, 'the promotion of maritime enterprises and the promotion of public utility works'. Each organizer is obliged to pay a fixed-proportion contribution to the national organization specified for

the sport in question, and this money has been used to subsidize projects in keeping with the purpose of each game.

3.7 The role of publicly managed gaming in sports promotion

Publicly managed gaming has also contributed greatly to the promotion of sports. The proceeds from publicly managed gaming have been set aside in particular for use in the promotion and popularization of sporting events such as equestrian events and bicycle racing, and marine sports such as yachting. The proceeds of publicly managed gaming are also set aside for the promotion of other sports and in the promotion of sports for the handicapped.

Publicly managed gaming events have also played a huge role as actual sporting events in themselves. Track cycling was originally popular in Europe, and cycle racing as a sport to be enjoyed as a form of gambling was held in Denmark, but *keirin* in Japan developed independently and was not modeled on the Danish sport¹¹; later in Europe interest shifted to road racing, and cycle racing as a form of sports gambling declined in Denmark. After that however, due to the influence of *keirin* that had rapidly become popular in Japan, track racing began to attract attention around the world, and from the 2000 Sydney Olympic Games *keirin* as a sports event became an official Olympic event in its own right. The rules of international *keirin* differ a little from those of Japanese *keirin*, and there used to be no velodromes in Japan corresponding to UCI (International Cycling Union) standards; but an indoor cycle track (velodrome) that complies with UCI standards is now under construction at the Cycle Sports Center in Izu City, Shizuoka Prefecture.

4 Issues facing publicly managed gaming and initiatives for reform

4.1 Participation and withdrawal by organizers

Many local governments participated in publicly managed gaming, seeing it as a valuable source of funds for postwar restoration. *Keirin* in particular attracted many local governments, since a velodrome could be built at little cost and concerns such as noise posed few problems; and by 1953 there were 63 velodromes. However, organizers withdrew from some velodromes in areas of low population or where traffic access was poor. Other publicly managed gaming facilities were forced to close due to the occurrence of natural disasters.

Publicly managed gaming events were plagued at their start by a series of disturbances and incidences caused by fans, and there were disputes as to whether the events should be continued or abolished. It was against this background that the report of the Publicly Managed Game Commission of 1961 mentioned above (the Naganuma Report) was produced, after studies by the people involved and by the government. It was in this kind of environment that the system for publicly managed gaming was improved and growth was achieved.

On the other hand, there was also some movement for withdrawal from publicly managed

gaming for political reasons. In 1969 the then governor of Tokyo came up with the idea of abolishing all Tokyo-run gaming events. Public gambling was, he said, a kind of pollution that should be abolished in order to put financial affairs on a firm moral footing. *Keirin* at the Korakuen Velodrome and *autorace* at the Ohi Autorace Circuit were discontinued.

Nevertheless, despite this trend, publicly managed gaming continued steady growth. *Keirin*, the publicly managed gaming event held by the greatest number of local governments, saw a huge increase in takings and was then overtaken by takings from *kyotei*.

Things changed in the 1990s, when takings from publicly managed gaming began to drop. Takings from regional horse-racing, *keirin*, *autorace* and *kyotei* reached their peak in 1991, since when they have continued consistently to fall. Takings from national horse-racing, which is managed by the Japan Racing Association, reached their peak in 1997 before starting to fall.

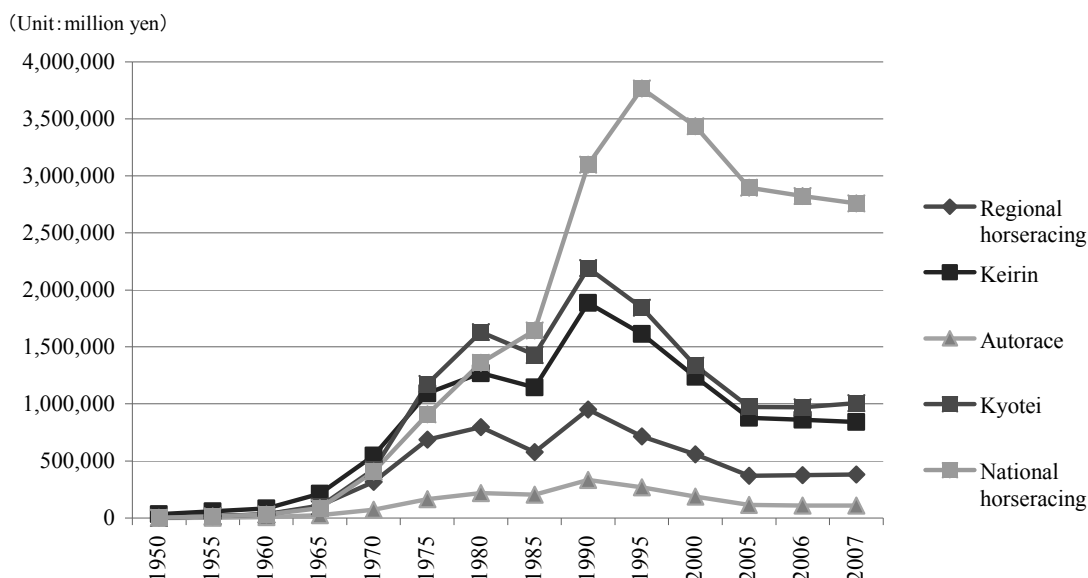
The changes in takings from publicly managed gaming are shown in Table 2, and in graph form in Fig. 2.

Table 2 Changes in takings from publicly managed gaming

Unit: 1,000 yen

Event	Regional horseracing	Keirin	Autorace	Kyotei	National horseracing
1948	1,447,050	242,503			4,364,402
1949	5,674,387	13,542,463			5,074,381
1950	7,091,416	33,074,534	257,486		3,507,730
1951	19,076,382	53,886,946	426,078		7,560,564
1952	19,291,270	57,107,733	1,090,598	2,421,130	8,642,724
1953	19,043,108	60,526,210	1,681,051	10,938,181	10,863,891
1954	18,013,259	58,771,991	1,590,050	13,843,883	11,229,310
1955	17,310,226	57,269,542	2,027,960	17,100,152	11,097,415
1960	31,764,068	83,541,261	8,404,633	29,516,773	29,004,019
1965	109,285,838	212,482,440	24,768,234	98,333,216	86,650,971
1970	317,200,272	544,238,753	72,408,992	427,011,462	406,988,822
1975	685,673,830	1,093,790,571	165,122,193	1,174,533,765	908,226,481
1980	797,342,743	1,269,924,571	218,476,471	1,630,961,345	1,360,786,588
1985	577,602,381	1,143,123,585	202,375,374	1,429,208,663	1,645,859,566
1990	949,344,192	1,884,654,317	335,209,507	2,193,468,291	3,098,457,260
1995	714,128,872	1,614,413,197	270,112,175	1,843,236,164	3,766,602,181
2000	556,061,904	1,237,175,020	185,665,758	1,334,785,318	3,434,757,501
2005	369,069,580	877,495,779	113,191,992	974,338,095	2,894,585,480
2006	376,039,613	861,059,482	109,858,728	970,386,817	2,823,309,442
2007	380,401,973	840,076,666	109,195,182	1,007,513,898	2,759,138,079

Fig. 2 Changes in takings from publicly managed gaming (Graph)



Under these conditions the balance between the organizers' income and expenditure has worsened; some organizers have started to show a loss, and publicly managed gaming has been discontinued at some race courses.

4.2 Reduction of organizers' expenses and improvement of facilities

Meanwhile, efforts have been made by the organizers to make publicly managed gaming more attractive.

Organizers have endeavored to reduce their expenses, and in recent years one organizer after another has attempted to streamline management by means of a comprehensive private contract, whereby building management, security and mechanization is contracted out as a whole to a private company.

It has also been pointed out that the aging of the facilities is keeping the fans away. At a time when a greater variety of leisure activities has become available, the publicly managed gaming that first made their appearance soon after the end of World War II have been slow to update facilities. *Kyotei* has lost little time in improving its facilities. *Keirin*, while lagging behind *kyotei*, is working on the improvement of facilities, and in the 1990s two all-weather velodromes were constructed.

All of the publicly managed gaming sports are making repeated efforts to increase takings through such means as the holding of nighttime races and the installation of special seating.

When a race course finds itself forced into a difficult situation it is because of the unique circumstances of that race course; the industrial economy of the region in which it is located is fatigued, or past investments in facilities have turned out to be excessive, or night races cannot be held because of the proximity of a residential area. However, the costs of holding a sporting event

include the prize money (prize money for jockeys or riders), contributions and payments to the national organization, payment to the organization contracted to run the event, their share of the cost of the ICT system, advertising costs, etc: as takings fall these expenses eat into the organizers' profits. The review of these expenses is a task that needs to be tackled at the national level.

4.3 Coping with changes in the way people enjoy gambling and making structural improvements

There are indications that behind the fall in takings by publicly managed gaming events managed by local governments lie the aging fan base and the failure to attract new customers. The takings for national horse-racing, on the other hand, initially were less than those for the publicly managed gaming events held by the local governments; yet from the 1980s onward, takings from national horse-racing increased and came to exceed the total takings from publicly managed gaming.

This is an indication that, as a result of the growth of the television audience and the spread of telephone/Internet betting, rather than go out to the race course to enjoy gambling, it has become an established pattern for people to watch the big, popular races on television and to enjoy a gamble by placing bets by telephone or over the Internet. Another reason that can be put forward is that the advanced structure of Japanese industry has meant that there are fewer blue-collar workers to go to the race course on a weekday and enjoy a gamble; a growing proportion of fans are white-collar workers who can only enjoy a gamble at the weekends.

There are also those who point out that it is local government personnel who manage the publicly managed gaming facilities, so that initiatives have not had a sufficiently long-term perspective. At the same time, it is pointed out that the operating style of the JRA in expanding horse-racing from a central focus is better able to meet the needs of fans flexibly and with greater attention to detail.

In this situation, in the publicly managed gaming operated by local governments initiatives have been put forward not only for the joint operation of ICT systems but also towards the sharing of advertising projects.

In 2002 the Kyotei Koho (Public Relations) Center was established so that public relations activities that had previously been carried out separately by the national organization and boat racing stadiums throughout the country could be carried out under a unified concept. In 2007 the Center was integrated with the *kyotei* information sector to form the Kyotei Promotion Center (commonly known as the Kyotei Promotion Association).

In *keirin* and *autorace* too, for a big race the organizers and national organizations cooperate and share the task of advertising; and the organizers and national organizations carry out their advertising activities under a unified concept.

Regional horse-racing in the past had almost no national aspect; but from around 1995 the

growth of crossover racing¹² and the sale of betting tickets over a wide area has encouraged cooperation, basically within blocks. In addition, under a legislative amendment of 2007 the National Association of Racing was reorganized into a regional public corporation¹³, thus strengthening the relationship with the organizers. At the same time, under the law the National Association of Racing was given, in addition to the task of coordinating and giving advice on the holding of horse races, and of carrying out surveys and studies regarding regional horse-racing, the additional task of managing matters relating to the organizing of horse races, under contract from the organizers of the horse races.

With regard to the national organizations for ensuring fairness and safety in *keirin* and *autorace* and for returning proceeds to society, the JKA, which was privatized in 2008, took on the task of managing both sports. The organizations managing *keirin* and *kyotei* events were corporations that were set up on a regional basis, but these were integrated into single national organizations, becoming the Nihon Zitensya Kyougikai and the Japan Motorboat Racing Association in 2007 and 2008 respectively.

[Note]

- 1 Of these 18 racecourses, one (Sapporo Racecourse) is also used for national horse racing. There is one other racecourse shared by national and regional horse racing (Chukyo Racecourse), but no racing events by local governments have been held there since 2002.
- 2 As of April 2009 Obihiro Racecourse is the only racecourse at which *Ban-ei* races are being held.
- 3 In the past ordinary motor cycles were used in *autorace*. There also used to be *autorace* featuring 4-wheeled motor cars.
- 4 The National Council for Public Race Organizers (est. 1951, for Racing by Local Governments) and the National Council for Keirin Organizers (1950, *keirin*) were set up as voluntary organizations and became incorporated associations in 1976. The Motorboat Racing Association was set up in 1952 (*kyotei*), with the secretariat established in 1954, and became a general incorporated association in 2009.
- 5 The provisions relating to gambling and lotteries under Japanese penal code are as follows.
(Gambling)
Article 185 A person who gambles shall be punished by a fine of not more than 500,000 yen or a petty fine; provided, however, that the same shall not apply to a person who bets a thing which is provided for momentary entertainment.
(Habitual Gambling; Running a Gambling Place for the Purpose of Gain)
Article 186
 - (1) A person who habitually gambles shall be punished by imprisonment with work for not more than 3 years.
 - (2) A person who, for the purpose of profit, runs a place for gambling or organizes a group of habitual gamblers shall be punished by imprisonment with work for not less than 3 months but not more than 5 years.
(Lotteries)
Article 187
 - (1) A person who sells a lottery ticket shall be punished by imprisonment with work for not more than 2 years or a fine of not more than 1,500,000 yen.
 - (2) A person who acts as an intermediary in the sale of a lottery ticket shall be punished by imprisonment with work for not more than 1 year or a fine of not more than

1,000,000 yen.

(3) Except for the cases provided for in the preceding two paragraphs, a person who delivers or receives a lottery ticket shall be punished by a fine of not more than 200,000 yen or a petty fine.

6 In addition to horse racing, *keirin*, *autorace* and *kyotei*, another kind of sport gambling in Japan is the Sports Promotion Draw (Soccer), which takes the form of a public lottery.

7 At one time there were also legal restrictions on admission charges.

8 For the payout, a sum equivalent to the percentage of sales determined by the organizer within the range of 75% or more and the percentage determined by the competent minister is divided proportionally between the winning tickets. In the case of horseracing a special method of calculation is used whereby the proportion subtracted fluctuates according to the proportion of winning tickets; the more winning tickets there are, the lower the proportion subtracted, and the lower the proportion of winning tickets, the higher the proportion subtracted; this averages out at about 25%.

9 The form of betting employed in Japan is parimutuel betting. All the money paid in by the punters is pooled and after the race the amount remaining after operational and other expenses have been subtracted is divided among the winners. Another form of betting is fixed-odds betting, in which the odds are determined and announced in advance.

10 Telephone betting originally referred to placing bets via a telephone line using an Audio Response System (ARS): now telephone betting in the wider sense includes the placing of bets over the Internet using a personal computer or mobile phone.

11 In Denmark the Danish Bicycle Club began bicycle racing employing a totalizator system in 1888, having obtained government approval. This is seen as the start of cycle racing as a form of sports gambling. There were four velodromes, and the proceeds were set aside for the development of cycle racing and for social security costs. The types of racing were sprint racing, scratch racing, points racing and lap racing. Today the track events held at the Olympic Games are widely included. Of these, lap racing can be said to be kind of similar to Japanese *keirin*. Totally different from Denmark sport gambling, Japanese *keirin* is a sport that has improved upon the lap race and developed it independently into a sport worthy to be a publicly managed gaming sport.

In Italy too, there was a form of sports gambling called the Toto Sporto, on the road race that was called the *Giro d'Italia* (Tour of Italy).

(See '*Keirin in Europe*', Japan Keirin Association)

12 In regional horse-racing, 'crossover racing' refers to races in which racehorses and jockeys from other areas or from JRA racing compete regardless of where they belong.

13 A regional public corporation is run mainly by the local governments concerned as one option for the operation of an enterprise of common interest to the local governments that by its character is properly the responsibility of the local governments, there being considered to be no necessity for the enterprise to be implemented by a policy-implementing body of the central government. In the case of the NAR, the decision-making body for basic matters relating to management of the enterprise is a steering committee made up of the heads of the organizers of regional horse-racing.

The regional public corporation is a mechanism set out on the 18th December 2001 by the Administrative Reform Promotion Secretariat in its plan for the rationalization of special corporations. The principal investors are the local governments only; the aim is to minimize or discontinue involvement by the central government and to allow independent management. Other regional public corporations besides the NAR are the Japan Sewage Works Association, the Fund for Local Government Employees' Accident Compensation and the Japan Finance Organization for Municipalities.

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