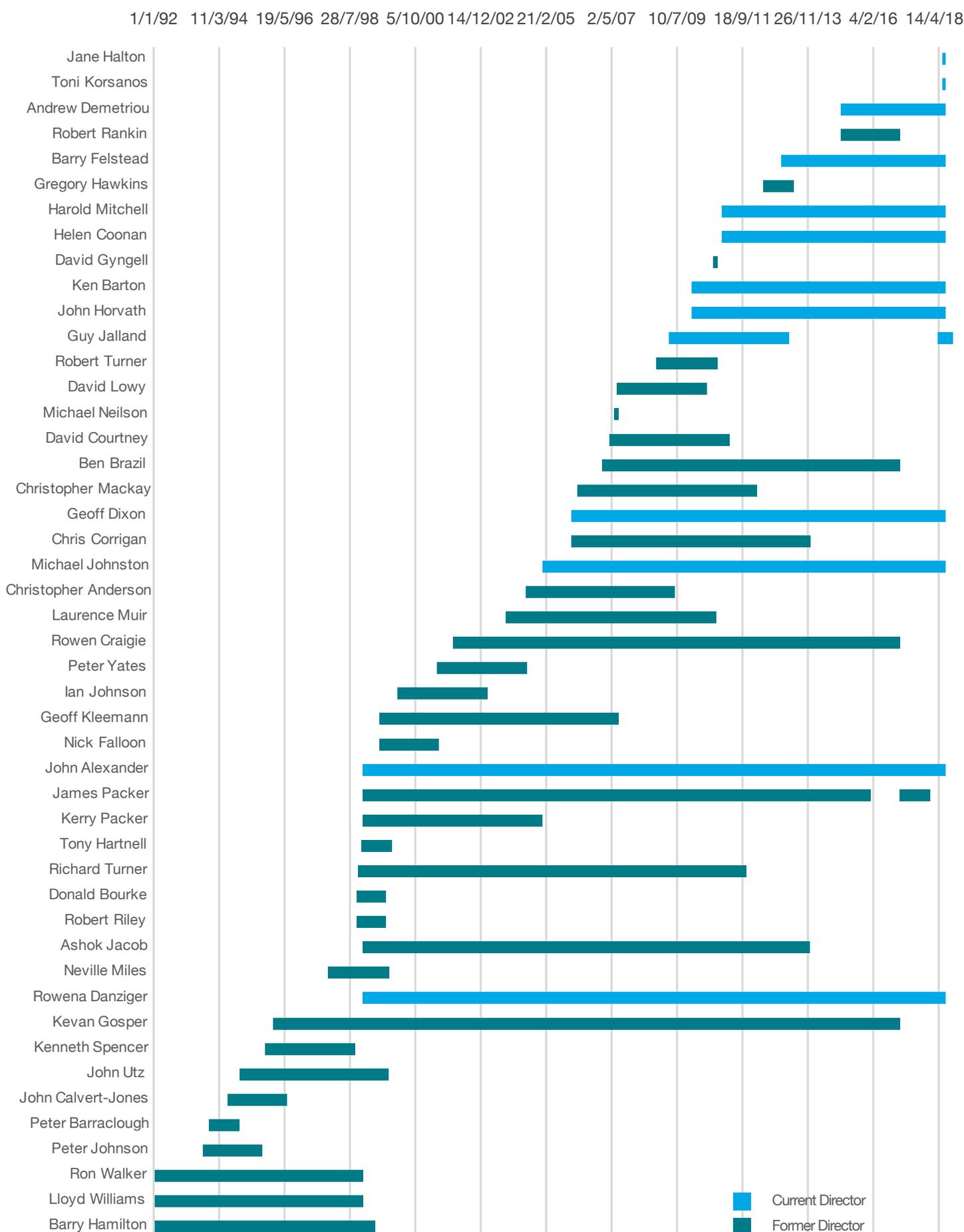


# Sixth Review of the Casino Operator and Licence June 2018



Crown Melbourne and parent company directors 1992–2018



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Sixth Review of the Casino Operator and Licence

# Preliminary

## Transmission letter

2 July 2018

The Hon. Marlene Kairouz MP  
Minister for Consumer Affairs, Gaming and Liquor Regulation  
Level 26, 121 Exhibition Street  
MELBOURNE VIC 3000

Dear Minister

On behalf of the Victorian Commission for Gambling and Liquor Regulation, I submit the report of the Sixth Review of the Melbourne Casino Operator and Licence, conducted in accordance with section 25 of the *Casino Control Act 1991*.

Yours sincerely



**Ross Kennedy PSM**  
Chair

# Glossary

**AML/CTF** Anti-Money Laundering/Counter-Terrorism Financing is a law enforcement issue within the responsibility of the Commonwealth and key agencies AUSTRAC, the Australian Criminal Intelligence Commission and the Australian Federal Police.

**ASIC** Australian Securities and Investments Commission, an Australian Government agency, is the registration body and regulator of corporations (public and private companies).

**ASX** Australian Stock Exchange Limited is the operator of the licensed securities exchange on which shares and other Crown Resorts securities are listed. ASX performs regulatory functions complementary to those of ASIC in relation to listed public companies.

**ASX Listing Rules** The ASX mandates certain actions by listed companies under its Listing Rules. The most significant for the purposes of this report are the continuous disclosure rules, which aim to keep the market fully informed about listed companies' prospects.

**ASX Governance Principles** This is a reference to principles set out in the third edition of the Corporate Governance Principles and Recommendations of the ASX Corporate Governance Council. These set out the generally accepted governance principles to which a listed

company should adhere to ensure good governance and robust decision making.

**AUSTRAC** The Australian Transaction Reports and Analysis Centre is the Commonwealth regulatory agency for AML/CTF.

**Casino Agreement** The Casino Agreement, executed on 21 September 1993, and varied eleven times since, promised the grant of the Melbourne Casino Licence in a particular form and set out temporary and ongoing contractual conditions of the grant. The present parties to the Casino Agreement are Crown Melbourne and the VCGLR.

**Casino Control Act** The *Casino Control Act 1991* (Act No. 47 of 1991) received Royal Assent on 25 June 1991. All original provisions were in operation by 27 May 1993. The most recent consolidation incorporates amendments as at 15 December 2017 in Authorised Version No. 094 and is available online at [legislation.vic.gov.au](http://legislation.vic.gov.au)

**Casino (Management Agreement) Act** The *Casino (Management Agreement) Act 1993* (Act No. 94 of 1993) received Royal Assent and came into operation on 16 November 1993. The most recent consolidation incorporates amendments as at 22 October 2014 in Authorised Version No. 042 and is available online at [legislation.vic.gov.au](http://legislation.vic.gov.au)

**Casino operator** This is the technical term used in the Casino Control Act to identify the holder of a casino licence.

**Commission-based play** To attract high roller business, casinos offer commissions and rebates, typically calculated by reference to turnover or net revenue or both. High roller business is typically volatile, as the most popular games have a lower margin (house edge) and the individual transactions are of higher value than in general gaming.

**CPH** Consolidated Press Holdings Pty Ltd ACN 008394509 was the original Packer family controlled company, and many of the Packer family entities have variations of this name. In this report, the term CPH is used to refer to those entities as a collective.

**Crown** This expression is used in the report where it is not necessary or helpful to distinguish between the parent company, Crown Resorts, and the casino operator, Crown Melbourne.

**Crown Melbourne** Crown Melbourne Limited ACN 006 973 262 is the holder of the Melbourne Casino Licence and the "casino operator" for the purposes of this review. It was initially an ASX listed company under the names Crown Casino Ltd and Crown Limited.

**Crown Resorts** Crown Resorts Limited ACN 125 709 953 is an ASX listed, Australian public company. It is Crown Melbourne's ultimate holding company. It was established (under the name "Crown Limited") to effect a demerger of media and gambling assets from PBL. It is an approved associate of the casino operator.

**EBIT** Earnings Before Interest and Tax, a common measure of business earnings ability which allows like-for-like comparison by removing distortions arising from the cost of capital structure and income tax expense.

**EBITDA** Earnings Before Interest, Tax, Depreciation and Amortisation, a common measure of business performance which allows like-for-like comparison by removing distortions arising from different approaches to capital raising.

**Exclusion Order** A legal order prohibiting a patron from entering the casino or casino complex. The Casino Control Act empowers the Chief Commissioner of Police, the casino operator and the VCGLR to exclude persons from entering or remaining in the casino.

**FATG** A fully-automated table game is a table game where bets are made and winnings are paid through a terminal, and the game event itself is randomly generated by an approved device.

**Fifth Casino Review** The Fifth Review of the Casino Licence and Operator, undertaken in 2013 by the VCGLR.

**Gambling Regulation Act** The *Gambling Regulation Act 2003* (Act No. 114 of 2003) received Royal Assent on 16 December 2003. With the exception of two transitional tax provisions, all original provisions were in operation by 1 July 2004. The most recent consolidation incorporates amendments as at 14 June 2018 in Authorised Version No. 076 and is available online at [legislation.vic.gov.au](http://legislation.vic.gov.au)

**High roller** A high roller is a person who gambles very large amounts of money in a casino. High rollers are sought after by casino and junket operators who offer them access to private gaming facilities, commission on gaming turnover and other incentives such as travel, accommodation, food and drink (known as commission-based play) to encourage them to gamble at their venue of choice.

**Internal Control Statement** The documented system of internal controls and administrative and accounting procedures for the Melbourne Casino approved by the VCGLR for the purposes of section 121 of the Casino Control Act.

**Junket** An arrangement whereby a person is, or a group of people are, introduced to a casino by a junket organiser or promoter who receives a commission based on the turnover of play in a casino attributable to the person introduced by the organiser or promoter or otherwise calculated by reference to such play.

**Liquor Control Reform Act** The *Liquor Control Reform Act 1998* (Act No. 94 of 1998) received Royal Assent on 24 November 1998 and was fully

in operation by 17 February 1999. The most recent consolidation incorporates amendments as at 1 April 2018 in Authorised Version No. 084 and is available online at [legislation.vic.gov.au](http://legislation.vic.gov.au)

**Management Agreement** The Management Agreement, executed on 20 September 1993 and varied ten times since, is the agreement ratified by Parliament (through the Casino (Management Agreement) Act) identifying the casino and setting out the Government's terms (including taxation). Section 15 of the Casino Control Act made the Management Agreement a condition precedent to the grant of the Melbourne Casino Licence. The present parties to the Management Agreement are Crown Melbourne and the Minister (on behalf of the State of Victoria).

**Melbourne Risk Committee** Crown Melbourne Risk Management Committee.

**Melco** Melco Resorts & Entertainment Limited (formerly Melco Crown Entertainment Limited until 9 May 2017) was the vehicle for the joint venture between Crown Asia Investments Pty Ltd and Melco Leisure and Entertainment Group Limited (in which Mr Lawrence Ho holds significant interests) for the development of casinos in Macau and the Philippines.

**Minister** The minister presently administering the Casino Control Act, and the successor to previous ministers, is the Minister for Consumer Affairs, Gaming and Liquor Regulation.

**Normalised** Because of the volatility of commission-based play, revenue items which include revenue from commission-based play (net profit after tax, EBITDA, etc.) are adjusted to remove variances between actual revenue and the theoretical win which would be expected from the activity generating the revenue. Normalising the revenue removes distortions caused by chance factors and thereby accurately reflects the performance of management.

**PBL** Publishing and Broadcasting Limited ACN 009 071 167 was, between 30 June 1999 and 10 December 2007, the ASX listed parent company of Crown Melbourne. The company continues as Consolidated Media Holdings Pty Ltd, a subsidiary of News Corporation.

**PwC** PricewaterhouseCoopers

**Review Period** This review looks at the period of five years from the Fifth Casino Review—that is, 1 July 2013 to 30 June 2018.

**Review Team** The VCGLR established a team to undertake investigations and related activities, under direction, to provide the evidence base for the formation of its opinion under section 25 of the Casino Control Act.

**RGLO** Responsible Gaming Liaison Officer

**RGSC** Responsible Gaming Support Centre

**RSA** Responsible Service of Alcohol

**RSA Officer** Responsible Service of Alcohol Officer

**SATG** A semi-automated table game is a table game where bets are made and winnings are paid through a terminal, but the game is conducted conventionally by a dealer.

**Transaction Documents** The Transaction Documents are the Management Agreement, the Casino Licence, the Casino Agreement and other enumerated documents setting out financial and quasi-regulatory obligations and privileges of the casino operator and its parent company.

**VCGLR** The Victorian Commission for Gambling and Liquor Regulation, a body established under the *Victorian Commission for Gambling and Liquor Regulation Act 2011* and constituted by five Governor in Council appointed commissioners, is the independent statutory authority that regulates Victoria's gambling and liquor industries. For the purposes of the Casino Control Act and this review, it is also the successor body to the Victorian Casino Control Authority, the Victorian Casino and Gaming Authority and the Victorian Commission for Gambling Regulation.

**VRGF** The Victorian Responsible Gambling Foundation, the body established under the Victorian Responsible Gambling Foundation Act 2011 and governed by a board comprising three members of the Parliament of Victoria elected jointly

by the Legislative Council and the Legislative Assembly, and up to eight members appointed by the Governor in Council, has the objectives to reduce the prevalence of problem gambling and the severity of harm related to gambling and to foster responsible gambling.

**WOL** At common law, the casino operator holds the right, as occupier, to withdraw a person's common law licence to enter or remain at the casino or the casino complex. This is known as a withdrawal of licence or "WOL".

# Executive summary

This is the report of the sixth periodic review of the Melbourne Casino Operator and Licence since the grant of that licence in 1994. It covers the period 1 July 2013 to 30 June 2018.

Periodic reviews are required by law. The VCGLR must investigate and form an opinion about:

- the casino operator's suitability
- its compliance with key gambling laws
- its compliance with a collection of transaction documents relating to the casino and the casino complex (which among other things require compliance with all applicable laws), and
- whether, by reference to the creation and maintenance of public confidence and trust in the credibility, integrity and stability of casino operations, it is in the public interest that the casino licence should continue in force.

The VCGLR has formed an opinion affirming each of these matters. In arriving at this opinion, the VCGLR has identified areas for improvement which are addressed by the recommendations of this review.

Periodic reviews impose a discipline on the regulatory regime under which the regulator undertakes a comprehensive and considered evaluation of the regulated entity. Undertaking this work in respect of an extended period of activity allows issues and themes to be identified. It allows the VCGLR, as the regulator, to challenge the status quo and reset the direction of regulatory engagement if necessary.

This report serves the purpose of a report card. However, it also presents the opportunity to offer guidance for the future and, if necessary, to sound cautionary notes.

The basis of the opinion is that the business of the Melbourne Casino is generally conducted in compliance with obligations under laws and the Transaction Documents, and the casino operator is generally compliant with its regulatory obligations. Crown Melbourne and its ASX listed parent company Crown Resorts Limited (Crown Resorts) are financially sound. The Melbourne Casino is operationally robust. The Melbourne Casino Complex is, as required, a high quality "international class" casino complex. Finally, Crown's executives and management are well experienced in the industry and in functions complementary to the operation of casinos.

Significant matters shown by the investigation have included:

- a change in strategic direction for Crown Resorts from one of international expansion to an approach focused on completing major capital projects in Melbourne and Sydney
- continued integration of management of the Melbourne Casino business into Crown Resorts
- increased community expectations of the way that Crown Melbourne will conduct its casino operations
- failures of governance and risk management, contributing to compliance slippages, and
- a lack of innovation and progress regarding Crown's approach to responsible gambling, such as might now be required of a world-leading operator to meet heightening community and regulatory expectations.

In respect of strategic direction, Crown Resorts made a decision in 2016 to focus on Australian resorts. This was a strategic change undertaken to ensure that it would meet its capital commitments to the One Queensbridge and Crown Sydney development projects without placing stress on its existing operations, including those of Crown Melbourne.

In respect of the management structure and integration with its parent, Crown's governance and risk arrangements are complex, with functions interwoven between Crown Melbourne and its parent, Crown Resorts. The extensive body of documentary records depicts a highly standardised approach, without showing the way complex or challenging matters are tested or debated. Nevertheless, key directors and senior executives believe that it is effective and appropriate. They explained that greater integration of Crown Melbourne governance into the Crown Resorts group reflected the importance of the Melbourne Casino business to the group. This integration also provided more resources to key governance and risk functions.

Relevant to governance and risk management are the failures demonstrated by three significant disciplinary actions, including two where the VCGLR imposed historically significant fines by way of disciplinary action. These incidents suggest that the risk and governance arrangements failed to prevent issues from occurring.

The disciplinary actions involved the unauthorised decommissioning of pre-commitment facilities on fully automated table games (FATGs), failure to properly document international commission-based play junkets and a gaming machine trial which involved modified gaming machines being operated without the required approvals. These matters could have been avoided if sufficient attention to the requirements of the regulatory regime had been paid.

Turning to responsible gambling, Crown aspires to be world leading in this area, as it does across its business. However its approach to this is essentially unchanged since the Fifth Casino Review. In the VCGLR's opinion and in an area where community and regulatory expectations are heightening rather than diminishing, Crown's approach to responsible gambling needs to continually improve, particularly in the use of technology, as some of its peers can now be said to be ahead of it in key aspects.

Crown's Responsible Gaming Support Centre model heavily focuses on voluntary exclusion of self-identified problem gamblers, but this work is undermined by soft perimeter control. Further, while the centre is open 24 hours a day/seven days a week, there are no quantified key performance measures for the centre, and outcomes for patrons are not systematically identified and factored in.

Where there has been change in responsible gambling practice, this has largely been driven by regulatory and other external pressure—such as with the use of player data analytics in support of intervention, which remains in a trial state five years after the VCGLR's recommendations in the Fifth Casino Review and ten years after being first raised with Crown.

This all sits in an environment of rising community expectations, acknowledged by Crown's leaders. Crown has started to address the community's responsible gambling expectations by engaging with key stakeholders on issues of transparency.

However, noting a regulator's role to sound cautionary notes, Crown will need to be innovative and proactive in effectively implementing harm minimisation strategies over the coming period, in light of changing and increasing regulatory and community expectations.

The required work is in three areas: responsible gambling, Crown's organisational approach to regulation and Crown's institutional governance. For this purpose, the VCGLR has included recommendations in this report directed to:

- a change program to fully engage the independent directors in proactive strategic oversight of the Melbourne Casino, including the option of elevating all functions to the Crown Resorts level, and related measures for enhancing governance
- reviews of internal controls and fostering a better understanding within Crown of the VCGLR's risk-based approach to regulation
- a new or refreshed responsible gambling strategy, with related reforms to exclusion of problem gamblers, staffing resources for responsible gambling and engagement of all staff in identification of people at risk of gambling related harms and rebranding of the responsible gambling program
- implementation of player data analytics, followed by an independent post-implementation assessment
- expansion of facial recognition technology to strengthen perimeter control

## Sixth Review of the Casino Operator and Licence

- enhancement of internal controls related to money laundering
- reforming the approval application process, with specific focus on responsible gambling issues being embedded in decision making and risks being identified and treated
- extended use of exclusion orders to deal with significant unacceptable conduct in the casino, and
- a mid-period post-implementation review conducted by Crown directors and VCGLR commissioners.

One matter which the VCGLR has excluded from consideration, in affirming each of the matters required by section 25 of the Casino Control Act, is the well-publicised detention of 19 Crown staff in China in October 2016. This is because the VCGLR's investigation into that matter, commenced in July 2017, remains incomplete due, in part, to continuing documentary disclosures by Crown, some as recent as June 2018. More detail is provided in Part 2.

In conclusion, the Commissioners wish to recognise the significant effort invested by VCGLR staff and consultants in the work of this review and to thank those participating from outside the VCGLR by making submissions or engaging with the review.

Finally, we note the cooperation of Crown's directors and staff in the conduct of this review.

# Conclusions

The legislative formula set out in section 25 of the Casino Control Act assumes that any issues identified through the review will align with:

- suitability
- compliance with key gambling laws
- compliance with the Transaction Documents (which includes compliance with all applicable laws), or
- whether, by reference to the creation and maintenance of public confidence and trust in the credibility, integrity and stability of casino operations, it is in the public interest that the casino licence should continue in force.

In reality, there is significant overlap between these compartments. While responsible gambling is the subject of specific provisions, in a broader sense the way the casino operator engages its vulnerable patrons must impact upon its suitability. Similarly, a failure to comply with game rules or to follow approved procedure not only reflects non-compliance with the Casino Control Act, but also impacts the credibility of gaming operations, which goes to the core of the public interest test. Added to this is that common themes may underpin issues arising under each of these compartments.

## Findings

### Suitability

Part 2 of this report explores the question of general suitability. As set out, Crown Melbourne has a satisfactory corporate structure, and it is financially sound. Its directors and executives have substantial experience in business and other relevant matters, especially the management and operation of a casino. No matters have emerged which would reflect negatively on Crown Melbourne or its

associates having regard to honesty, integrity or financial matters. Crown Melbourne's parent company has adopted a conservative capital management approach which will ensure that Crown Melbourne's operations are not financially stressed by the finance required to complete the Crown Sydney project and the One Queensbridge development adjacent to the Melbourne Casino Complex.

However, as explored in Part 2, there have been failings in governance and risk management. Three disciplinary actions taken in the review period raise questions as to how and why Crown's culture and practices allowed them to occur. The relative recency of the last disciplinary action means that this is a work in progress, but it is clear that Crown has taken decisive steps to address organisational weaknesses in regulatory compliance.

Crown Resorts has demonstrated commitment to improvement of its risk management and compliance effort by adding executive capacity at the group level across risk and audit, and regulatory and AML/CTF compliance.

The overall conclusion is that Crown Melbourne remains a suitable person to hold a casino licence.

### Legislated and transaction documents obligations

Part 3 of this report combines compliance with key gambling laws and compliance with the Transaction Documents (including compliance with all applicable laws). As set out, Crown Melbourne largely achieves compliance with a large number of obligations encompassing matters such as the level of borrowings in the Crown Resorts group, the maintenance of the Melbourne Casino Complex at an "international standard", its money laundering compliance, its Responsible Service of Alcohol (RSA) program, its workers' compensation arrangements, and finally its obligations for responsible gambling.

The Melbourne Casino Complex has been maintained at the required international standard, and Crown has complied with its financial covenants over the Review Period. In addition, Crown has responded well to the concerns recorded in the Fifth Casino Review regarding RSA and it has developed what appears to be a highly effective model for early engagement with its drinking patrons.

However, as noted in Part 3, the VCGLR asks whether Crown's responsible gambling effort is a contemporary approach, whether it is sufficiently outcome driven and its existing tools well used. In addition, examination of its money laundering compliance, which is primarily regulated by AUSTRAC, confirmed that improvement was called for during the Review Period.

Acknowledging these matters, the overall conclusion is that Crown Melbourne has achieved a satisfactory level of compliance with its legislated and Transaction Documents obligations.

## Credibility of casino operations

Part 4 of this report considers casino operations, and the question of whether the casino licence should continue in force, by reference to the creation and maintenance of public confidence and trust in the credibility, integrity and stability of those casino operations.

Crown Melbourne has demonstrated over an extended period its ability to manage and effectively run a successful casino. It has continued to provide table games and gaming machines to the public, for the most part operated in accordance with the approvals required by the VCGLR. Crown Melbourne has established processes and resources to monitor table games and gaming machines to ensure that the integrity of the games is not compromised.

Further, during the Review Period, Crown Melbourne has improved its security and surveillance capabilities and arrangements in response to contemporary developments to protect the public. Crown Melbourne works co-operatively with Victoria Police and other law enforcement agencies on security matters to optimise its response to potential security risks.

During the Review Period, the VCGLR communicated to Crown Melbourne the need to improve the quality of its submissions for change to games, game rules, gaming equipment and internal controls, so that the purpose of the change is understood by both the regulator and the casino operator. This is taken further in the recommendations.

Part 2 discusses the governance questions raised by incidents leading to disciplinary action for continuing to operate fully-automated table games (FATGs) knowingly in contravention of the rules, for non-compliance with junket internal control requirements and for varying the operation of 17 gaming machines without the VCGLR's approval. Part 4 raises the separate issue as to the impact of these matters on the credibility of casino operations because of what they say about compliance. The answer is that the fines and the follow-up action to address procedures should deal with both the breaches and the impact of those matters on the credibility of operations.

The overall conclusion is that Crown Melbourne's casino operations are satisfactory, having regard to the public interest in the creation and maintenance of public confidence and trust in the credibility, integrity and stability of those casino operations. However, consideration should be given to the identified areas for improvement.

## Areas for improvement

At the outset of the review, the VCGLR's enquiries were shaped by its assessment of the key regulatory risks driving oversight of the casino and casino operator. In particular, this involved considering:

- **governance**—how decision-making affecting the business of the Melbourne Casino takes proper account of risk, and
- **responsible gambling**—how Crown Melbourne manages the delivery of its product, in light of specific regulatory requirements directed at managing the potential for harm arising from gambling, and how the approach reflects Crown Melbourne's suitability generally.

Out of the examination of suitability, compliance with legislated and Transaction Documents obligations and the credibility of casino operations have emerged three areas for improvement.

One of these is responsible gambling. The others, both elements of governance, are Crown's organisational approach to regulation and its institutional governance.

If Crown is to maintain—or improve upon—the VCGLR's assessment of "satisfactory" in the coming five-year review period, serious effort will be required to address these areas and to implement the recommendations.

## Responsible gambling

Crown's directors and senior executives agreed that community expectations about responsible gambling will continue to rise over the coming five years.

Crown aspires to be world leading in responsible gambling. While it does meet the formal requirements of the regulatory regime, by its own account, almost all of its resource is dedicated to a 24 hour/seven-day Responsible Gaming Support Centre (RGSC) model. Generally one, and no more than two, dedicated officers are available in the casino at any time under this model. The VCGLR observed that much of those officers' time is taken with operation of the exclusion system.

The paradox of the exclusion system, and Crown's primary reliance on exclusion, is that it has been very easy for excluded persons to enter the casino during the Review Period due to soft perimeter control as discussed in Part 3.

The exclusion system and the operation of the RGSC have been largely unchanged during the Review Period, and their performance has not been assessed against outcome measures. While the VCGLR accepts the establishment of such measures is challenging, it is worth attempting.

Despite a policy in which staff are required to intervene when observable signs of problem gambling are detected, statistics provided to the VCGLR for the review indicate a relatively low level of activity and very little by way of referral from floor staff, who are the eyes and ears of the casino.

Innovation has come in the form of YourPlay pre-commitment (a legislated initiative), player data analytics trials (responding to a Fifth Casino Review recommendation) and facial recognition technology (in the final six months of the Review Period). The VCGLR notes that player data analytics is still in trial mode at Crown Melbourne, despite live systems being in operation elsewhere and despite the idea being raised with Crown 10 years ago.

Regarding facial recognition, a recent increase in detections of excluded persons is a positive sign. If this technology becomes truly effective, it will improve the viability of exclusion as a harm minimisation measure. However, at the time of writing, it is too early to tell.

The recommendations for the development and implementation of a new strategy for responsible gambling, for the reform of exclusion orders, for upgrading of facial recognition, and the implementation of real-time player analytics, combined with refreshing the responsible gambling code, will significantly lift Crown's responsible gambling performance. The recommendations include a role for the Victorian Responsible Gambling Foundation to provide independent advice informed by its research program and the operational intelligence it gains from its service delivery function.

## Organisational approach to regulation

Crown Melbourne is a successful and capable casino company, now with decades of experience of conducting a large and complex operation. However, Crown needs to continue to focus on the regulation of its principal business licence, the casino licence, as its organisational approach to regulation has involved some shortcomings in internal controls and processes, as evidenced by the disciplinary actions taken by the Commission, during the Review Period.

The disciplinary actions detailed in Part 2 raise specific concerns.

Crown withdrew pre-commitment facilities on FATGs in 2015, in conjunction with deploying the mandatory YourPlay scheme on its gaming machines. The provision of pre-commitment facilities is a requirement of the approved rules applying to FATGs. Crown did not seek VCGLR approval to amend the rules to withdraw the facility and chose not to remove the FATGs from operation to remedy the situation.

- Crown failed to accurately record junket details in the manner required by internal control statements. It argued that recording this information elsewhere was sufficient. This approach was contrary to the expectations of the Commission and the internal control statement.
- Concerning the use of unapproved gaming machine types and games in the “blinking buttons” trial, the VCGLR found that the relevant staff did not give consideration to the need to consult or obtain advice (either within Crown or from the VCGLR) about the legality of the trial.

Further, in a matter which has already been addressed by the VCGLR, Crown’s practice in making submissions for changes to rules and controls does not appropriately address the decision-making needs of the regulator.

The VCGLR’s risk-based regulatory approach requires there to be trust in the casino operator providing assurance as to how it will conduct itself. The current regulatory model is significantly less prescriptive than at earlier stages in the history of the Melbourne Casino, and with that comes the obligation upon the casino operator to understand the community’s regulatory expectations and deliver against them.

The recommendations for a change program to fully engage the independent directors and to undertake a robust review of relevant internal controls will support this. The recommendation to conduct round table sessions for key internal staff will cement an organisational understanding of the implications for their own compliance in the context of the VCGLR taking a risk-based approach.

## Institutional governance

Crown has a complex set of institutional governance arrangements, which can be seen to operate in a highly process-driven way. Despite the directors’ and senior

executives’ belief that processes work well, it was evident during the Review Period that there were shortcomings in internal controls and Crown’s approach to regulation.

In particular, the disciplinary action concerning the use of unapproved gaming machine types demonstrated that changes of regulatory significance could be made without the awareness of directors and senior executives.

The VCGLR was satisfied that Crown’s institutional governance arrangements operate to ensure that Mr James Packer’s 46 per cent controlling interest in Crown Resorts is appropriately exercised. Management of this matter will require the ongoing engagement of the Chairman and the independent directors.

It is possible that enhancements to the resourcing of the management of risk and compliance and the deployment of a new risk management system have already gone part-way to addressing these concerns.

Nonetheless, the recommendations for enlivening the governance functions, including through the implementation of a charter for the Crown Melbourne board and ensuring that committee chairs are properly qualified, and for assessing the robustness of the risk framework and the development of a risk appetite with appropriate monitoring will improve the institutional governance of the company consistent with the maintenance of suitability.

## Formal statement

Following the VCGLR’s investigations and for the reasons set out in this report, the VCGLR has formed the opinion that:

- (a) the casino operator, Crown Melbourne Limited, remains a suitable person to hold a casino licence
- (b) the casino operator, Crown Melbourne Limited, is complying with the *Casino Control Act 1991*, the *Casino (Management Agreement) Act 1993*, the *Gambling Regulation Act 2003* and the regulations made under any of those Acts
- (c) the casino operator, Crown Melbourne Limited is complying with:
  - (i) the Transaction Documents, and

- (ii) any other agreements between the Melbourne Casino Operator and the State, or a body representing the State, that impose obligations on the casino operator in relation to gaming, and

(d) it is in the public interest that the casino licence should continue in force, having regard to the creation and maintenance of public confidence and trust in the credibility, integrity and stability of casino operations.

## Recommendations

### Corporate governance and risk

**Recommendation 1** see Part 2, page 67

The VCGLR recommends that, by 1 January 2019, Crown develop, and submit to the VCGLR for approval, a change program to fully engage its independent directors in proactive strategic oversight of the operations of the Melbourne Casino. Particular consideration should be given to:

- formulating a charter for the Crown Melbourne board
- fully documenting, for visibility to the VCGLR, the reporting and decision-making relationships between all of the boards, committees and executive meetings with responsibility for, or oversight of, Melbourne Casino functions, and
- elevation of governance to the group board and committees.

The submission should identify any changes to regulatory frameworks and how these will be addressed.

**Recommendation 2** see Part 2, page 67

The VCGLR recommends that, by 1 January 2019, Crown undertake a review of the required qualifications for committee chairs set out in the charters, and ensure that the appointees' actual qualifications match.

**Recommendation 3** see Part 2, page 67

The VCGLR recommends that, by 1 July 2019, Crown assess the robustness and effectiveness of its risk framework and systems, including reporting lines in the chain of command, and upgrade them where required. This assessment should be assisted by external advice.

### Regulatory compliance

**Recommendation 4** see Part 2, page 74

The VCGLR recommends that, by 1 July 2019, Crown undertake a robust review of internal controls to ensure that Crown's regulatory and compliance department is aware of all projects and works in progress for which regulatory approvals might be relevant.

**Recommendation 5** see Part 2, page 74

The VCGLR recommends that Crown convene annual round table sessions briefing key internal staff on the VCGLR's risk-based approach to regulation, with a particular focus on how that approach relies on the integrity of Crown's internal processes.

### Responsible gambling

**Recommendation 6** see Part 3, page 95

The VCGLR recommends that, by 1 January 2020, Crown Melbourne review its allocation of staffing resources to increase the number of work hours actually available to responsible gambling and intervention with patrons. This might be achieved by training more gaming staff to undertake assessments and then approach patrons identified as at risk, without the need to contact a RGLO. However, this will only be effective if those staff have sufficient time aside from their gaming duties.

**Recommendation 7** see Part 3, page 95

The VCGLR recommends that Crown Melbourne use observable signs in conjunction with other harm minimisation measures such as data analytics to identify patrons at risk of being harmed from gambling.

**Recommendation 8** see Part 3, page 105

The VCGLR recommends that Crown Melbourne proceed with development and implementation of comprehensive data analytics tools for all patrons, to proactively identify for intervention patrons at risk of harm from gambling. These tools would utilise both historical data (with parameters developed from the second player model), and real-time monitoring of play periods. Crown Melbourne should look to models in other jurisdictions, and consult with external data analytics experts, with a view to implementing world-class, proactive approaches with real-time (or near-real time) operational effectiveness. In particular:

(a) for carded play (that is, player activity which can be systematically tracked), Crown Melbourne will have in operation a comprehensive real-time player data analytics tool by 1 January 2020, and

(b) for un-carded play (that is, all other player activity), Crown Melbourne will, by 1 January 2019, commence a comprehensive study of all the practical options for a real time player data analytics tool, with a view to reporting in detail (including legal, technical and methodological issues) to the VCGLR by 1 January 2020 and the tool being in operation by 1 July 2022.

**Recommendation 9** see Part 3, page 105

The VCGLR recommends that Crown Melbourne arrange, at its expense, for an independent assessment of the real-time player data analytics tool for carded play (see Recommendation 8(a)), to be completed 12 months after implementation of the tool. The independent assessment is to be undertaken by a person approved by the VCGLR, after consultation with Crown.

**Recommendation 10** see Part 3, page 111

The VCGLR recommends that, by 1 July 2019, Crown Melbourne undertake a comprehensive review of its policy for the making and revocation of voluntary exclusion orders under section 72(2A) of the Casino Control Act. The comprehensive review should be undertaken in conjunction with the VCGLR, VRGF and other relevant external stakeholders. The review should be undertaken with a view to implementing policies that facilitate:

- Crown Melbourne issuing short term exclusion orders for three, six, 12 or 24 months under section 72 of the Casino Control Act, considering the specific circumstances of the person and their preferred time period for exclusion, and conditional on the person undertaking to comply with the order and with other matters (such as obtaining treatment), and
- Crown Melbourne reviewing voluntary exclusion orders which are more than 10 years old to consider whether the continued operation of these orders serves a useful purpose, with a view to retaining only those orders that are beneficial to the persons who are subject to them, and can be adequately enforced. The VCGLR further recommends that the review of such orders occurs in an orderly manner between 1 July 2019 and 30 June 2020.

**Recommendation 11** see Part 3, page 113

The VCGLR recommends that, by 1 July 2019, Crown Melbourne develop and implement a policy and procedure to facilitate Crown Melbourne issuing involuntary exclusion orders under section 72(1) of the Casino Control Act at the request of family members and friends in appropriate cases. The policy and procedure should be developed in conjunction with the VCGLR, VRGF and other external stakeholders. Crown Melbourne should include information about this option in all its responsible gambling publications, website and regularly provide information to relevant stakeholders, such as Gambler's Help and other similar organisations, about this option.

**Recommendation 12** see Part 3, page 125

The VCGLR recommends that, by 1 July 2019, Crown Melbourne expand facial recognition technology to cameras on all entrances to the casino and that Crown Melbourne provide written updates on a quarterly basis on its effectiveness to the VCGLR.

**Recommendation 13** see Part 3, page 118

The VCGLR recommends that, as part of developing a new responsible gambling strategy, by 1 July 2019, Crown Melbourne rebrand or refresh its responsible gambling messaging and publish new responsible gambling messages throughout the casino, in all Crown Melbourne publications, including online and social media platforms.

**Recommendation 14** see Part 3, page 122

The VCGLR recommends that, by 1 July 2019, Crown Melbourne develop and implement a responsible gambling strategy focusing on the minimisation of gambling related harm to persons attending the casino. The strategy should address:

- early proactive intervention initiatives
- player data analytics
- proactive engagement with pre-commitment
- intervening with local players with continuous play based on shorter timeframes which are more reflective of responsible gambling
- the role of all staff in minimising harm
- the effective use and monitoring of exclusion orders
- internal reporting arrangements
- integrating responsible gambling into proposals for trialling or introduction of new products and equipment
- performance measures to assess the performance of the RGLOs, RGSC and casino staff in relation to harm minimisation
- the roles of the Crown Resorts Responsible Gaming Committee and the Responsible Gambling Management Committee in driving harm prevention strategies based on world's best practice
- the objectives of the RGSC in relation to minimising harm to patrons, and

- the responsible service of gaming as a fundamental core business consideration when making strategic decisions regarding casino operations.

**Recommendation 15** see Part 3, page 123

The VCGLR recommends that, within three months of implementing the new responsible gambling strategy (Recommendation 14), there is regular reporting to the Crown Resorts Responsible Gaming Committee for it to maintain oversight of Crown Melbourne's harm minimisation strategy for responsible gambling. Regular reports every two months should include numbers and types of interventions and other harm minimisation activities of RGSC and other staff, details of the number and nature of referrals to external service providers, exclusion orders, breaches, revocation and appeals, as well as results from player data analytics and other initiatives to minimise gambling related harm. These reports should also be made available to the VCGLR for monitoring purposes. (The VCGLR intends to share this information, as appropriate, with the VRGF).

**Recommendation 16** see Part 3, page 123

The VCGLR recommends that within three months of implementing the strategy, a charter is developed for the Crown Melbourne Responsible Gaming Management Committee (staff committee) which includes reference to the role and responsibility of driving a harm minimisation culture.

## Money laundering

**Recommendation 17** see Part 3, page 138

The VCGLR recommends that, by 1 July 2019, Crown undertake a robust review (with external assistance) of relevant internal control statements, including input from AUSTRAC, to ensure that anti-money laundering risks are appropriately addressed.

## Applications for approvals

**Recommendation 18** see Part 4, page 149

The VCGLR recommends, in all future submissions by Crown Melbourne to the VCGLR for approvals under the Casino Control Act or Gambling Regulation Act, that Crown document:

- the purpose
- obligations under relevant provisions of legislation, the Transaction Documents, and existing approvals
- what changes the grant of the approval would make to products, rules and procedures, etc.
- risks associated with the approval and how they will be treated
- how responsible gambling considerations have been taken into account in the process and the measures Crown will implement to mitigate the risk of gambling related harm, and
- which areas of Crown will be responsible for managing implementation.

## Integrity exclusion orders

**Recommendation 19** see Part 4, page 158

The VCGLR recommends that, by 1 July 2019, Crown Melbourne implement a policy to make an exclusion order under section 72 of the Casino Control Act in appropriate cases where a person has engaged in significant unacceptable conduct in the casino or is the subject of serious criminal charges.

## Review of implementation of recommendations

**Recommendation 20**

The VCGLR recommends that, between November 2019 and March 2020, VCGLR Commissioners and directors of the Crown Resorts board meet to review the implementation of the recommendations set out in this report.

# Part 1—Introductory

## The periodic review requirement

### Section 25 of the Casino Control Act

Periodic reviews of the casino operator and licence are a feature of the legislation authorising the establishment and operation of casinos in Victoria. This review is the sixth since the licence for the Melbourne Casino was granted. The five previous casino reviews were conducted in 2013, 2008, 2003, 2000 and 1997. The due date for its completion is 30 June 2018, five years from the completion of the preceding review.

The provision governing periodic reviews is section 25 of the Casino Control Act which has, since 25 August 2005, read:

**25 Regular investigations of casino operator's suitability etc.**

- (1) Not later than 3 years after the commencement of operations in a casino, and thereafter at intervals not exceeding 5 years, the Commission must investigate and form an opinion as to each of the following matters—
  - (a) whether or not the casino operator is a suitable person to continue to hold the casino licence;
  - (b) whether or not the casino operator is complying with this Act, the **Casino (Management Agreement) Act 1993**, the **Gambling Regulation Act 2003** and the regulations made under any of those Acts;
  - (c) in the case of the Melbourne Casino Operator, whether or not the casino operator is complying with—
    - (i) the transaction documents; and

(ii) any other agreements between the Melbourne Casino Operator and the State, or a body representing the State, that impose obligations on the casino operator in relation to gaming;

- (d) whether or not it is in the public interest that the casino licence should continue in force.

(1A) In subsection (1)—

**Melbourne Casino Operator** has the same meaning as in the **Casino (Management Agreement) Act 1993**;

**transaction documents** means Transaction Document as defined in the Agreement within the meaning of the **Casino (Management Agreement) Act 1993**.

- (2) The Commission must report its findings and opinion to the Minister, giving reasons for its opinion and must take whatever action it considers appropriate in the light of its findings.

Relevant to section 25(1)(d), the Casino Control Act defines **public interest** by reference to the creation and maintenance of public confidence and trust in the credibility, integrity and stability of casino operations (as set out in section 3(1)).

Prior to 28 August 2005, the section required reviews to be undertaken every three years and the matters to be considered did not specifically include those set out in sections 25(1)(b) and (c)—legislated and transaction document obligations—although these matters had previously been considered under the general heading of suitability.

One other Australian jurisdiction, New South Wales, mandates periodic licence reviews by the regulator in very similar terms. Other jurisdictions provide for ad hoc reviews. While the regulatory regime of Singapore (expressly benchmarked for the purposes of this review) does not specifically mandate a periodic review, its two casinos operate under three-year renewable licences, meaning that a very similar outcome is achieved.

The New South Wales Government recently considered its policy position on periodic reviews, as part of a process of alignment of the regulatory regimes for the present Sydney Casino and a new restricted gaming facility licensed to commence operations from 2019 (Crown Sydney).

Those considerations canvassed the role of a review and a particular paradox associated with the activity: that, if such a review could conclude that the casino operator was no longer suitable, that same state of affairs would already have been apparent to the regulator and a licence removal process would have been initiated. Noting this paradox, and the fact that the most recent review of the present Sydney Casino licence had been completed in 2016, the NSW Government determined that the periodic review requirement should remain in place at least until the first review following the opening of Crown Sydney.

To the VCGLR, this review has presented the opportunity to assess and reflect, overall, on the casino operator's past and ongoing conduct of the licensed business, with the benefit of input from stakeholders and comparison with other jurisdictions, and with the transparency arising from the obligation to report to the responsible Minister.

## Recommendations of the Fifth Casino Review

The report of the Fifth Casino Review was provided to the Minister (then the Minister for Liquor and Gaming Regulation) on 30 June 2013. The VCGLR concluded that the casino operator remained suitable, that it was complying with its obligations under the Casino Control Act, other laws and the Transaction Documents and that it was in the public interest (by reference to the credibility, integrity and stability of casino operations) that the casino licence should continue in force.

The Fifth Casino Review made 10 recommendations and other comments regarding the operations of Crown Melbourne and the Melbourne Casino. The recommendations have been acquitted as follows.

### Suitability

*1. The VCGLR is of the view that Crown Melbourne Limited should be adhering to the best practice recommendations of the Institute of Internal Auditors and as such, recommends that the General Manager, Risk & Assurance report directly to the CEO of Crown Melbourne Limited.*

Crown has updated its organisational chart to indicate that the relevant General Manager now reports directly to the CEO Australian Resorts. The position also reports to the Audit Committee.

*2. To ensure it is adhering with its Charter and the best practice recommendations of the Institute of Internal Auditors, the VCGLR recommends that the Crown Melbourne Audit Committee:*

- *conduct a review of the independence of the internal audit function*
- *conduct an independent quality assessment of the internal audit function, and*
- *provide the results of each assessment to the VCGLR within 6 months of this report.*

Crown has provided minutes from the Audit Committee indicating that it had conducted a review of the internal audit function. An external consultant conducted an independent quality assessment of the internal audit function in May 2014. The casino operator has further introduced a charter for the Internal Audit Department as well as a formal policies and procedures document.

*3. Given the consistently high non-audit fees paid by Crown Limited to its external auditor and in order to fully comply with its Charter, the VCGLR recommends that the Crown (Resorts) Audit & Corporate Governance Committee perform a comprehensive assessment of the independence of*

*its external auditor on a periodic basis and provide the results of each assessment to the Crown Limited Board and the VCGLR. The first assessment should be completed and provided to the VCGLR within 6 months of this report.*

Crown has provided minutes of the Crown Resorts Audit & Corporate Governance Committee evidencing the required assessment. Client legal privilege was claimed in respect of a review commissioned following the assessment.

## Compliance

*4. The VCGLR has found that the board-level oversight and management of responsible gambling issues at the Melbourne Casino are the responsibility of Crown (Resorts) Limited, not Crown Melbourne Limited. While there is a mechanism for the transfer of information and decisions between the two through exception reporting and common directors, there is no formal consideration of responsible gambling issues by the Crown Melbourne Limited Board at its meetings. To strengthen the oversight and implementation of responsible gambling practices at the Melbourne Casino, the VCGLR recommends that within the next 12 months, Crown Melbourne Limited establish a formal mechanism to regularly consider, and deal with, responsible gambling issues and obligations at the Melbourne Casino.*

In 2013, responsible gaming became a standing agenda item for Crown Melbourne board meetings. The minutes of the Responsible Gaming Committee are now circulated to the Crown Melbourne board.

*5. To assess the effectiveness of the use of player data in relation to intensity, duration and frequency of play as a tool to assist in identifying potential problem gamblers, the VCGLR recommends that:*

- within 18 months, Crown Melbourne Limited trial for a reasonable period the use of player data analysis as an initial indicator to identify players who may be having problems with their gambling*

- the Crown Melbourne Limited Board and Crown Limited's Responsible Gaming Committee consider the effectiveness of the trial, and*
- Crown Melbourne Limited provide a copy of the report on the outcome of the trial to the VCGLR within 3 months of the report being considered by Crown Limited's Responsible Gaming Committee and the Crown Melbourne Limited Board.*

Crown developed an in-house player analytics model. In February 2016, Crown provided a paper and presentation on this model to the VCGLR. The VCGLR determined that further work was required on the potential use of player data for identification of problem gamblers. In November 2017, the casino operator provided limited details to the VCGLR of a second player data analytics model that it had developed using more targeted data.

*6. The VCGLR is concerned that the casino operator may not be effectively preventing persons subject to exclusion orders from entering the VIP gaming areas in the Melbourne Casino. The VCGLR recommends that as part of a review of its entrance procedures to VIP gaming areas, Crown Melbourne Limited develops and implements a management plan for detecting excluded people attempting to gain entry to the VIP gaming areas. A copy of the plan should be provided to the VCGLR within 12 months of this report.*

A copy of the management plan was provided to the VCGLR in May 2015. Crown has installed identification processes at the entrance to the Teak and Mahogany Rooms. Patrons are required to provide their loyalty cards to swipe through the computer to verify against the casino operator's electronic records whether they are excluded persons.

7. *To assist in mitigating the risk of people who have self-excluded from other venues developing problems at the Melbourne Casino, and to assist in preventing people subject to interstate exclusion orders from entering the Melbourne Casino, the VCGLR recommends that Crown Melbourne Limited:*

- *request prospective Signature Club members to disclose if they are, or ever have been, subject to any type of exclusion order in any Australian jurisdiction, other than at the Melbourne Casino, and*
- *consider whether it is appropriate for prospective Signature Club members who disclose they have been subject to an exclusion order to join the Signature Club and if any further actions should be taken.*

The VCGLR confirmed that new forms for prospective Crown Signature Club members have been issued post January 2014, and the format and content of the new forms have been verified by the VCGLR.

8. *In order to strengthen its processes for detecting excluded people attempting to gain entry to the VIP gaming areas of the casino, the VCGLR recommends that:*

- *within 12 months of this report Crown Melbourne Limited commences a trial of facial recognition technology to improve the detection of excluded persons attempting to enter, or remaining in, the VIP gaming areas of the Melbourne Casino, and*
- *the Crown Melbourne Limited Board consider a report on the outcomes of the trial and provide a copy of that report to the VCGLR.*

In January 2013, Crown Melbourne commenced a trial of facial recognition technology. It provided a report of its findings to the VCGLR in October 2014. The report concluded that the facial recognition technology identified multiple targets at once, including false positives, resulting in staffing and logistic issues particularly during busy periods, and was labour intensive to operate in a live environment. Crown indicated that its preferred solution

was to require members to use the membership swiping system. Up until the end of 2017, Crown continued to trial facial recognition. In January 2018, Crown introduced facial recognition technology at select casino entries and gaming areas.

9. *The VCGLR considers that Crown Melbourne Limited's processes and procedures for dealing with revocations of self-exclusion orders are generally sound. However, to provide additional support for people who have had their self-exclusion orders revoked, the VCGLR recommends that Crown Melbourne Limited:*

- *ensure that no advertising or other promotional material is sent to a person who has previously been the subject of a self-exclusion order for an appropriate period*
- *formalise the Responsible Gaming Support Centre's recently commenced process of contacting people around three months after their self-exclusion order has been revoked, and*
- *continue to monitor research and, where appropriate, amend its processes to reflect the latest information on managing resumption of gambling after a self-exclusion order has been revoked.*

Crown Melbourne advised that it has put additional measures in place regarding self-excluded persons who have had their exclusions revoked, including restricting advertising material until the exclusion has been revoked for 3 months. Further, a person whose order has been revoked can choose to be contacted by a Responsible Gambling Liaison Officer after 3 months of revocation to discuss any questions or other matters they may have following their gambling resumption.

## Melbourne Casino operations

*10. To improve player access to game rules at the Melbourne Casino, Crown Melbourne Limited should increase the availability of game rules and improve the communication of important aspects of variations to well-known casino games at gaming tables. Crown Melbourne Limited should also, if feasible, make the game rules available on the mobile version of its website.*

Crown Melbourne introduced QR codes at gaming tables to enable patrons to access game rules on their mobile phones. The VCGLR audited and verified the implementation of this in early 2014.

## Fifth Review excluded matters

Matters excluded from the Fifth Casino Review as they were ongoing investigations at the time have all been acquitted. They are as follows:

*An incident involving Melbourne Casino security officers and three patrons who were removed from the Melbourne Casino Complex in July 2011. One of the patrons, Anthony Dunning, died four days after his removal.*

The VCGLR took disciplinary action against six Crown security officers. It suspended the casino special employee's licences of two officers from 14 October 2011 to 31 January 2013. In late 2013–early 2014, the VCGLR cancelled the licences of four other Crown security officers.

A coronial inquest in 2014 found the changes implemented by Crown after the incident to be satisfactory in relation to training and security incident management. Further details are provided in the Security and surveillance section at page 152.

*Employees of a subsidiary of Melco which operates the Melco Taiwan sales office were contacted by the Taiwan prosecutor's office in January 2013 concerning Taiwanese banking laws.*

In October 2015, Melco subsidiary MCE International and four current and former employees were acquitted of violating Taiwanese banking and currency exchange

laws. The Taipei branch of MCE International Limited and its employees were found not guilty of violating Taiwan's Banking Law and foreign exchange regulations by the Taipei District Court.

*Civil proceedings brought in the District Court of Clark County in Nevada against Crown Resorts and others alleging that information was fraudulently concealed from lenders on the Las Vegas Fontainebleau project.*

On 11 June 2014, Crown Resorts announced that it had reached a settlement with the plaintiffs in the law suit in the Nevada District Court by a group of lenders to the Fontainebleau Las Vegas project. As a result of the settlement, the proceeding was dismissed as against the Crown defendants.

*Proceedings brought on behalf of One.Tel Limited (in liquidation) and its special purpose liquidator against former directors, including Mr James Packer, concerning the resolution to not proceed with a proposed \$132 million rights issue.*

In April 2014, financial media reported that the 13-year long One.Tel dispute had been resolved with a \$40 million settlement. Crown Resorts and CPH paid \$26.7 million for its share to the special purpose liquidator.

*An incident reported in 2013, in which a VIP player was suspected of colluding with an employee to manipulate a game to increase his winnings at the Melbourne Casino.*

The 2013 alleged collusion fraud was referred to Victoria Police. The involvement of Victoria Police was later withdrawn on the basis that Crown was able to recover the stolen funds. Internal controls were revised following the incident.

*Possible Crown Resorts investment in Colombo, Sri Lanka.*

In January 2015, financial media reported that Crown Resorts did not proceed with a proposed plan to develop a \$400 million Casino Complex after Sri Lanka's new government implemented a policy to ban new gaming developments.

## Work plan explained

The VCGLR commenced this sixth review of the Melbourne Casino Operator and Licence, for the purposes of section 25 of the Casino Control Act, in June 2017.

### Governance and probity

A separate review team, led by an executive level director, was established within the VCGLR to conduct the investigations required for the formation of the VCGLR's opinions and reasons. The Review Team reported to a Steering Committee of VCGLR executives led by the Chief Executive Officer, and then on to the Commission.

Anne Dalton & Associates, a firm listed on the Victorian Government Probity Practitioners Panel, was appointed as probity adviser to the Sixth Casino Review. A probity plan developed by the VCGLR was approved by Anne Dalton & Associates. The probity plan focused on ensuring confidentiality of sensitive information and managing any potential conflicts of interest.

Advice was sought during the review as required. Anne Dalton & Associates periodically reviewed compliance with the probity plan.

A report from Anne Dalton & Associates is at Appendix 6.

### Methodology and risk focus

The VCGLR used the four elements of section 25(1) of the Casino Control Act to develop an investigation plan for the Sixth Casino Review. Investigations were designed to leverage off the VCGLR's ongoing regulation of the Melbourne Casino since 2013 and focus on matters central to the purposes and objects of Victoria's gambling legislation.

While the review under section 25 of the Casino Control Act is largely a compliance review, the VCGLR's investigations for the Sixth Casino Review have been shaped by its assessment of the key regulatory risks in its oversight of the casino and casino operator.

In particular, this involved considering:

- **governance**—how decision-making affecting the business of the Melbourne Casino takes proper account of risk, and
- **responsible gambling**—how Crown Melbourne manages the delivery of its product, in light of specific regulatory requirements directed at managing the potential for harm arising from gambling, and how the approach reflects Crown Melbourne's suitability generally.

The VCGLR examined its own internal databases, records and intelligence, as well as external databases, reports and websites. Media searches in relation to Crown Melbourne and its associates were undertaken and reviewed.

Throughout the investigations, documents and information were obtained from Crown Melbourne and its associates (in particular, Crown Resorts). The VCGLR requested, and Crown provided, an attestation statement outlining its compliance with statutory instruments and the Transaction Documents. Crown Melbourne also provided presentations to the Review Team on key issues. The Review Team visited the Melbourne Casino Complex multiple times, including for interviews and presentations, to inspect VIP gaming areas and surveillance facilities, and to generally familiarise themselves with the premises.

During the course of the review, the VCGLR requested a range of information regarding the operations of the Melbourne Casino under section 26 of the Casino Control Act. Crown generally complied with requests for access to information, documents, presentations, and access to senior executives and staff, in a timely manner. Crown provided direct responses to specific requests for information and also provided substantial documentary materials, when requested, for the purposes of the review. Crown redacted information in a relatively small number of documents on the basis of client legal privilege and withheld access to one class of documents on the basis that the documents contained sensitive information regarding casino patrons.

Consultation was undertaken with relevant stakeholders, including other regulators, law enforcement agencies, other government agencies and community groups. The Review

Team also visited Singapore as part of its investigations, to consult with regulators and responsible gambling policy officials, and to investigate leading casino operations, processes and practices.

These visits and consultations informed the VCGLR's assessment of the risks to the Melbourne Casino and the casino market in general.

A full list of stakeholder consultation is at Appendix 7.

In October 2017, PricewaterhouseCoopers (PwC) was engaged as the financial adviser to the Sixth Casino Review under the Victorian Government Commercial and Financial Advisory Services Panel. PwC assisted the VCGLR in its consideration of the financial stability and management ability of Crown Melbourne and its associates, as well as of the financial aspects of some of the casino operator's contractual obligations to the State of Victoria and the VCGLR.

PwC was also engaged as a Risk Systems Adviser for the purposes of the Sixth Casino Review to consider Crown Melbourne's Enterprise Risk Management framework and its risk mechanisms. This was a targeted and focused time-limited exercise.

As investigations were concluding, Crown Melbourne was given a copy of the findings, analysis and recommendations of the Sixth Casino Review to afford procedural fairness and to ensure the factual accuracy of the report. Crown Melbourne was informed that its response might form part of the report and might ultimately be made public. A copy of the response from Crown Melbourne is at Appendix 8.

### **Webpage and public submission process**

In July 2017, a webpage was established on the VCGLR website ([vcglr.vic.gov.au](http://vcglr.vic.gov.au)) where relevant information and documents about the Sixth Casino Review were posted. This webpage was maintained and updated throughout the Sixth Casino Review.

On 7 August 2017, the public was invited to make submissions to the Sixth Casino Review by 21 September 2017. Details of the submission process were placed

on the VCGLR website, sent directly to community stakeholders, and advertisements were placed in *The Age*, *The Australian*, and the *Australian Financial Review*.

In response, the VCGLR received five written submissions, including a submission from Crown Melbourne, and three verbal submissions (minuted meetings).

### **Submissions to the review**

#### ***Crown submission***

On 21 September 2017, Crown Melbourne made an 86-page submission to the VCGLR for the purposes of the Sixth Casino Licence review. The submission addressed all the elements of section 25 of the Casino Control Act and submitted that Crown Melbourne satisfied the requirements of section 25, having met or exceeded its obligations. The submission provided information regarding the following subjects: contribution to Victoria; commitment to training and diversity; commitment to an international class operation; delivery of responsible service of gaming; probity; compliance and the responsible service of alcohol. The submission also included additional data as to the various excellence awards conferred on Crown Melbourne and a summary of the various technological developments implemented by Crown Melbourne since 2013.

#### ***Other stakeholders' submissions***

The VCGLR received submissions from interested stakeholders. A summary of the submissions is included in Appendix 1. The VCGLR took these submissions into consideration when assessing the key issues during the review process and the submissions informed the VCGLR in the process of making recommendations. However, the VCGLR did not consider it was necessary or appropriate to respond specifically to every matter raised in the submissions.

Overall, the primary focus of those submissions received by the VCGLR was on minimising harm experienced by problem gamblers, their families and communities due to gambling at the casino. Many of the stakeholders considered that Crown Melbourne could improve its performance in meeting its responsible gambling obligations. The stakeholders identified common concerns

relating to marketing, the limitations of the voluntary exclusion process, the perceived lack of take up of the YourPlay pre-commitment scheme, the operation of the loyalty scheme promoted by Crown Melbourne, the accessibility to relevant information for persons from a non-English speaking background, the lack of intervention and assistance for problem gamblers, and the interaction between criminal activity and problem gambling. Further, a number expressed concern that there was no objective material to verify that the responsible gambling measures that were implemented by Crown Melbourne were effective in assisting problem gamblers and minimising the risk of harm more generally. In addition, stakeholders expressed concern that the effectiveness of the responsible gambling measures implemented by Crown Melbourne could not be assessed due to the lack of transparency by Crown Melbourne in publishing any statistical data in relation to its responsible gambling activities.

The stakeholders have suggested a range of recommendations, some of which have been considered by the VCGLR in developing recommendations regarding harm minimisation measures. However, some of the stakeholders' suggestions are outside the scope of this review and relate to broader policy and the legislative scheme regarding problem gambling.

Several stakeholders also expressed concern about the criminal activity potentially associated with the casino and this has been considered during the review.

Some stakeholders also raised issues relating to the governance of the casino operator and suitability of a number of associates. Suitability is addressed in Part 2 of this report. The VCGLR considered that some of the matters raised fell outside the scope of this review, such as the suggestion of a maximum individual shareholding limit in Crown Resorts (which would require legislative change). These have not been addressed in this review.

### ***Related matters***

On 24 April 2018, Mr Andrew Wilkie MP made statements alleging that Crown Melbourne has engaged in unlawful conduct by allowing patrons to play continuously on gaming machines in the Melbourne Casino. The subject matter of these allegations is outside the scope of this review, as it is currently being investigated by the VCGLR.

## Regulatory and commercial context

### How casinos are regulated in Victoria

The VCGLR conducts a wide range of day-to-day and periodic activities as part of its ongoing regulation and monitoring of the casino operator and the Melbourne Casino. The VCGLR has broad functions to ensure the casino operator's compliance with the Casino Control Act, the Gambling Regulation Act, the Casino (Management Agreement) Act, and their regulations, and the suite of commercial agreements concerning the operation of the Melbourne Casino Complex (Transaction Documents). The VCGLR undertakes these actions with resources that have been continually reduced since the VCGLR's establishment in 2012.

The VCGLR takes a risk-based approach to regulating and monitoring the Melbourne Casino. A dedicated casino inspectorate team is focused on an inspection and audit framework that aligns to the VCGLR's regulatory approach. VCGLR inspectors undertake their duties from a base within the Melbourne Casino conducting a detailed and rolling program of audits and inspections at the Melbourne Casino. As inspectors, they have extensive powers under the Gambling Regulation Act and the Casino Control Act to investigate compliance. Of course, the VCGLR works with Victoria Police officers who are routinely on-site.

The casino operator must also regularly report to the VCGLR on compliance, financial, governance and commercial matters under a system of internal control and its licensing requirements.

The VCGLR has several enforcement tools at its disposal, including written warning, infringement notices, criminal prosecution and formal disciplinary action. The use of these options is dependent on the type and circumstances of the alleged breach and the VCGLR's regulatory approach.

The VCGLR also regulates the 27 liquor licences operating within the Melbourne Casino Complex. This involves regular inspections of Crown Melbourne and tenants' compliance with obligations under the Liquor Control Reform Act.

Since 2013, more than 1500 audits of casino operations have been completed as part of the VCGLR's compliance program to ensure that gaming machines are correctly installed and function properly on approved software, that casino employees are strictly complying with all relevant requirements and that the integrity of gaming is maintained.

The VCGLR has also conducted regular bi-monthly, monthly and yearly audits on the payment of gambling taxes.

Under the Casino Control Act, the VCGLR licenses the casino, approves its associates and licenses certain employees with functions related to gambling. Since 2013, nine new associated individuals and 3724 casino special employees were assessed and approved by the VCGLR. The VCGLR also continued its ongoing monitoring of the Melbourne Casino, its associates, and special employees. As a result of investigations during the Review Period, 24 licensed special employees had their licences cancelled or were issued with letters of censure, the majority of whom had already had their employment terminated by Crown Melbourne. Six casino special employee licences were refused. No applications for associates were refused.

A wide range of approvals are required for the ongoing operation of the Melbourne Casino. Since 2013, the VCGLR approved 11 of 12 applications for new table games; 30 games variations and side wagers; 28 miscellaneous amendments to table games rules; 86 amendments to the approved system of controls and procedures; four changes to the casino layout, including specified areas; and eight applications for approval for non-temporary casino boundary changes.

## Casino licensing in Australia and New Zealand

### Overview of casinos in Australia and New Zealand

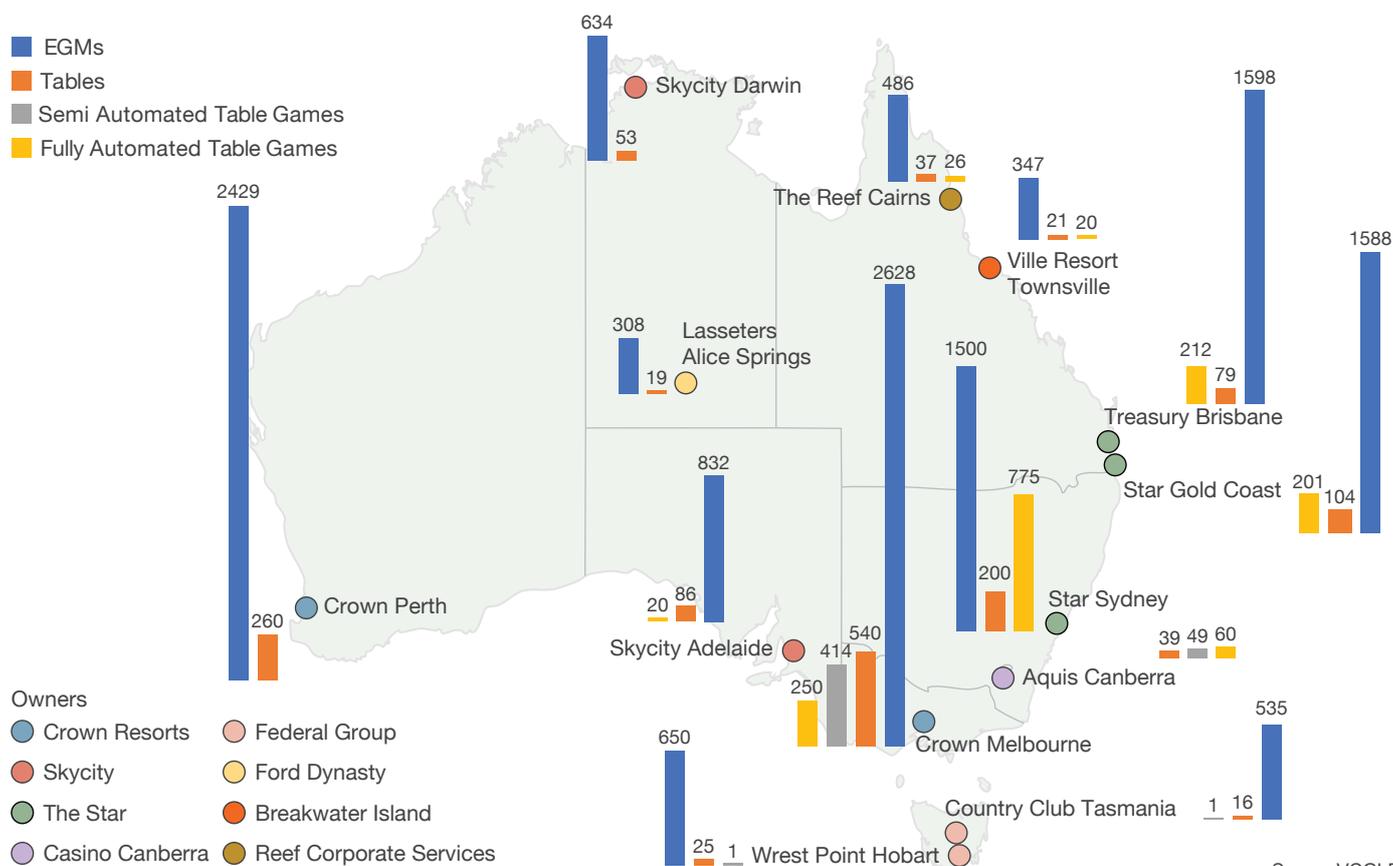
Australia is the third largest casino market in the Asia-Pacific region with an estimated \$5.17 billion in total spend in 2014–15 (Australasian Gaming Council 2016). There are currently 13 casinos in Australia, and they are controlled by eight companies.

The first casino to open in Australia was the Wrest Point Hotel Casino, Hobart, in 1973. By 1986 eight casinos had opened across Australia and a further six opened by 1996. Since the closure of the Christmas Island Casino in 1998, the number of casinos operating in Australia has remained constant. This is soon to change, with an additional casino scheduled to open in Sydney in 2021.

There are three large casino companies in Australia: Crown Resorts, the Star Entertainment Group and Skycity Entertainment:

- Crown Resorts owns two of the three biggest casinos in Australia: the Melbourne Casino and Crown Perth, in terms of total revenue (gambling and non-gambling). Crown Resorts Limited recorded combined revenue of \$2.8 billion from its two properties in 2016–17. Crown’s third Australian casino, at Barangaroo South in Sydney, is anticipated to open in 2021. It is licensed to cater to Rebate Players (that is, commission-based players) and Members only, with no public gambling floor.
- The Star Entertainment Group owns three casinos in Australia: The Star Sydney (New South Wales), The Star Gold Coast (Queensland) and Treasury Brisbane (Queensland). The Star Entertainment Group recorded combined gross gaming revenue of \$2.4 billion from its properties in 2016–17. The Star is currently developing a new casino at Queen’s Wharf in Brisbane, which will replace Treasury Brisbane in 2022.

Chart 1: Casinos in Australia: ownership, table games and gaming machine numbers



Source: VCGLR

- Skycity Entertainment Group is headquartered in New Zealand. It owns the Adelaide Casino and Skycity Darwin as well as four casinos in New Zealand. Skycity recorded combined gross gaming revenue of AUD\$286 million from its two Australian properties in 2016–17.

The other casinos in Australia are the Reef Hotel Casino in Cairns, the Ville Resort-Casino in Townsville, Lasseters Alice Springs, Country Club Tasmania in Launceston, and Casino Canberra.

There are six casinos in New Zealand, two in Queenstown as well as one in each of Auckland, Hamilton, Dunedin and Christchurch. Skycity operates four of the casinos in New Zealand (Auckland, Hamilton and the two in Queenstown). The first casino to open in New Zealand was the Christchurch casino, in 1994, and the last casino to open was Skycity Hamilton in 2002. In 2014–15, New Zealand casinos generated AUD\$527 million in total spend (Australasian Gaming Council 2016).

## New casinos

### Crown Sydney

In November 2013, the New South Wales Government approved Crown Resorts' proposal to build a new casino

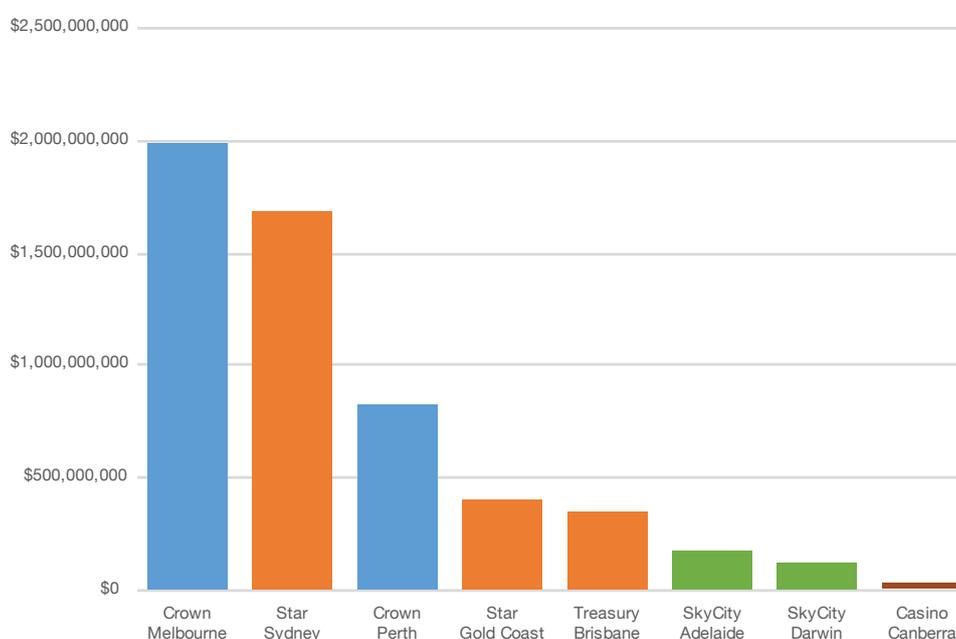
complex at Barangaroo South, Sydney. The \$2.2 billion development will consist of a 71-storey tower with Rebate Players (that is, commission-based players) and Members only gambling as well as a 350-room, six-star hotel resort, apartments and amenities such as training facilities, retail and restaurants. It is licensed for table games only—and there are not to be any gaming machines. The development is estimated to be complete by early 2021 (Build Sydney 2017).

### Queen's Wharf (Brisbane)

In November 2015, the Queensland Government awarded the contract to a \$3 billion integrated resort at Queen's Wharf Brisbane. The contract was awarded to Destination Brisbane Consortium—a joint venture between The Star Entertainment Group and Hong Kong-based conglomerates Far East Consortium (Australia) and Chow Tai Fook Enterprises (Queensland Government 2017). The development will include a casino, dining, entertainment, retail, landscaped outdoor areas, five hotels and 2,000 apartments. The casino floor will be less than 5 per cent of the overall development.

It is expected to open in 2022 and, while this is a new casino development, it will replace the Treasury Brisbane casino currently operated by The Star.

Chart 2: Casinos in Australia: total revenue (gambling and non-gambling) from 2016–2017.\*

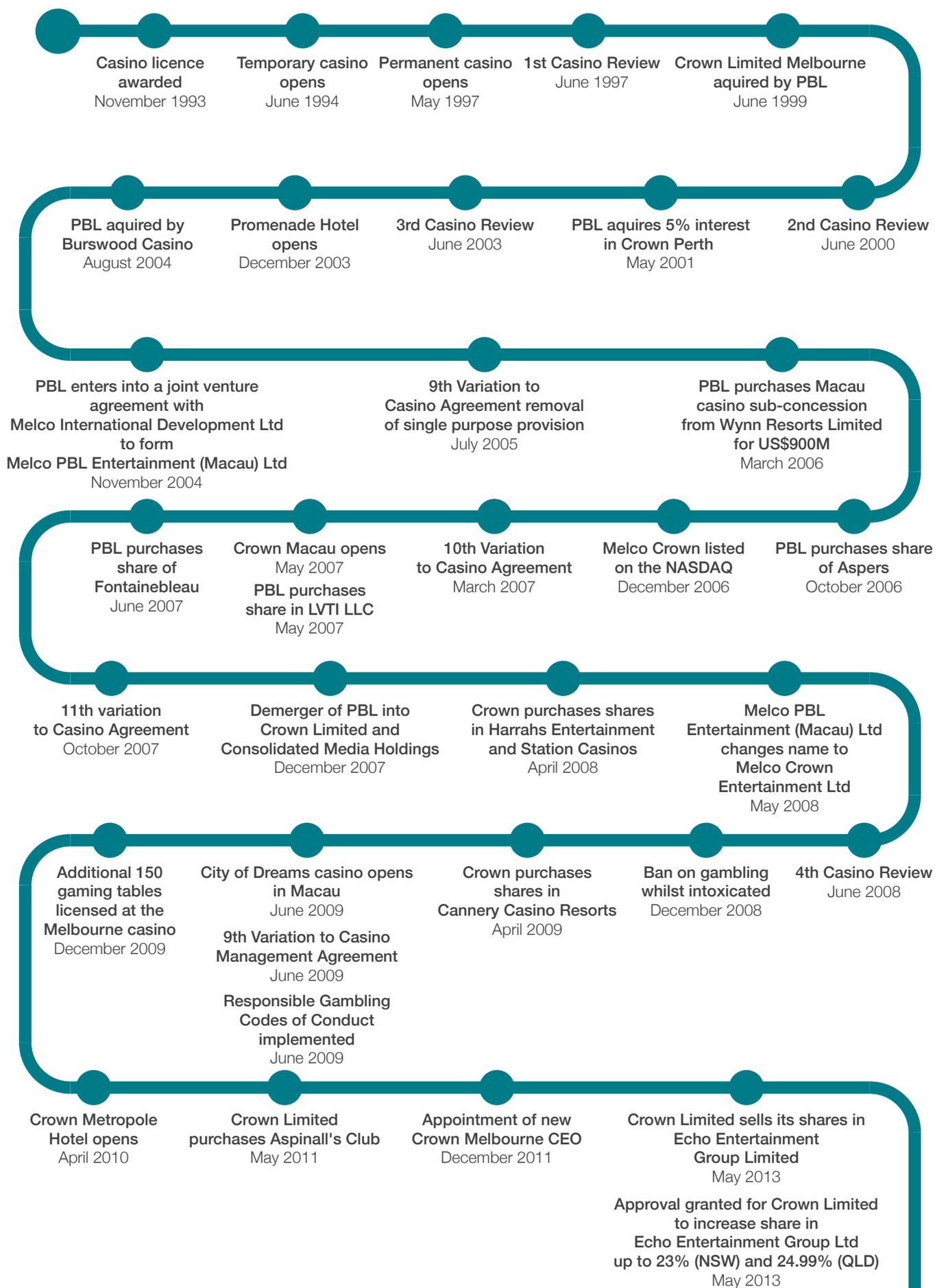


Source: Crown Resorts 2017, Star Entertainment 2017, Skycity Entertainment 2017a, Aquis Entertainment 2016.

\*Data for Casino Canberra is for calendar year 2016

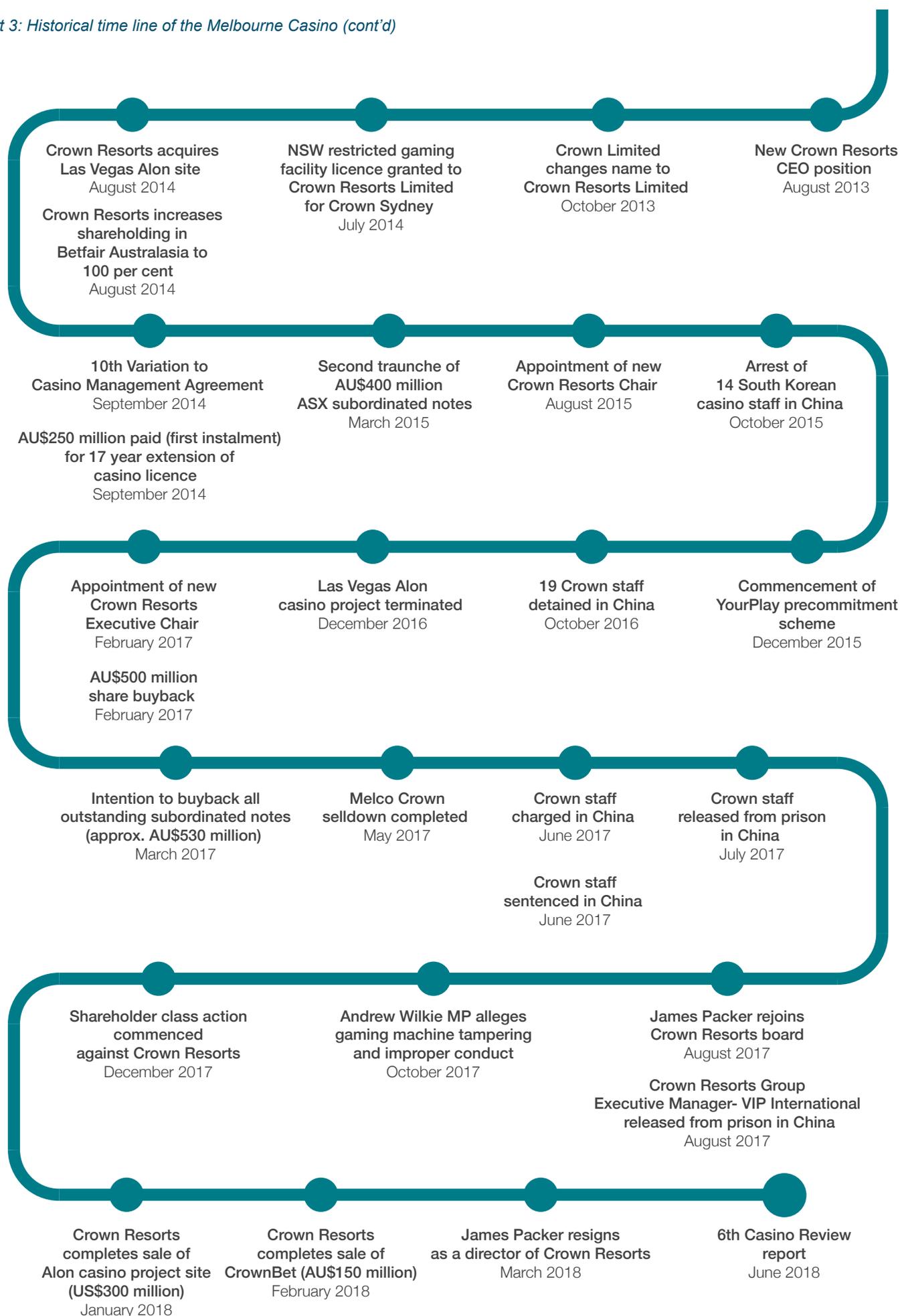
May 1993

Chart 3: Historical time line of the Melbourne Casino



Source: VCGLR

Chart 3: Historical time line of the Melbourne Casino (cont'd)



## The Melbourne Casino licence

In 1990, the Victorian Government initiated the process of licensing a casino in Melbourne. The Casino Control Act came into operation in October 1991. The related Casino Control Regulations (October 1991) allowed for one casino in Melbourne, licensed for 200 tables and 2,500 gaming machines. The Government initiated a campaign for bids and a short-list of three applicants was selected in late 1992.

The evaluation involved parallel and concurrent consideration of the commercial, probity and operational dimensions of the three bids to ensure the integrity of the bid process.

The Crown Casino bid sponsored by Hudson Conway Limited, Consolidated Press Holdings Limited and Carlton and United Breweries Limited was announced as the preferred applicant in September 1993 and a licence was granted in November of that year.

Casino operations commenced at the temporary Galleria Casino in June 1994, before transferring to the Melbourne Casino Complex at Southbank in May 1997.

The corporate history of the group following the grant of the licence is set out in Part 2.

### Transaction documents as regulatory instruments

The regulatory regime for the Melbourne Casino is established by the Casino Control Act. It is also contained in parts of the Transaction Documents. Transaction documents with active obligations include the following:

- Casino Licence (19 November 1993)
- Management Agreement (incorporating the Tenth Deed of Variation – 3 September 2014)
- Casino Agreement (incorporating the Eleventh Deed of Variation – 22 October 2007)
- Supplemental Casino Agreement (22 May 1999), and
- Site Lease (Melbourne Casino Site) and Deed of Variation (10 August 2010).

Regulatory provisions included in the Transaction Documents pertain to areas such as the company structure of the casino operator, the operator's disclosure requirements, governance, approval of games and operating practices. More detail of obligations under the Transaction Documents is set out in Part 3.

### Major changes to licensing regime in the review period

In August 2014, Crown Resorts reached agreement with the Victorian Government on changes to the licensing arrangements for the Melbourne Casino. This was formalised through the Tenth Deed of Variation to the Management Agreement, which was ratified on 22 October 2014.

The Tenth Deed extended the duration of the casino licence by 17 years to 18 November 2050, and increased the number of gaming machines from 2,500 to 2,628; the number of gaming tables from 400 to 440; the number of terminals connected to fully automated table games from 200 to 250; and the removal of super tax on commission-based play gaming revenue. The Casino Control Act and the Casino Licence were also amended to implement the agreed changes.

As required by the Tenth Deed, Crown Melbourne paid \$250 million to the State of Victoria on 7 November 2014. Crown Melbourne is obliged to make a second payment of \$250 million on 1 July 2033.

In addition, on 1 September 2022, Crown Melbourne must pay an additional \$100 million if the compound annual growth rate (CAGR) of normalised gaming revenue between 2013–14 and 2021–22 exceeds 4 per cent, and a further \$100 million if the CAGR exceeds 4.7 per cent.

As varied, the Management Agreement promises that a minimum of \$35 million per annum casino tax is remitted on the revenue generated from the new gaming product(s) permitted to be installed at the Melbourne Casino over the six financial years commencing on 1 July 2015.

## Recent developments in the international casino market

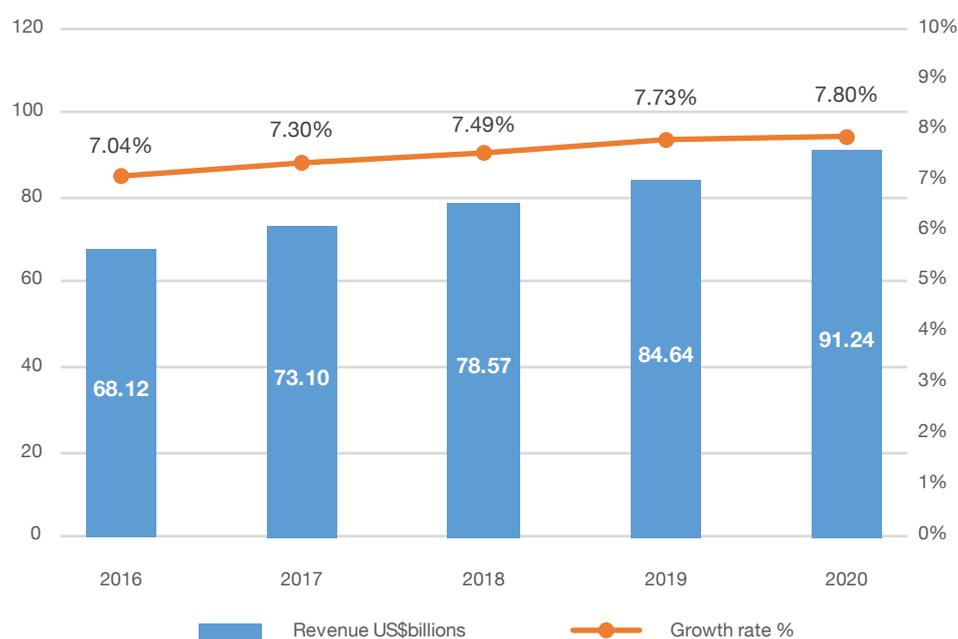
### Asia-Pacific

The casino market has expanded in the Asia-Pacific in the last ten years with Macau playing a leading role in shifting the focus of casino gambling to Asia. The Asia-Pacific had 35 per cent of global market share in 2017 and this is expected to increase to 37 per cent by 2021.

Growth in the region is largely due to the expansion of casino gambling in Macau, which had approximately 75 per cent of the region's market share in 2016. Macau's revenue growth is predicted to remain strong due to continuing demand from mainland China, from around 10 per cent in 2018 to 12 per cent in 2021. Singapore is another key player in the region, with 10.5 per cent of the region's

market share in 2016. Australia had the third largest revenue share in 2016, at just over 5 per cent (Research and Markets 2016). New markets are opening up in the Philippines, Taiwan, Vietnam and South Korea. Japan passed legislation to permit casino gambling in 2016 and may open its first casino as soon as 2022 (S&P 2017). The growth of casino gambling in the Asia-Pacific is strongly supported by international commission-based players, primarily from China.

Chart 4: Asia-Pacific gambling market from 2016–2021



Source: Research and Markets 2016

## Macau

Macau maintains its position as the fastest growing gaming jurisdiction in the world. With a population of just over 650,000 and a geographic area of 115 square kilometres, Macau recorded US\$44 billion in annual revenue in 2017, seven times that of Las Vegas.

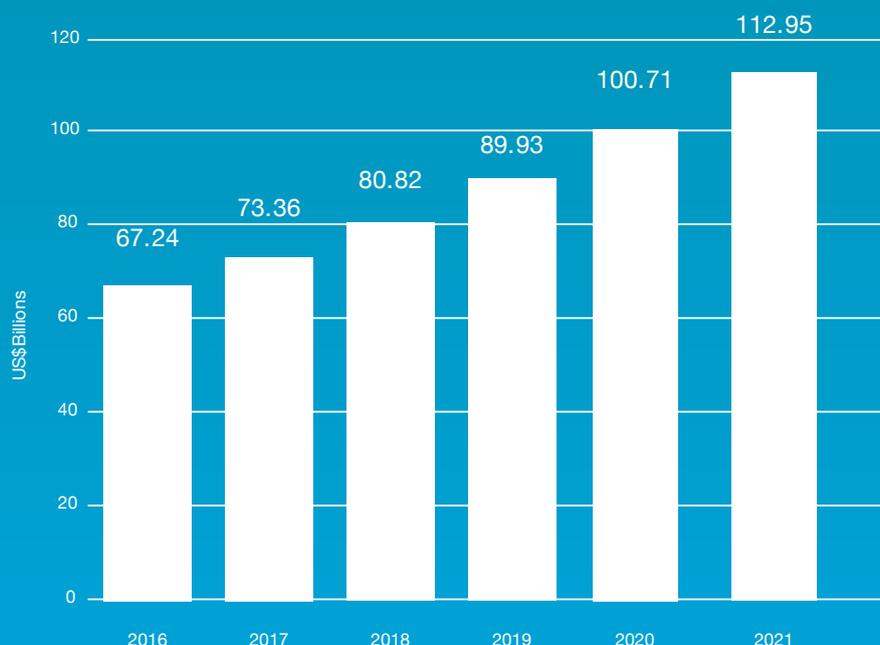
Macau has a long history of casino gaming. Gambling was legalised by the Portuguese colonial government in 1847 and the first Macau casino opened in 1937. A significant expansion of casino gaming occurred in 1962 when Mr Stanley Ho's STDM was granted a monopoly concession. In 1999, with the lapse of Portuguese colonial arrangements governing Macau, sovereignty was transferred to China. Macau became a Special Administrative Region, operating under China's "one country—two systems" approach. Casino gambling is legal in Macau although it remains illegal on the mainland.

In 2002, after exploring changes to Macau's gaming industry, the new administration opened up casino gaming and awarded three concessions. Further concessions followed and, as at the end of 2017, there were 40 casinos in Macau. Macau casinos are operated by a range of Macau and international companies including SJM (22 casinos), Galaxy Entertainment (six casinos), Las Vegas Sands (five casinos), Melco (four casinos), Wynn Resorts (two casinos) and MGM Resorts (one casino).

Chinese government policies remain a risk for future gaming growth in Macau and the Asia-Pacific generally with Beijing strengthening its efforts to curb capital outflows since December 2016, including a crackdown on the promotion of casino gambling in mainland China. Nevertheless, revenue growth in Macau's casino sector is expected to increase in the next four years from 10 per cent in 2018 to over 12 per cent in 2021. The casino customer base in Macau is diversifying as increasing numbers of middle-class mainland Chinese visit Macau.

Sources: Kang 2017, UNLV Center for Gaming Research 2018, DICJ 2017, S&P Global Ratings 2017, Research and Markets 2016, The Lex Column 2018.

Chart: Macau gambling revenue by year projected to 2021



Source: Research and Markets 2016

## Singapore

Singapore's casino market is a duopoly between Marina Bay Sands and Resorts World Sentosa. Both casinos were opened in 2010 and have consolidated Singapore's position in the Asia Pacific (APAC) region as the second largest casino jurisdiction in terms of revenue share, behind Macau and ahead of Australia.

Top revenue generating countries in APAC 2016			
Rank	Country	% Revenue Share	Revenue (\$US billions)
1	China	79.94	67.24
2	Singapore	10.51	9.43
3	Australia	5.27	4.73
4	South Korea	3.52	3.16
5	Philippines	1.73	1.55
6	Malaysia	1.41	1.27
7	Japan	1.27	1.14
8	Others*	1.35	1.21

\* Others include New Zealand, Vietnam, Cambodia and Kazakhstan

Source: Research and Markets 2016

Marina Bay Sands may not operate more than 2,500 gaming machines but there is no limit on the number of gaming tables. There are over 2,300 gaming machines and electronic table games combined, and more than 600 gaming tables in operation. The Marina Bay Sands resort facilities include 2,561 rooms and suites located in three 55-storey hotel towers; convention-exhibition centre; theatrettes; dining and entertainment complex with signature restaurants from world renowned celebrity chefs; art-science museum and retail malls. The key architectural feature of Marina Bay Sands is the 340 metre-long SkyPark and 150-metre infinity swimming pool located atop the hotel towers.

Resorts World Sentosa is also an integrated resort, and is situated on 49 hectares on the island of Sentosa located off the southern coast of Singapore. Resorts World Sentosa is owned and operated by Genting Singapore GLC and operates over 2,400 gaming machines and electronic table games combined, and over 550 gaming tables. The integrated resort's facilities include six hotels with 1,600 rooms; Universal Studios theme park; marine theme park; maritime museum; aquarium; convention centre; and restaurants and retail areas.

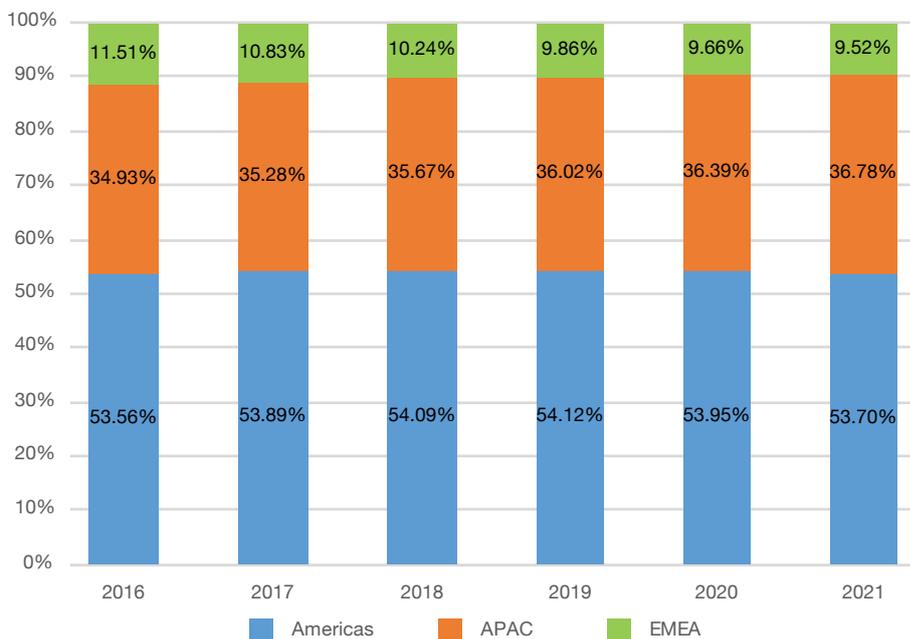
Both casinos have strict perimeter control. Singapore citizens and permanent residents of Singapore are required to pay SG\$100 to gain access to the casino floor for a consecutive 24 hours from the time of first entry; regular players can buy an annual pass for SG\$2,000. Foreigners, while not charged an entry tax, are required to present their passports to gain entry.

### North America and Europe

The market in the Americas is large and will continue to have in excess of 50 per cent of global market share. The United States casino market is mature and focused on local patrons. Annual growth in the United States casino market is expected to slow over the next five years from around 5 per cent in 2016–17 to just over 4 per cent by 2021.

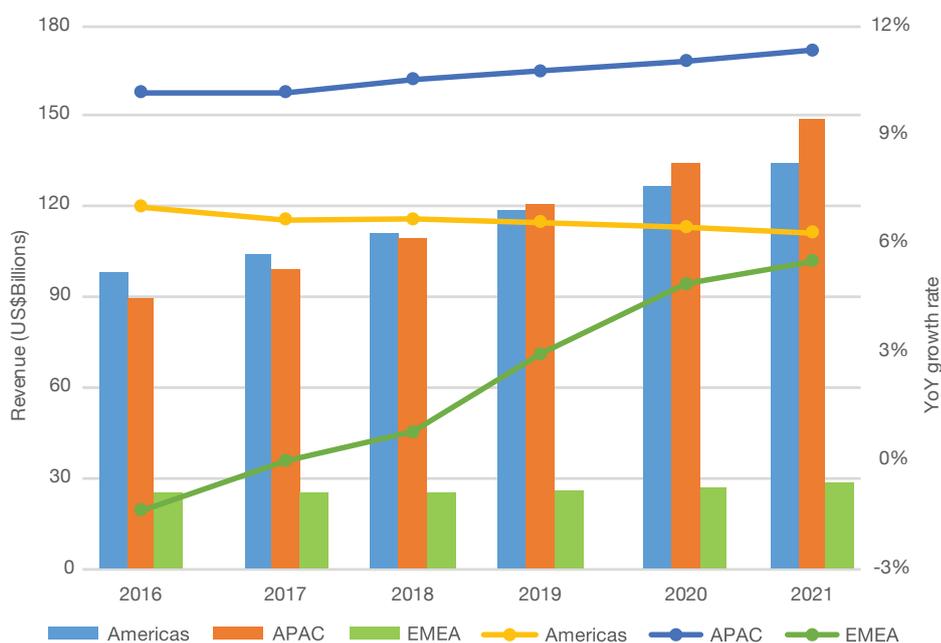
The European market remains small by comparison to the Americas and the Asia-Pacific. Casino activity in the Europe, Middle East and African (EMEA) region is largely focused on Western Europe and South Africa. In total, this region made up 11 per cent of the global market in 2017, and this share is expected to decline to 9.5 per cent by 2021. Regional revenue growth is anticipated to recover from negative 1.5 per cent growth in 2016 to positive growth of 5.5 per cent in 2021.

Chart 5: Gambling market by region from 2016–2021



Source: Research and Markets 2016

Chart 6: Revenue by region and year on year growth rate (including online casinos)



Source: Research and Markets 2016

### Integrated resorts

Globally, many casinos are now positioning themselves as “integrated resorts”, emphasising the retail, hospitality and entertainment mix offered to patrons in addition to gambling. An integrated resort combines the traditional gambling activities of casinos with alternative offers, typically in the retail, hospitality and tourism sectors.

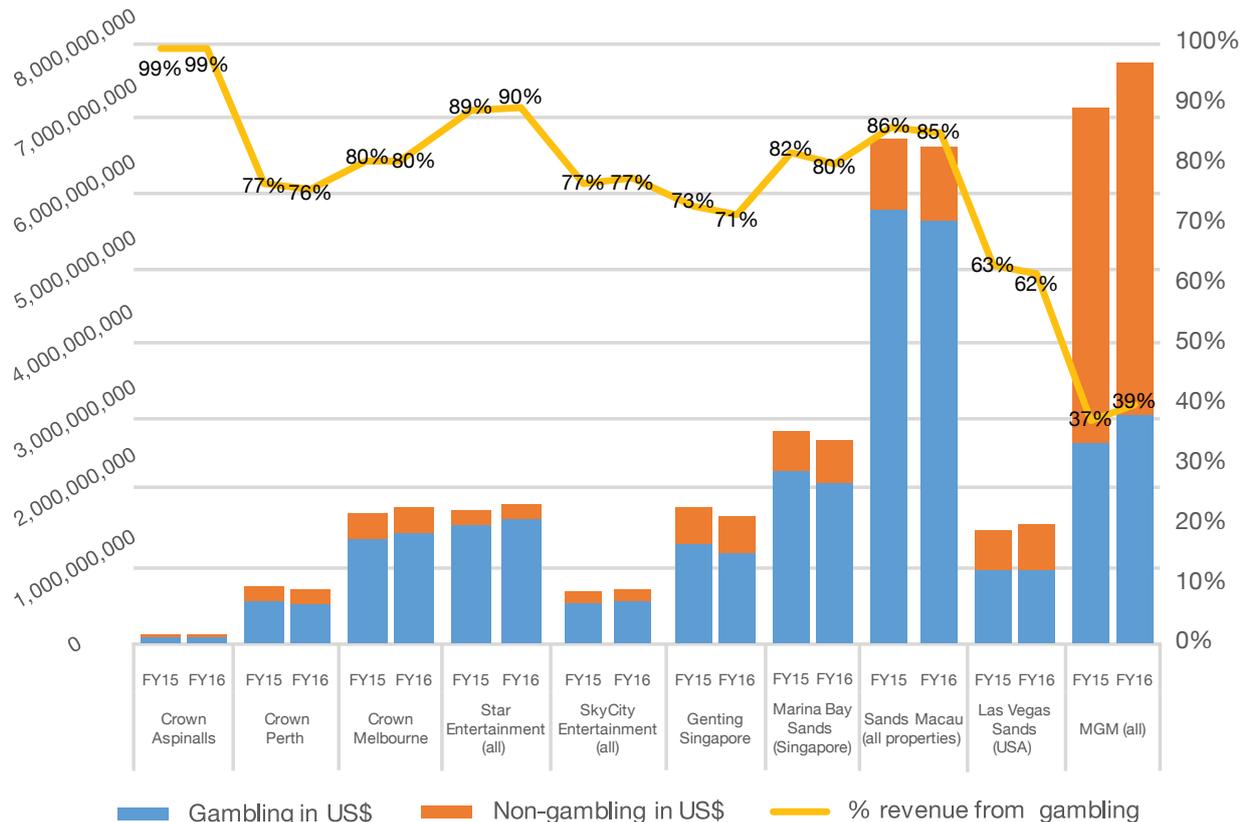
Investment in retail and entertainment offers continues to be a significant feature of developments in Singapore and Macau as well as Las Vegas. In Singapore, casino developments have been accompanied by theme parks, numerous hotels, high-end restaurants and large tourist attractions.

Including a casino as part of an integrated resort can provide much-needed cashflow to support an economic project intended to draw visitors to a developing region. Integrated offerings may also reflect attempts by casinos to

capture younger visitors in their 20s and 30s, who are likely to spend more on non-gambling forms of entertainment such as nightclubs, day spas and restaurants (Kang 2017).

Integrated resorts also provide a greater diversity of revenue sources. Revenue streams in the USA (and in particular Las Vegas) are significantly more diversified than in the Asia-Pacific region, as demonstrated by the comparison between US casinos (Las Vegas Sands and MGM) and Asia-Pacific casinos in Chart 7.

Chart 7: Revenue streams



Source: Crown Resorts 2016, Star Entertainment 2016, Skycity Entertainment 2016, Las Vegas Sands 2016, Genting Singapore 2016, MGM Resorts International 2016.

## Key events during the review period

### 2013

**11 November** Crown Resorts enters into agreements with New South Wales Government for the development of a six-star hotel resort at Barangaroo South, Sydney (Crown Sydney)

### 2014

**6 February** Crown Melbourne Limited (Crown Melbourne) is awarded Casino/Integrated Resort of the Year at International Gaming Awards in London

**8 July** Crown Resorts is granted a restricted gaming licence for Crown Sydney and signs agreements with the NSW Government and the Independent Liquor and Gaming Authority

**4 August** Crown Resorts announces the acquisition of a Las Vegas site and that it is forming a new resort company with Andrew Pascal, former President and Chief Operating Officer of Wynn Las Vegas, with financial support from Oaktree Capital Management to develop the Alon Resort—with total costs incurred of USD\$280 million as at 4 August 2014

**7 August** Crown Resorts announces appointment of Andrew Demetriou as a director, subject to regulatory approvals

**13 August** Crown Resorts acquires Betfair Group plc's 50 per cent equity interest in Betfair Australasia, taking its holding to 100 per cent of Betfair Australasia

**22 August** Crown Resorts reaches agreement with Victorian Government on changes to the Melbourne Casino Licence, including:

- addition of 40 gaming tables and 128 gaming machines
- removal of super tax on commission-based play from 2014–15
- contingent payment of up to \$200 million payable in 2022–23, comprising \$100 million if Crown's compound annual growth rate (CAGR) of normalised gaming revenue over the period 2013–14 to 2021–22 exceeds 4.0 per cent, and a further \$100 million if Crown's CAGR of normalised gaming revenue exceeds 4.7 per cent for the same period.

- a guaranteed tax payment of \$35 million per year attributable to the additional gaming product(s) installed at the Melbourne Casino from 2015–16 to 2020–21
  - an increase from 200 to 250 in the number of player stations connected to fully automated table games
- 28 October** Crown Resorts and consortium partner Greenland Group bid for Queen’s Wharf Brisbane project
- 16 December** Crown Resorts and BetEasy Pty Ltd (BetEasy) announce CrownBet joint venture—owned 67 per cent by Crown Resorts and 33 per cent by BetEasy
- 2015**
- 19 February** Crown Resorts announces appointment of Robert Rankin as a director, subject to regulatory approvals
- 20 July** Queensland Government advises that Crown Resorts Greenland consortium has not been selected to develop the Queen’s Wharf Brisbane precinct
- 13 August** Robert Rankin becomes Chairman of Crown Resorts
- 1 December** YourPlay pre-commitment scheme commences in Victoria
- 21 December** James Packer resigns as a director of Crown Resorts but remains as co-chair of Melco and co-chair of Alon, Las Vegas and remains chair of Crown Melbourne
- 2016**
- 4 May** Crown Resorts announces a reduction of its shareholding in Melco from 34.3 per cent to 27.4 per cent. The sale formed part of Crown’s ongoing capital management strategy and proceeds would be initially used to reduce Crown’s net debt position. Crown Resorts noted its intention to maintain a significant investment in Melco
- 26 May** James Packer resigns as a director of Crown Melbourne
- 15 June** Crown Resorts announces structural and capital management initiatives designed to enhance shareholder value which include its intention to:
- pursue a demerger of certain international investments to create a separately listed holding company

	<ul style="list-style-type: none"> <li>• explore a potential initial public offering of a 49 per cent interest in a property trust which would own its Australian hotels (excluding Crown Towers Melbourne), with Crown Resorts retaining a 51 per cent interest</li> </ul>
<b>13 October</b>	19 Crown staff (including Crown Resorts Group Executive General Manager—VIP International) detained in China
<b>11 November</b>	Three Crown staff released on bail in China
<b>15 December</b>	Crown Resorts announces closure of Las Vegas Alon casino project  Crown Resorts announces intention to sell approximately 13 per cent of its interest in Melco
<b>16 December</b>	Crown Resorts announces it has entered an agreement to sell 13.6 million Melco shares (approximately 2.8 per cent)
<b>2017</b>	
<b>10 January</b>	Crown Resorts announces that it has appointed John Alexander as Executive Chairman from 1 February 2017, with Robert Rankin remaining on the board as a director
<b>9 February</b>	Crown Resorts receives conditional planning approval for Queensbridge Hotel Tower (being developed with Schiavello)
<b>23 February</b>	Crown Resorts announces that its chief executive, Rowen Craigie, will step down on 28 February 2017
<b>16 May</b>	Crown Resorts completes sell-down of its interests in Melco
<b>13 June</b>	Crown staff detained in China are charged with offences related to the promotion of gambling under the Criminal Code
<b>21 June</b>	Robert Rankin resigns as a director of Crown Resorts
<b>26 June</b>	Detained Crown staff sentenced for illegal promotion of gambling offences—16 receive fines (in aggregate AUD\$1.67 million) with 11 being imprisoned for nine months and five being imprisoned for 10 months (with time in detention to be taken into account)
<b>12 July</b>	11 Crown staff released from prison in China
<b>3 August</b>	Crown Resorts announces appointment of James Packer as a director and Guy Jalland as a director subject to regulatory approvals

- 12 August** Five Crown staff (including Crown Resorts Group Executive General Manager—VIP International) released from prison in China
- 12 September** Federal Court of Australia commences the trial of an Australian Consumer Law claim against Crown Melbourne and Aristocrat Technologies Australia Pty Ltd alleging misleading and deceptive conduct and unconscionable conduct by the offering of the Dolphin Treasure gaming machine game (the Dolphin Treasure proceeding)
- 18 October** Andrew Wilkie, MHR for Denison, makes claims in Parliament of improper manipulation of gaming machines and other illegal or improper conduct at the Melbourne Casino
- Crown Resorts rejects claims and calls upon Mr Wilkie to immediately provide to the relevant authorities all information relating to the matters alleged
- 21 October** Crown Resorts places full page advertisements in the major newspapers rejecting allegations made by Mr Wilkie of improper conduct in relation to its gaming machines and operations
- 26 October** Crown Resorts holds its annual general meeting in Melbourne, with James Packer addressing the meeting on the detention of Crown employees in China, the consequential sale of the balance of its Melco interests, and, in response to advocates' questions, indicating support for a board discussion directed to greater disclosure of gambling statistics
- Rowena Danziger resigns as a director of Crown Resorts
- 21 November** Crown Resorts announces appointments of Jane Halton (former Secretary of the Australian Department of Finance) and Toni Korsanos (Chief Financial Officer of Aristocrat) as directors, subject to the receipt of all necessary regulatory approvals and contractual commitments
- 4 December** Maurice Blackburn commences shareholder class action against Crown Resorts in the Federal Court of Australia in respect of acquisitions of shares between 6 February 2015 and 16 October 2016
- 29 December** Crown Resorts announces the sale of its interest in CrownBet for \$150 million to interests associated with BetEasy, with completion due in February 2018 subject to the purchaser arranging satisfactory financing

**2018**

<b>29 January</b>	Crown Resorts completes the sale of its interest in a 34.6 acre site on Las Vegas Boulevard to Wynn Resorts for US\$300 million
<b>2 February</b>	The Federal Court of Australia delivers judgment in the Dolphin Treasure proceeding, dismissing the claims
<b>28 February</b>	Crown Resorts completes sale of its 62 per cent interest in CrownBet together with loans advanced to CrownBet for \$150 million
<b>21 March</b>	James Packer resigns from the Crown Resorts board
<b>2 May</b>	Crown Resorts announces appointment of John Poynton as a director, subject to regulatory approval

## A note on Crown Melbourne, Crown Resorts and other group companies

As is detailed later in the report, the Crown Resorts group has a complex corporate structure, such that it is not possible to acquit this review by looking at Crown Melbourne (the legal entity which holds the casino licence) in isolation.

The regulatory regime always anticipated that the licence would be held in this way, particularly through the “associate” provisions of the Casino Control Act, which require assessment of the suitability of the casino operator’s associates (people or entities exercising control or significant influence) as well as of the casino operator itself.

This is particularly relevant in relation to Crown Resorts, which is the ASX listed parent company of the casino operator. Not only does Crown Resorts control Crown Melbourne, but many critical functions are performed on behalf of the casino operator at the group level or by people whose accountability is to the board of Crown Resorts rather than that of Crown Melbourne.

# Part 2—Suitability

## Scope

This part of the report deals with the matters raised by section 25(1)(a) of the Casino Control Act—whether the casino operator is a suitable person to hold the casino licence.

## What is suitability?

Suitability is assessed by reference to the purpose for which the assessment is being made, and for that the VCGLR looks to two of the key purposes set out for the system of licensing, supervision and control in the Casino Control Act:

- ensuring that the management and operation of casinos remains free from criminal influence or exploitation, and
- ensuring that gaming in casinos is conducted honestly.

The VCGLR has a statutory objective to foster responsible gambling to minimise harm caused by problem gambling in the casino. As this requires a responsive casino operator, the care with which Crown Melbourne offers its gambling product also reflects on its general suitability to hold the casino licence. The Casino Control Act does not define the term “suitable person”. Historically, the approach has been, in light of these purposes, to regard the determination of suitability in a section 25 review as similar to that required on an application for a licence.

The Casino Control Act does (in section 9) provide substantial guidance as to the matters to be examined.

In relation to the casino operator and its associates, these are whether:

- they are persons of good repute, having regard to character, honesty and integrity
- they are of sound and stable financial background, and
- their business associations are appropriate having regard to character, honesty and integrity and the desirability and satisfactoriness of their financial resources.

In relation to the casino operator alone, these are whether:

- it has a satisfactory ownership, trust or corporate structure
- it has financial resources that are adequate to ensure the financial viability of the casino and has the services of persons who have sufficient experience in the management and operation of a casino
- it has sufficient business ability to maintain a successful casino, and
- each director, executive officer and secretary and any other relevant officer is a suitable person to act in that capacity.

These matters are addressed in this part.

## The Company

### Examination of group operations and corporate structure

#### Ownership and control of the Melbourne Casino Licence

The successful bid for the Melbourne Casino Licence was sponsored by Hudson Conway Limited, a listed property construction company then controlled by Mr Lloyd Williams and the late Mr Ron Walker AC, CBE.

The Hudson Conway bid was premised on public subscription of capital and, for this purpose, Crown Melbourne (as Crown Casino Limited and later Crown Limited) was established and listed on the ASX, with Mr Williams and Mr Walker in control.

The licence was granted on 19 November 1993 for a term of 40 years, the first 12 of which were exclusive. (The term was extended by 17 years to the present 2050 expiry date by agreement in October 2014.)

The Melbourne Casino opened in temporary premises (the Galleria Casino at the World Trade Centre on the north bank of the River Yarra) on 30 June 1994 while development of the preferred Southbank site was undertaken. Operations transferred to Southbank on 8 May 1997.

In June 1999, Crown Melbourne was taken over and recapitalised. The structure of this transaction allowed the public shareholders a continued ownership interest through accepting shares in the acquirer. This was PBL, an ASX listed public company controlled by Mr Kerry Packer and, following his death in 2005, his surviving family members led by his son Mr James Packer. Prior to the Crown Melbourne acquisition, the Packer family's main businesses had been in newspapers, magazines and broadcast television (Nine Network).

In late 2007, PBL “demerged”. Its gambling businesses were divested into a new ASX listed company, majority controlled by Packer family interests. The transaction structure again allowed the general public to continue an

ownership interest through taking shares in the new Crown Resorts entity (initially named Crown Limited).

During the period of the review, as revealed publicly, the Packer family has rearranged its interests so that the relevant shareholdings in Crown Resorts are controlled by Mr James Packer. In this period, those shareholdings have also been sold down from just over, to just under, a majority of the shares, with the shareholdings being registered to CPH Crown Holdings Pty Ltd and Consolidated Press Holdings Pty Ltd.

At the date of this report, the shareholding, as disclosed to the ASX, of these companies was 46 per cent. This concentration of shareholding in an ASX listed company gives effective control of the company to Mr James Packer.

#### Crown Resorts' businesses in the review period

During the period of the review, Crown Resorts, which controls the Melbourne Casino through its ownership of Crown Melbourne, has:

- controlled casinos and casino opportunities in three Australian jurisdictions—Victoria, Western Australia, and New South Wales—and in the United Kingdom
- held controlling and non-controlling interests in casino opportunities and casino businesses in Macau, the Philippines, the United Kingdom and the United States
- controlled online wagering operators (licensed in the Northern Territory) and held significant investments in related online companies (collectively Crown Digital), and
- held other, related business interests.

The casinos controlled by Crown Resorts are the Melbourne and Perth casinos, and the boutique casino, Crown Aspinalls, in London. Crown Resorts has a licence for a new Sydney complex, presently being constructed at Barangaroo South.

Crown Resorts holds a 50 per cent equity interest in the Aspers Group, which operates four larger, regional casinos in the United Kingdom in London (Westfield Stratford City), Newcastle, Milton Keynes and Northampton (the last in a joint venture with Kerzner UK Limited).

Through Melco, Crown Resorts had, until 2017, interests in casinos in Macau and the Philippines.

Crown Resorts also had, between 2014 and 2017, an investment in Las Vegas Boulevard land (the Alon Casino “New Frontier” site) and, until 2017, an interest in the casino assets operated by Cannery Casino Resorts LLC and a shareholding in Caesars Entertainment Corporation in the United States of America.

The Melbourne Casino is the largest of the three wholly owned casinos in the Crown Resorts Group. In 2016–17, it generated 71.1 per cent of Crown Resorts’ normalised Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA).

During the Review Period, Crown Resorts significantly changed its strategic vision and direction. From before

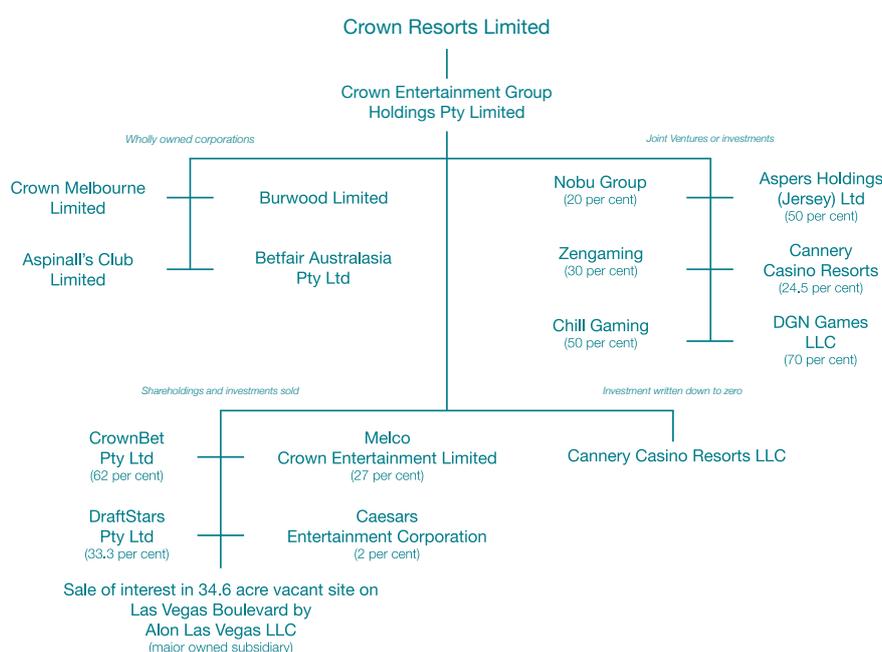
2013 until May 2016, Crown Resorts actively pursued a strategy of building a global gambling business with interests in Australia, Macau, the United Kingdom and the Philippines, and it was moving into the casino market in the United States with the Las Vegas Boulevard (Alon) development.

On 4 May 2016, Crown Resorts announced the reduction of its shareholding in Melco from 34.3 per cent to 27.4 per cent. This was part of Crown Resorts’ ongoing capital management strategy and the proceeds would be used to reduce Crown’s net debt position. Crown Resorts stated its intention to maintain a significant investment in Melco.

However, on 15 December 2016, Crown Resorts announced that the Alon project would not proceed and that Crown Resorts intended to sell approximately 13 per cent of its interest in Melco. Crown Resorts also announced that a proposed demerger of the company’s international assets would not proceed.

At the time of this announcement in December 2016, Crown Resorts stated that these actions would maximise the value for the benefit of Crown Resorts shareholders,

Figure 1: Abridged corporate structure of the Crown Group of companies



Source: Crown Resorts Limited

allowing Crown Resorts to redeploy capital to fund high quality growth projects as well as adopting a number of capital management initiatives. Crown Resorts also stated that it had a strong portfolio of future projects, anchored by Crown Sydney, and including its online and wagering platforms.

At the 2017 Crown Resorts annual general meeting, the Executive Chairman stated that Crown Resorts was now primarily focussed on its core Australian operations and development projects. At that meeting, Mr James Packer commented that the Board's decision to sell Crown Resorts' remaining interest in Macau was largely due to the detention of 19 employees in China in October 2016.

In December 2017, there was a further significant strategic change, with Crown Resorts announcing the sale of its interest in CrownBet, its main online wagering business. The announcement of the sale to the ASX did not provide any reason for the sale.

Significant divestments during the Review Period related to Melco, the Alon Casino site, and CrownBet are detailed below.

### Shareholding in Melco

Melco operates the Altira, City of Dreams and Studio City casinos in Macau, and the City of Dreams casino in the Philippines. The Crown Resorts shareholding, which had once been as high 34.3 per cent, was 27.4 per cent at the time of the detention of 19 Crown staff in China in October 2016.

In May 2016 Crown announced a reduction in its shareholding from 34.3 per cent in Melco to 27.4 per cent with the sale of 155 million shares. Following the detention of 19 Crown staff, Crown announced in December 2016 and May 2017 that it had entered agreements to sell its shares in Melco. On 16 May 2017 Crown announced that the sale of its remaining interests in Melco had been completed.

These sales marked the end of Crown's international expansion strategy to build a global casino company. At the 2017 Crown Resorts annual general meeting, Mr James Packer commented that the detention of 19 Crown staff

in China in October 2016 "forced the directors' hands to a large degree" to exit the Macau casino market.

On completion, Crown Resorts no longer had a business association with Melco and its Chair, Mr Lawrence Ho.

### Crown Digital

Crown Resorts has a group of complementary wagering and online businesses, including:

- CrownBet (divested on 28 February 2018)
- Draftstars Pty Ltd (divested on 28 February 2018)
- Betfair Australasia Pty Ltd
- Chill Gaming Pty Ltd
- DGN Games LLC, and
- Winners Club Ltd.

CrownBet is a full-service online fixed odds bookmaking business. This joint venture—with interests associated with Mr Matthew Tripp—brought together the sportsbooks of Mr Tripp's Northern Territory licensed BetEasy and Crown's betting exchange operator Betfair in December 2014. (Crown Resorts had earlier, in August 2014, acquired the 50 per cent of Betfair it did not already own.)

On 17 December 2017, Crown Resorts announced it had agreed to sell its 62 per cent in CrownBet into a management buyout proposed by Mr Tripp. The sale was subject to finance. The sale settled on 28 February 2018, with Canada's The Stars group being revealed as the new corporate backer. Draftstars Pty Ltd was included in the sale. Draftstars operated a daily fantasy sports wagering business, licensed in the Northern Territory.

Betfair Pty Ltd operates a betting exchange under a Northern Territory licence for customers who reside in Australia and New Zealand.

Chill Gaming Pty Ltd is a gaming software developer.

DGN Games LLC is a developer of online social games.

Winners Club provides software development and analytical services to online social gaming sites.

The Crown Resorts wagering and on-line business segment has been loss making since 2015.

### Alon project

As part of the corporate strategy to become a global casino company, Crown Resorts re-entered the Las Vegas casino market in 2014. (An earlier North American casino investment strategy had been impacted by the 2008 global financial crisis. The result was a write-down and sell-off of North American assets, including Cannery Casino Resorts LLC and Fontainebleau Resorts LLC.)

On 4 August 2014, Crown Resorts announced that Alon Las Vegas LLC (a majority-owned subsidiary) had acquired a vacant 34.6 acre site on Las Vegas Boulevard—formerly the site of the “New Frontier” casino. Its aspiration was to “break ground” by the end of 2015.

However, on 15 December 2016, at the time of selling its shareholding in Melco, Crown Resorts announced that its board had resolved not to proceed with the Alon Casino project. On 29 January 2018, Crown Resorts announced that Alon Las Vegas LLC had sold its interest in the vacant site.

*Table 1: Crown Resorts Group segment information as at 30 June 2017*

	Crown Melbourne (m)	Crown Perth (m)	Crown Aspinalls (m)	Wagering & on-line (m)
Operating revenue	\$1,994.8	\$830.0	\$99.7	\$303.3
Gaming taxes, commission & other	-\$523.0	-\$134.6	-\$43.5	-
Operating expenses	-\$883.0	-\$450.6	-\$29.7	-\$288.5
EBITDA	\$588.8	\$244.8	\$26.5	\$14.8

Source: Crown Resorts annual reports

## Capital management and initiatives

The Crown Resorts corporate structure is complex. It reflects the history of its pre- and post-demerger acquisitions and investments in Australia, Asia the United States and the United Kingdom. The structure is influenced by the use of holding companies to complete acquisitions, the separating of operating entities’ functions (casinos and hospitality), the use of holding companies for the segregation of property holdings and the use of purpose-specific entities for holding the group’s debt facilities.

In June 2016, Crown Resorts announced a proposal to restructure the company to “enhance shareholder value” which involved a demerger of certain international investments to create a separately listed holding company, and an initial public offering of a 49 per cent interest in a real estate investment trust to own its Australian hotels (excluding Crown Towers Melbourne).

However, later that year, Crown Resorts announced that it would not proceed with the demerger or the real estate investment trust. This coincided with Crown Resorts’ announcement that it would reduce its holding in Melco.

During the 2017 financial year, Crown Resorts executed capital initiatives which involved a share buy-back of approximately \$500 million of its ordinary shares based on a closing price of \$11.65 on 3 March 2017 (representing 42.9 million shares or approximately 5.89 per cent of its issued capital) and announced its intention to buy back all outstanding subordinated notes listed on the ASX. As part of the capital management strategy, Crown Resorts had offered a second tranche of \$400 million of ASX subordinated notes in March 2015. The first tranche of subordinated notes was offered in September 2012.

On 30 June 2017, Crown Resorts announced the completion of the share buy-back with 39,546,363 shares having been bought back at a total of approximately \$500 million. The Subordinated Notes buy-back is still in progress.

In August 2017, Crown Resorts announced an on-market buy-back of up to approximately 29.3 million ordinary shares which commenced in February 2018.

Crown Resorts and certain controlled entities, including Crown Melbourne, entered into a new deed of cross guarantee (dated 21 June 2017) in accordance with ASIC instrument 2016/785. Under this, each company guarantees the payment in full of all debts of the other entities in the event of their winding up. This deed replaced an earlier deed of cross guarantee under ASIC Class Order 98/1418.

The effect of this deed of cross guarantee is to continue to bind the fortunes of Crown Melbourne to those of the other companies controlled by Crown Resorts (and vice-versa). While this presents a risk, in that the failure of one of the other companies would negatively impact Crown Melbourne, it also provides a degree of protection in the event that there are unexpected costs or liabilities incurred by Crown Melbourne.

The existence of the deed means Crown Melbourne cannot be considered as a standalone entity for the purpose of assessing its financial stability, structure or management ability. Due to its role as a debt guarantor, the stability of Crown Melbourne is dependent on the financial security of the other Australian companies in the Crown Group.

In addition, the new deed of cross guarantee was investigated by PwC to establish whether there were any risks or threats to the financial stability of Crown Melbourne arising from the corporate structure of the Crown Group.

PwCs investigations have confirmed that:

- all entities that are party to the deed of cross guarantee are wholly owned by Crown Resorts which effectively ring-fences the debt to Crown Resorts, and
- no guarantees have been provided by Crown Resorts for any CPH liabilities and no defaults will be triggered by changes of control in CPH.

The VCGLR concludes that Crown Resorts now has a more conservative approach to capital management than previously. The capital initiatives are the result of withdrawal from the global expansion strategy, restructuring corporate debt arrangements and planning for future capital projects.

## Company performance during the review period

Normalised EBITDA for Crown Resorts and Crown Melbourne showed an increasing trend from 2012–13 to 2015–16. However, this trend reversed when the financial performance of Crown Resorts was significantly impacted by the sustained withdrawal of commission-based business from the Melbourne Casino which immediately followed the detention of 19 Crown staff in China in October 2016.

Table 2: Crown Resorts and Crown Melbourne EBITDA (normalised)

	Year ended 30 June 2013 (m)	Year ended 30 June 2014 (m)	Year ended 30 June 2015 (m)	Year ended 30 June 2016 (m)	Year ended 30 June 2017 (m)	Half year ended 31 December 2017 (m)
Crown Resorts EBITDA (Normalised)	\$758.3	\$782.7	\$824.9	\$855.8	\$827.9	\$447.7
Crown Melbourne EBITDA (Normalised)	\$546.7	\$561.8	\$662.0	\$673.3	\$588.8	\$325.3

Source: Crown Resorts Limited annual and half year reports

For the half year ended 31 December 2016, Crown Resorts reported normalised EBITDA of \$402.6 million compared to \$424.4 million in the prior comparable period, a decrease of 5.1 per cent. The year on year decline in the Crown Resorts normalised EBITDA was due primarily to the reduction in normalised commission-based play program revenue across the Crown Melbourne and Crown Perth casinos. Crown Melbourne normalised commission-based play program revenue decreased from \$363.7 million for the half year ended 31 December 2015 to \$191.1 million for the half year ended 31 December 2016 or 47.5 per cent.

The commission-based play market is showing signs of recovery, as reported in Crown Resorts' half year earnings to 31 December 2017 (the most recent results available at the date of writing). Commission-based players are returning to the Melbourne Casino, with Crown Melbourne reporting normalised commission-based play program revenue of \$262.8 million (a 37.5 per cent increase on the prior corresponding period), and Crown Resorts' normalised EBITDA of \$447.7 million (a 11.2 per cent increase compared with the prior corresponding period). The contribution of normalised commission-based program play revenue in the December 2017 half year is consistent with the performance noted in the two financial years prior to October 2016.

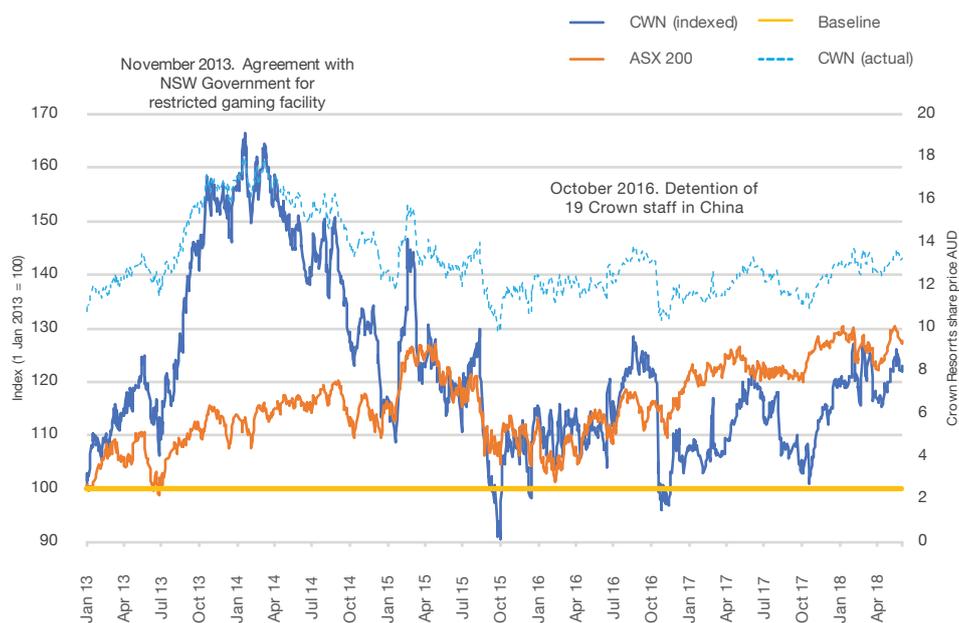
Crown Resorts' economic interest in Melco was a significant contributor to both growth in, and the quantum of, its operating revenue. The exit from Melco gave rise to diminution of normalised net profit after tax of \$161.3 million in 2015, \$58.1 million in 2016 and \$42.4 million in 2017. (The receipt of the sale proceeds has enabled a reduction in financing costs and allowed capital management actions which have been positive to net profit after tax and earnings per share.)

The Crown Resorts share price has shown a downward trend for the period from 2013–14 to 2016–17, largely consistent with the ASX 200.

The share price has traded as low as \$9.80 on 29 September 2015 to a high of \$18 on 20 January 2014. The average share price for the period was \$13.49.

One of the sharpest falls in the Crown Resorts' share price occurred at the time of the detention of 19 Crown staff in China in October 2016. The share price has since recovered.

**Chart 8: Crown Resorts indexed and actual daily share price in comparison with indexed ASX 200 for the period January 2013–May 2018**



Source: ASX

**Table 3: Crown Resorts closing share price from 2013 to 2017**

	As at 30 June 2013	As at 30 June 2014	As at 30 June 2015	As at 30 June 2016	As at 30 June 2017
Crown Resorts closing share price	\$12.11	\$15.12	\$12.20	\$12.61	\$12.28

Source: ASX

Since 30 June 2017, the Crown Resorts share price has climbed to \$13.30 as at 31 May 2018.

Crown Resorts has maintained a stable group investment rating (Moody's/Fitch/S&P/Baa2/BBB/BBB) from 2012–13 to 2016–17, and no action has been taken by any of these agencies to downgrade Crown Resorts' credit rating.

## Financial suitability

In undertaking its investigations under section 25(1)(a) of the Casino Control Act, the VCGLR assessed the financial soundness and stability of the casino operator and its associates.

All relevant financial and business material relating to the approved associated entities was reviewed and the VCGLR engaged the commercial and financial advisory services of PwC to assist in making the assessments.

PwC reviewed the financial and business affairs of Crown Melbourne and provided an analysis relevant to the financial position and performance of Crown Melbourne as a stand-alone entity, of Crown Resorts and of the wider Crown Resorts Group.

The relevant records included annual reports, board papers and minutes, strategic and financial plans, and capital expenditure plans for the years ended 30 June 2015, 30 June 2016, 30 June 2017 and the six months ended 31 December 2017. PwC also met with Crown Resorts and Crown Melbourne senior management to discuss particular issues.

PwC provided a financial due diligence report which addressed key issues identified in their terms of reference:

- Crown Melbourne trading
- deed of cross guarantee
- Crown Resorts debt obligations
- Crown Resorts cash flows and earnings
- significant future cashflows
- future debt position, and
- Crown Resorts financial covenants' sensitivity analysis (stress testing scenario analysis of Crown Resorts' forecast performance against debt covenants).

A consequence of the deed of cross guarantee, which makes Crown Melbourne liable for the obligations of other entities in the Crown Resorts Group (and vice versa), is that the soundness and stability of Crown Resorts' finances is integral to that of Crown Melbourne.

PwC reported:

*“Crown Melbourne Limited is in a strong financial position and generates approximately 70 per cent of Crown Resorts' annual consolidated EBITDA. The existence of the deed of cross guarantee means Crown Melbourne Limited is exposed to the broader financial health of the broader group. As a result of recent changes in strategic direction, Crown's current level of net debt is very low and based on management's four year plan, forecast cashflows and available financing is sufficient to fund planned investment activities”.*

PwC advised that financially Crown Melbourne continues to be Crown Resorts' flagship resort. Despite the disruption to commission-based play revenue in 2016–17 occasioned by the detention of 19 Crown staff in China in October 2016, Crown Melbourne's balance sheet position remains relatively strong. PwC saw the strength of Crown Melbourne's financial position as most evident from the volume of funding it provides to the broader Crown Group. The Melbourne Casino business contributes significant operating cashflows (after capital maintenance expenditure) and the majority of earnings and, on a

standalone basis, its main balance sheet exposure is amounts owing from other companies in the group.

In relation to Crown Resorts, PwC identified debt levels as being low. As a result of retaining the proceeds of the sale of international assets, Crown Resorts' low level of gearing provides significant ability to fund capital commitments and the opportunity to restructure debt arrangements as the debts fall due. Crown's liabilities/assets ratio has been less than the regulated threshold of 60 per cent over the whole of the Review Period and was approximately 35 per cent as at 30 April 2018.

PwC evidenced the strength of Crown Resorts' balance sheet through the level of its projected compliance with bank covenants under a series of negative scenarios, including zero and negative EBITDA, incremental capital expenditure of \$125 million per annum for each year from 2017–18 to 2020–21, and a four per cent bank bill swap rate (currently two per cent) from 2017–18.

PwC identified the funding requirements of the Crown Sydney development as the principal balance sheet issue over the forward period. Crown Sydney is due to open in the first half of 2021. Its total gross project cost is approximately \$2.2 billion. The project includes the development of 87 luxury apartments, which are forecast to provide sales proceeds of \$800 million in 2020–21, thereby reducing the net cost of the project to approximately \$1.4 billion. PwC advised that Crown Resorts has the capacity to finance this commitment, with a buffer for contingencies.

PwC noted that Crown Resorts has been implementing a capital management plan following the change in corporate strategy. In 2016–17, Crown Resorts received approximately \$3.1 billion from the sale of its interests in Macau and it has continued to realise assets no longer required. The funds received have been directed to a capital management plan to:

- reduce debt—through repayment of debt facilities, repaying (and not replacing) maturing wholesale capital market notes and an on-market buy-back of listed subordinated debt securities
- reduce equity and thereby improve earnings per share—through an on-market buy-back of ordinary shares, and
- return funds to shareholders—via a special dividend.

Two financial suitability issues were given special attention: Crown Resorts' exposure to international high roller business and the quality of trade debtors.

International business, largely commission-based play out of Asia, was a significant contributor to the earnings of Crown Melbourne and Crown Resorts prior to the detention of 19 employees in China in October 2016. Crown withdrew from active participation in that market until the situation with the employees was resolved (in September and October 2017).

This is a highly competitive market, with other major players (such as the casinos in Macau and Singapore) having a proximity advantage and the volatile nature of the business adding to the challenge of generating revenue.

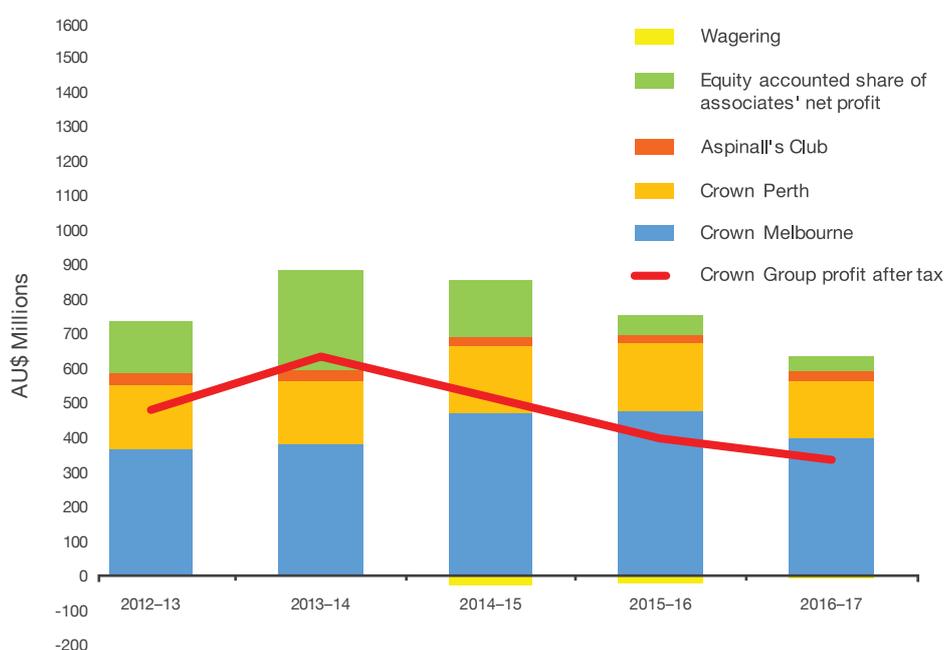
The relatively short period of resumed participation in the market creates uncertainty about whether pre-October 2016 activity levels will again be achieved, and the

timeframe for recovery. However, the announced results for the half year to December 2017 and subsequent lack of profit warnings provide an indication that past levels of activity are achievable, noting commission-based turnover of \$22.7 billion for Crown Resorts Australian Operations (\$19.5 billion coming from Crown Melbourne) in the period.

Much of the international high roller business is made up of junket and individual commission programs offered on credit (as permitted by the Casino Control Act). Because credit quality is a key issue, PwC reviewed the carrying balances and was satisfied with the relevant accounting treatment.

The VCGLR accepts the assessment by PwC of Crown's financial position and performance. The VCGLR is satisfied that Crown is financially sound and stable and has the financial resources to ensure the ongoing financial viability of the casino.

*Chart 9: Crown Resorts: Normalised EBIT and equity accounted share of associates' net profit and Crown Group profit after tax 2013–2017*



Source: Crown Resorts annual reports

## Personal suitability of associates

### Scope of investigation and process

Establishing the probity of the casino operator and its associates is critical to fulfilling the statutory purpose to ensure the management and operations of the Melbourne Casino remain free from criminal influence or exploitation. A person may not be an associate of the casino operator without the approval of the VCGLR.

The concept of an associate is defined under section 4 of the Casino Control Act and, broadly, is a person able to exert significant influence on the operation or management of the casino or the casino licensee.

Section 28 of the Casino Control Act requires the casino operator to notify the VCGLR of potential new associates. All new proposed associates are subject to a detailed investigation to establish whether they are of good repute, having regard to character, honesty and integrity. This includes investigating each person's financial, criminal, credit, regulatory and litigation history.

The VCGLR also monitors associates on an ongoing basis. Information may come to the VCGLR by way of self-disclosure by the associates, disclosure by Crown Melbourne or from reports in the media. The VCGLR will also assess information provided by external sources who approach the VCGLR. If material is brought to the VCGLR's attention which could give rise to a concern as to the suitability of an associate, the VCGLR will investigate in accordance with section 28A of the Casino Control Act and take appropriate action.

The VCGLR may also review certain contracts entered into by the casino operator with associates, in accordance with section 30 of the Casino Control Act.

In assessing probity for this review, the VCGLR has focussed on those associates with the most influence or impact on Crown Melbourne. In investigating the probity of Crown Melbourne and its associates, the VCGLR has had regard to its ongoing monitoring and previous investigations. Appendix 3 contains a full list of associates.

The individual associates of Crown Melbourne who are directors and other officers of Crown Melbourne, Crown Resorts and CPH companies have been subject to numerous probity checks as part of the VCGLR's investigations. Many have a significant public profile. Crown Resorts is also subject to public disclosure requirements by the ASX. Many associates of Crown Melbourne have also been subject to probity approvals by gaming regulators in other jurisdictions.

The individual associates of Crown Melbourne were required to disclose significant amounts of personal information and to consent to the disclosure of information held by law enforcement agencies and other regulators to the VCGLR. The VCGLR also considered directorships, investments and other relationships.

The VCGLR also conducted media searches as well as searches of its own internal databases and files.

### Associates

Under section 4 of the Casino Control Act, an "associate" is a person who holds:

- the position of director, manager or other executive position or secretary in the casino business of the casino operator, or
- a relevant financial interest (such as holding shares) or relevant power (meaning power to participate in executive decisions or to elect a person to a relevant position) and is thereby able to exercise a significant influence over the management or operation of the casino business.

This definition is similar to the definition of associate in the Gambling Regulation Act.

The VCGLR divided its probity assessment into several elements including: internet searches, credit searches, ASIC company searches, ASIC banned and disqualified persons searches and police checks.

Overall, no matters of concern emerged from the various searches. Specific matters emerging from the searches and matters brought to the attention of the VCGLR by way of private submissions were set aside for further investigation.

Investigations into these matters required, in some cases, personal approaches to individuals or reference to other data and information sources. The result is that nothing is known to the VCGLR that would preclude any of the individuals continuing as an associate of the casino operator.

Crown Melbourne currently has 35 associates (23 individuals and 12 entities) approved under section 28 of the Casino Control Act. A list of associates is published on the VCGLR website and updated when there are changes.

Associated entities were the subject of online credit checks and ASIC company document searches. In addition, PwC was contracted to conduct a financial stability assessment of Crown Melbourne and associated entities.

Assessment was made of a selection of companies associated with specific individuals or specific corporate developments such as acquisitions and the development of new businesses or projects.

No matters emerged that would reflect negatively or impact negatively on the suitability of the casino operator to retain its licence.

## Management Ability

### Overview

The ability and experience of the management of the Melbourne Casino is a key part of considering whether Crown Melbourne continues to be a suitable person to hold the casino licence.

Given Crown Resorts' role in setting the strategic direction and financial strategy for Crown Melbourne, it is also necessary to include Crown Resorts' directors and executives in the assessment.

In assessing the ability and experience of the management, the VCGLR reviewed current organisational structure charts to understand the management responsibility of the relevant executives.

### Board members

The VCGLR considered the management ability of the members of the Crown Resorts and Crown Melbourne boards. This process included formal interviews with Mr John Alexander (the Executive Chairman) and Professor John Horvath (non-executive independent Director).

Crown Resorts has established a Nomination and Remuneration Committee as recommended under ASX Governance Principle 2 (Structure the Board to add value). The charter of the Nomination and Remuneration Committee makes it responsible for selection, appointment and development of directors. Directors are nominated to the board after the committee (on behalf of the board) considers the effect that any proposed director would have on the overall balance and composition of the board.

The 2017 Crown Resorts annual report includes a board skills matrix which sets out the mix of skills and diversity that the Crown Resorts board is looking to achieve in its membership. The board skills matrix outlines the key skills and experience required of the board and the extent to which those skills are currently represented on the board and each of its committees.

The board skills matrix sets out 16 skills/competencies, including risk management, industry experience—gaming and entertainment and strategic planning and execution. For example, the current board skills matrix states that all Crown directors are skilled in risk management and strategic planning and execution, and a number of directors have industry experience in gaming and entertainment.

The VCGLR considers that the Crown Resorts board members have, between them, extensive commercial experience and sound business ability. In addition, Professor Horvath, who is a member of both Crown Resorts and Crown Melbourne boards, has had significant experience as a distinguished medical practitioner, researcher and teacher, which is particularly relevant to the oversight of responsible service of gambling.

The VCGLR considers that the board of Crown Resorts has a diverse range of skills, competencies and experience.

The VCGLR has noted from the 2017 Crown Resorts annual report that:

*“succession planning is an important part of the Nomination and Remuneration Committee as it ensures the Board maintains appropriate experience, expertise and diversity”.*

The Crown Melbourne board comprises five members, including current directors and a former director of the Crown Resorts board and senior executives of Crown. The executives who are members of the Crown Melbourne board are well qualified to provide strategic and financial stewardship of the Melbourne Casino. Since 2016, Mr James Packer, Mr Kevan Gosper and Mr Rowen Craigie have resigned as directors of the Crown Melbourne board and no replacement directors have been appointed.

The VCGLR considers that the Crown Melbourne board members have, between them, extensive commercial experience and sound business ability.

The operation of the Crown Melbourne board is discussed further below.

## Executives and management

On 2 August 2013, Crown Resorts announced a restructure of its executive management team and created the new position of CEO—Australian Resorts, filled by the then chief executive of Crown Perth, Mr Barry Felstead.

This role is responsible for Crown’s two Australian casino properties, its high roller business and certain international business.

The VCGLR reviewed the following staff organisational charts:

- Crown Melbourne’s executive staff from CEO—Australian Resorts to one level below the general manager or equivalent

- the Table Games Operations Department (main gaming floor and Premium) from Executive General Manager, Gaming Machines to floor staff
- the Gaming Machines Operations Department from Executive General Manager, Gaming Machines to floor staff, and
- the Finance Department.

It has been noted earlier in this report that some Crown Melbourne executive roles now extend beyond the management of the Melbourne business—that is, they are “group” roles. The following aspects of the business are now managed at a Crown group level: Information Technology; Regulatory & Compliance; Responsible Gaming; International Business Operations; Learning & Development; Public Relations; Product, Strategy & Innovation; Procurement & Supply; Risk & Audit; Finance; Anti-Money Laundering; Enterprise Reporting; Legal; VIP International; Customer Analytics; Strategy & Finance; Hotels; Retails and Food and Beverage.

Crown advised the VCGLR that the benefits of group level management are: greater consistency in approach across the group and developing executives with greater expertise through having a broader experience. There are local staff at the various properties who report to the group managers.

The VCGLR assessed the management ability of executives relevant to Crown Melbourne. This process included formal interviews with Mr Felstead and Crown Melbourne’s Chief Operating Officer, Mr Xavier Walsh. It also involved a review of the resumes of the executives responsible for the Melbourne Casino at the group and executive general manager level, and assessments of performances at presentations given to the Review Team.

The presentations were an opportunity for the executives and management of the key business units to demonstrate their business ability and oversight, operational strategy, and performance.

Presentations were provided on:

- Corporate structure
- Surveillance and Security Services
- Responsible Service of Gaming
- International Gaming
- Gaming (Premium and Main Floor Table Games, Premium Gaming Machines and Main Floor Gaming Machines), and
- Responsible Service of Alcohol.

The content was tested by questioning from members of the Review Team. The presentation materials were also verified by a review of documentary material and interviews with Crown staff.

The VCGLR considers that Crown Melbourne's business units are led by well qualified and competent personnel with relevant and extensive experience. All executive managers have extensive experience in their fields. Relevant experience ranges from 17 years to 30 years and includes formal qualifications as well as operational experience. In addition, some of the executives have had previous experience at other Crown casinos, Australian competitor casinos and international casinos.

The VCGLR considers that the senior executives and management have on the whole demonstrated sound management ability. This is also reflected in the ability of the staff below the executive and management level.

## Non-executive staff

The capability of the non-executive staff of the Melbourne Casino supports the management capacity of the board and senior executive staff.

A Crown Melbourne subsidiary is a registered training organisation, operating from a purpose-built staff training facility (Crown College, located within the Metropal Hotel building). Crown College provides, supports and coordinates all learning and development operations at the Melbourne Casino Complex, and oversees the induction of new employees.

Crown College trains staff to work at the Melbourne Casino Complex and in Responsible Service of Alcohol and Gaming. Over 5,900 apprentices and trainees have graduated since its establishment. More than 1,570 Crown employees are currently undertaking training within the Australian Qualifications Framework.

Crown College was awarded the 2015 Gold Winner at the Brendan Hall Excellence Awards—Best Strategy for a Corporate Learning University. It was also named the 2015 Hall of Fame recipient in the Victorian Tourism Awards—Education and Training.

Crown Melbourne conducted six staff engagement surveys in 2015 and 2016, focussing on gaming machines (staff); recruitment (policy); health, safety and compensation (policy); marketing (staff), IT (staff) and hotels (staff). The VCGLR observed that the level of response to the surveys was substantial, meaning that not only were the statistics reliable but also that there was a high level of staff engagement in the exercise.

These surveys are an example of the sort of regular feedback processes which represent good practice for a large entity. Review of the survey results indicated that there were no significant issues with Crown Melbourne's management of its employees.

## Corporate governance and risk

### Introductory

The expression “corporate governance” describes “the framework of rules, relationships, systems and processes within and by which authority is exercised and controlled within corporations. It encompasses the mechanisms by which companies, and those in control, are held to account”. This comes from the ASX Corporate Governance Principles (ASX Corporate Governance Council 2014), which directly relate to Crown Resorts as an ASX listed entity.

While adherence to good governance principles falls into the regulatory roles of ASIC and the ASX, the VCGLR, as the casino regulator, requires an understanding of the effectiveness of corporate governance and risk management so as to provide assurance that the casino operator will conduct its business in an appropriate manner to meet all its obligations under the Casino Control Act, other applicable laws and the Transaction Documents.

The two primary sources of evidence for assessing corporate governance and risk were the formal records of the companies (meeting papers and minutes) and interviews with directors and senior executives. The formal records were examined in detail and issues arising were then explored in interviews with four key directors and executives of the group:

- Mr John Alexander, the Executive Chairman
- Professor John Horvath, an independent director on both boards, and the chair of key committees responsible for responsible gaming and for compliance
- Mr Barry Felstead, the CEO—Australian Resorts, and
- Mr Xavier Walsh, the Chief Operating Officer for Crown Melbourne.

In examining what constitutes good corporate governance for a casino operator, this analysis assessed:

- the independence and operation of the Crown Resorts board and board committees
- the independence and operation of the Crown Melbourne board and board committees
- oversight of Crown Melbourne by Crown Resorts
- compliance with best practice standards and guidelines in accordance with the ASX Governance Principles
- the risk associated with a 46 per cent shareholder’s influence over Crown Resorts, and
- the regulatory risk associated with relying on strong internal governance to give assurance as to compliance.

### Internal governance institutions and functions

#### The companies’ boards

Corporate governance starts at board level and, for the purposes of this review, two boards are important—the board of Crown Melbourne, the actual casino operator, and the board of Crown Resorts, the ASX listed entity which controls Crown Melbourne.

Crown Resorts, as the parent company, is largely responsible for setting the corporate strategy and has a significant influence on the governance structure of Crown Melbourne. Any governance assessment must look at the corporate governance structure of both companies.

The primary focus of this work, as for past reviews, was on the Crown Melbourne board and board committees, and the administrative structures supporting them. However, examination of the formal records made it clear that many of the relevant decisions were made by executives at the group (rather than Melbourne) level or by the Crown Resorts board. As a result, the focus broadened to include a sample review of one year of Crown Resorts papers and enquiries and documentary examinations of Crown Resorts material.

Figure 2: Crown Resorts board and committee structure (as at 30 June 2018)



Source: Crown

Crown Resorts, as an ASX listed public company, is required to adhere to the ASX Governance Principles and report on any areas where it is not compliant. One such area concerns the position of chairman, which the ASX governance principles suggest should be an independent non-executive director. Mr Alexander is the executive chairman. The Crown Resorts board disclosed this and, in the 2017 annual report, explained:

*“John Alexander is well placed to act on behalf of shareholders and in their best interests as a whole”.*

Crown Melbourne, as a wholly owned subsidiary, is not required to adhere to the ASX Governance Principles. However, requirements attached to its casino licence (its primary business licence) require aspects of its governance to be conducted independently of its parent and so Crown Melbourne has a corporate governance framework separate to and distinct from that of Crown Resorts.

The documented corporate governance structure of Crown Melbourne is aligned in part to the ASX Governance Principles. Crown Melbourne has a board and two board committees (Audit and Compliance, consistent with the Casino Agreement). In addition, there are Crown Melbourne executive committees that report to the Audit Committee.

The Crown Melbourne board operates under the company’s memorandum and articles of association (the standard constitutional documents for companies incorporated in 1992). There have been no amendments to the memorandum or articles since 1998. The board has not adopted a board charter.

In addition to the requirements of the memorandum and articles, clause 22 of the Casino Agreement imposes requirements that:

- there must be at least five directors on the Crown Melbourne board
- at least 75 per cent of Crown Melbourne’s board meetings each year must be held in Melbourne
- at least 75 per cent of the meetings of Crown Melbourne’s executive managers must be held in Melbourne
- Crown Melbourne’s senior executive managers must reside in Victoria, and
- at least one company secretary must reside in Melbourne.

Crown Melbourne's practice does diverge from the ASX Governance Principles in that the board has an executive chairman (Mr Alexander) and operates without a majority of independent directors.

Both boards' minutes are concise, referring to noting or adoption of material in the accompanying papers rather than the content of that material. However, where board level authorisation is required for financial transactions and corporate law matters, the resolutions are detailed and technical, and can be understood without reference to the supporting papers. The minutes rarely record discussion or items for further action, unless it relates to a matter arising after the circulation of the papers.

Senior management and advisers are recorded as being present for the majority of board business. The papers provided to the VCGLR included redactions for claims of client legal privilege, including for matters arising from the detention of 19 Crown staff in China in October 2016.

The review of Crown Resorts papers also evidenced compliance with procedure, such as the conflicts of interest provisions, with the directors representing CPH not present when transactions involved CPH or the Packer family. Similarly, committees composed of independent directors are responsible for overseeing transactions between Crown Resorts and those interests (for example, purchase and sale transactions concerning a property called Ellerston).

The Crown Melbourne board met five times in both 2013 and 2014, and four times in each of 2015, 2016 and 2017. These meetings followed immediately after meetings of the Crown Resorts board.

The supporting papers for Crown Melbourne board meetings contained detailed and comprehensive documentation of a range of information concerning financial, operational, development and business matters. In part, this was made up of extracts of papers presented to the Crown Resorts board. For example, the Crown Melbourne financial plans are an extract of the Crown Resorts financial plan.

The supporting papers also contained minutes and updates from Crown Melbourne's Audit Committee and Compliance Committee (which were received and adopted), and minutes of the Crown Resorts Responsible Gaming Committee (received for the purposes of overseeing

implementation of responsible gambling practices). The receipt of these minutes implements Recommendation 4 of the Fifth Casino Review.

In the Review Period:

- the average duration of Crown Melbourne board meetings was 35 minutes
- the then board chair of Crown Melbourne participated in two of the 16 meetings held between January 2013 and May 2016 (one in person and one by telephone)
- the size of the board fell from seven to five, with one of the departures being the retirement of long-standing independent director Mr Gosper
- most of the resolutions were related to capital initiatives already determined by the Crown Resorts board or were formal resolutions complying with Corporations law requirements (such as the approval of financial statements and the declaration of dividends), and
- matters concerning the detention of 19 Crown staff in China in October 2016 were noted simply as having been discussed by the Crown Resorts board.

The duration of board meetings, the nature of the board resolutions, the frequency of meetings, the majority of directors being senior Crown executives and the replication of information presented in papers to the Crown Resorts board does not provide evidence that the Crown Melbourne board has an active role in overseeing the Melbourne Casino.

These matters, combined with the meeting frequency (which the VCGLR has remarked, in the past two periodic review reports, as being low for a company of the size of Crown Melbourne), could result in a conclusion, if based only on the documentary material, that the operation of the Crown Melbourne board was merely a formal exercise.

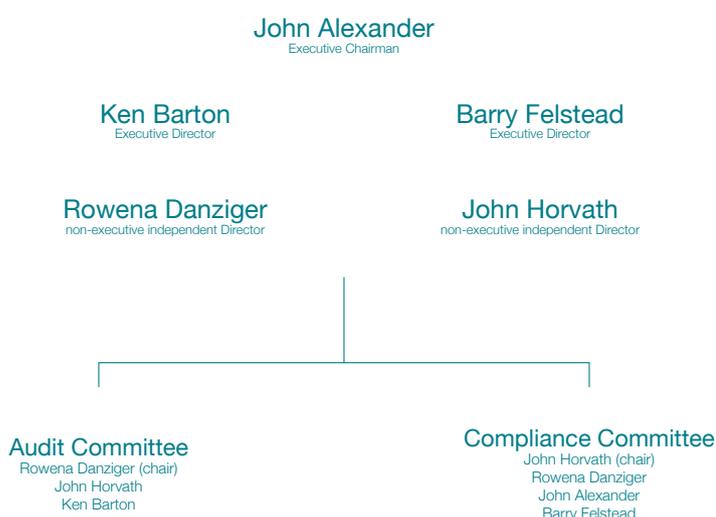
At interview, Mr Alexander explained that the Crown Resorts board had indeed taken a more granular approach to Crown Melbourne activities, which he put down to the significance of the Melbourne operation to the fortunes of the group—as noted elsewhere, Crown Melbourne generates 71 percent of group EBITDA.

Mr Felstead and Professor Horvath recalled the meetings as being useful, particularly for property-specific issues, and advised that there were good discussions. They did not dispute that these discussions were not evidenced in the minutes, and Professor Horvath indicated a willingness to look at the minute-keeping style.

Professor Horvath thought that a new independent director might be appointed to the Crown Melbourne board when Crown Resorts' newest independent directors received their regulatory approvals. Mr Alexander expressed openness to an additional appointment, and referred to the continuation on the Crown Melbourne board of Ms Danziger after her retirement from the Crown Resorts board.

Mr Alexander also indicated that, despite being formally absent on occasions, the Crown Melbourne board chair was well briefed and closely involved in the board's deliberations. Crown Melbourne's board meetings immediately follow a Crown Resorts board meeting and, where the chair had participated by telephone from overseas, he would leave the call at the end of the former, due to the lateness of the hour in his own time-zone. Mr Alexander gave an assurance that the Chairman was across the materials and aware of all the issues, especially as critical matters would have been discussed at the Crown Resorts meeting.

Figure 3: Crown Melbourne board and committee structure



Source: Crown

As noted above, this review addressed the risk associated with Mr Packer's influence over Crown Resorts arising from the 46 per cent of the voting power he controls through CPH. The review explored whether his absence from the boards for various periods during the Review Period posed a problem, and more generally how his views and interests were reflected in board discussions.

Mr Alexander stated that Mr Packer had remained engaged in the business throughout the Review Period, including the times when he was not on the boards. He spoke with Mr Packer regularly, and he knew that Mr Packer spoke with other directors and with senior executives with whom he had long-developed relationships. Further, changes in corporate structure and the refocus to Australia during 2016 had been initiated by Mr Packer and agreed by the boards.

Mr Alexander pointed to the number of independent directors on the Crown Resorts board, and their calibre, to provide assurance as to the quality of decision making.

This was supported by Professor Horvath's statements at interview that the views of the independent directors were respected by Mr Packer and the CPH representatives on the Crown Resorts board. He volunteered the example of the board's decisions to initiate and then discontinue a development of Las Vegas Boulevard land in 2015 and 2016. The opportunity was identified by staff, it was vetted by the independent directors and it gained their approval. When circumstances changed, the independent directors agreed that the proposal would not meet the company's objectives.

The VCGLR notes that while the papers suggest that the Crown Melbourne board has a mainly formal function, the interviewees all found it worthwhile. The VCGLR explored with Mr Alexander and Professor Horvath whether its role should be clarified by the adoption of a charter; both were open to further discussion.

## The committees

The Casino Agreement requires the Crown Melbourne board to have an Audit Committee and a Compliance Committee, governed by a charter. These committees have each been maintained through the Review Period. Each is chaired by an independent director and independent directors constitute at least half of the members.

These committees each met at least three times annually during the Review Period, with their annual aggregate meeting times ranging from 100 minutes to two and a half hours.

Long standing Crown Melbourne director Mr Kevan Gosper chaired both committees until his retirement in February 2017. Ms Rowena Danziger succeeded him as Audit Committee chair, and Professor John Horvath as Compliance Committee chair.

In accordance with its charter, the Audit Committee assists the Crown Melbourne board in relation to financial reporting, corporate control and risk management, and internal and external audit. The charter also requires the chair to have significant background in accounting and/or financial management disciplines. The VCGLR considers it important that the chair has actual experience in these disciplines.

The Compliance Committee assists the Crown Melbourne board to maintain the Melbourne Casino licence and the other licences it must hold to conduct its business, as well as monitoring compliance with other legislated and Transaction Document requirements (which range from food safety through to the financial covenants). Its primary function appears to be receiving internal reports of compliance with the many regulatory requirements that apply to Crown Melbourne. The review role of the committee is confined and there is no reference in the committee's charter to the oversight of Crown Melbourne management.

The papers and minutes document both committees receiving and dealing with a substantial volume of material, with staff speaking to the reports provided. The VCGLR noted, in the Compliance Committee papers, that some reports featured written analysis while others (for example, debt management) simply provided data.

The committees also meet the formal requirements of their charters. By way of example:

- the Audit Committee reviewed the adequacy of the resourcing and independence of the risk and audit function, and the independence of the external auditor, by receiving and adopting reports prepared by management, and
- the Compliance Committee reviewed its charter by minuting the undertaking of that exercise.

## Internal audit

The following documents were assessed in reviewing Crown Melbourne's internal audit function:

- Audit Committee charter, agendas, minutes and papers
- internal audit plans and reports
- risk management plans and reports, and
- Crown Melbourne's executive management organisation chart as at October 2017.

Risk and audit issues were included in the interviews of directors and senior executives.

Crown Melbourne's internal audit function is the responsibility of a Risk & Audit unit, led by a general manager. Internal audit activities are closely aligned to corporate control and risk management and are overseen by the Crown Melbourne board Audit Committee in accordance with its charter, with the general manager reporting functionally to the committee.

In a change which implemented Recommendation 1 of the Fifth Casino Review, the general manager—who is functionally responsible to the Audit Committee chair—became a direct report of the CEO—Australian Resorts.

Implementation of Recommendation 2 of the Fifth Casino Review has resulted in Crown Melbourne conducting a review of the independence of the internal audit function and an independent quality assessment of the internal audit function.

In May 2014, an external consultant conducted a quality assessment of the internal audit function and determined that Risk and Audit was “generally compliant” (highest rating) with 8 of the 12 Institute of Internal Auditors International standards and “partially compliant” in respect of the remaining four standards. Crown Melbourne followed up with actions to achieve full compliance which required introduction of a unit charter, a formal policies and procedures document covering the conduct of audits, and the management of internal audit records in Crown Melbourne’s records management retention guide.

The required charter was approved by the Audit Committee at its February 2015 meeting. The charter requires the general manager to confirm, at least annually, the organisational independence and objectivity of the unit. A review of the Audit Committee minutes confirmed that the general manager tabled an annual memorandum attesting to this. The charter was also reviewed annually as required.

Towards the end of the Review Period, the general manager role was elevated to be responsible for risk and audit at the group level. Mr Alexander explained, at interview, that this was intended to enhance the company’s compliance capacity. There are three other new group positions: AML/CTF, responsible gaming, and compliance and regulatory management.

The VCGLR reviewed the staff resources and functions for Risk & Audit. The general manager has two direct reports—one full-time manager for risk and assurance and one full-time internal auditor. All three positions have had changes in staff resourcing during the Review Period and this has resulted in a loss of budgeted audit hours.

Crown Melbourne also maintains a dedicated table gaming audit function staffed by a full-time manager and a part-time assistant, and a gaming machines audit function managed by the revenue audit unit.

Crown Melbourne’s internal audit plans provide details of internal audit work to be undertaken for a three year period. Risk ratings are assigned to each auditable area consistent with the risk rating of related critical risk exposures or otherwise assessed. The internal audit plan may be modified or adjusted to reflect changes in Crown Melbourne’s risk profile or to accommodate executive management requests.

The number of budgeted internal audit hours since 2008–09 shows a declining trend, due to a staff member moving from full-time to part-time employment. Crown Melbourne reported that actual hours worked met budget, except in 2014–15, when there were unplanned staff vacancies.

Planned internal audit hours allocated to Internal Control Statement compliance, fraud, leakage of sensitive information, and failure/corruption of IT Systems represented 49.9 per cent of total planned hours for the period 2013–14 to 2016–17. Fraud audits include a review of issues reported via Crown’s whistleblower hotline. Other planned internal audit hours related to AML/CTF, responsible service of gaming and responsible service of alcohol.

Risk & Audit provides information regarding the effectiveness of Crown Melbourne’s internal control systems and systems established to assess, monitor, and manage material risk exposures. It also provides regular internal audit and risk management plans and reports to the Audit Committee, which include details of issues raised and resolved.

Areas reported to the Audit Committee for improvement included:

- improved documentation and monitoring of gaming exceptions granted to high roller players, and
- improved maintenance of complete and accurate cheque signatory records, and prompt communication of any amendments to the bank.

In March 2015 and September 2016, audits were undertaken of responsible service of gaming in respect of compliance with the Responsible Gambling Code of Conduct. The risk attached was rated “significant” and the overall audit findings for each audit were “satisfactory” (2015 audit) and “good” (2016 audit). The audit work undertaken for the September 2016 audit found that “controls are adequate and effective to ensure material compliance with Crown’s VCGLR approved Responsible Service of Gambling Code”. Additionally, a review of the Code against the Gambling Regulation Act Ministerial Direction noted no exceptions.

However, there were issues of non-compliance which have been addressed in relation to display of responsible gambling talkers, stickers and signage required on the gaming floor/on gaming machines, the provision of required brochures and the availability of game rules via the Crown Melbourne website. Crown indicated instances of gaming staff not having completed required training by the due date.

Issues of non-compliance in relation to the VCGLR-approved Junket and Premium Player Programs Internal Control Statement were the subject of VCGLR disciplinary action in December 2017. These included:

- failing to properly document junket arrangements
- failing to name the junket program players in junket agreements
- failing to document front money in one junket agreement
- failing to accurately record the authorised Crown representative in junket agreements, and
- failing to notify the VCGLR of a new non-resident junket operator.

80 hours were allocated to each of the March 2015 and September 2016 responsible gambling code of conduct audits, representing approximately 2 per cent of the annual budgeted internal audit hours for those years. Given that the relevant risk is rated as significant, this seems low and should be reviewed.

### Risk management process

Principle 7 of the ASX Governance Principles requires Crown Resorts to establish a policy for oversight and management of material business risk.

At the group level, Crown Resorts has established policies for the oversight and management of material risks and has established a board Risk Management Committee to provide strategic risk management leadership, oversight and analysis in accordance with a charter which is published on its website. The committee members are

independent directors Mr Geoff Dixon (chair) and Mr Andrew Demetriou, and Executive Chairman Mr John Alexander.

At the Crown Melbourne level, risk management is part of the responsibilities of the board Audit Committee, to which a committee of executive staff (the Melbourne Risk Committee) reports. The VCGLR reviewed the Melbourne Risk Committee charter, agendas, minutes and papers for the Review Period. Crown Melbourne's risk management plans and risk management reports were also reviewed and some independent work was undertaken for the VCGLR by PwC.

The Melbourne Risk Committee met quarterly, as required by its charter, to support the achievement of Crown Melbourne's business objectives and corporate governance responsibilities through:

- determination of Crown Melbourne's risk management strategy, and
- development, implementation and evaluation of Crown Melbourne's enterprise risk management system as follows:
  - ongoing identification and evaluation of Crown Melbourne's key risk exposures
  - preparation and approval of Crown Melbourne's risk management plan based on the model outlined in the relevant international standard, and
  - reporting of risk management activities to the executive team and Crown Melbourne board.

The risk management plan is prepared following identification and a comprehensive assessment of Crown Melbourne's low, moderate, significant and high material risk exposures. For each risk, the likelihood and consequence is determined, a rating assigned and controls for mitigation improvement strategies established. These details are documented in the risk management plan, including the Crown Melbourne corporate risk profile matrix, which is monitored by the Melbourne Risk Committee on a minimum quarterly basis.

Crown Melbourne introduced Responsible Service of Gambling as a new “Significant Risk” in the November 2012–June 2013 Risk Management Reporting period. Crown Melbourne advised of the “Risk that gambling services are not provided in a responsible manner or in accordance with VCGLR Responsible Gambling Code of Conduct, resulting in potential harm to individuals, the possible imposition of legislative / regulatory restrictions, increased public scrutiny and reputational damage. Given its potential impact, this risk has been reclassified as a standalone risk consistent with Crown Resorts”.

Mr Felstead, at interview, substantiated the operations of this process, explaining that, after the Melbourne Risk Committee has documented and settled the draft risk management plan, including the risk profile matrix, he reviews it prior to endorsing it for submission to the Audit Committee. Mr Felstead commented that he might improve the risk matrix if he identifies other risks not addressed in the risk matrix.

At interview, each of the directors and executives demonstrated awareness of commitment to the identification and management of risks. This included, in the case of Professor Horvath, undertaking physical inspections of facilities in the Melbourne Casino Complex. When the discussion involved key examples, the matters which attracted attention were fire safety, physical security and incident management.

The Crown Melbourne Audit Committee approves the risk management plan and receives an annual risk management report from the relevant general manager. The risk management report advises of any amendments to material risk exposures and identifies any new ones. The corporate risk profile matrix is updated and commentary is provided on material developments in relation to the risk exposures. The risk management report also provides a definition of each risk.

Crown Melbourne’s risk management systems and processes are subject to internal periodic reviews conducted by Crown Melbourne’s external auditor and insurers, providing assurance as to adherence to accepted commercial practice. Results of external reviews and inspections are monitored by the Melbourne Risk Committee and internal audit, including resolution of any issues reported.

These Crown Melbourne processes are integrated into group wide risk management processes.

One of the controls identified for the risk Responsible Service of Gaming is internal audit. The risk mitigation improvement strategies for the responsible service of gaming in the 2015 risk management plan are:

- evaluate and assess the use of player data analysis as an indicator to identify patrons who may be having problems with their gambling, and
- continue development and implementation of enhanced strategies for the prevention and detection of excluded persons attempting to/gaining entry to VIP gaming areas.

In addition, during the Review Period, Crown Melbourne engaged global risk consultants to provide services, including a cybersecurity health check assessment, review of IT server security, penetration testing, and fraud and corruption reviews to identify and treat potential associated risks that could impact on Crown Melbourne’s operations.

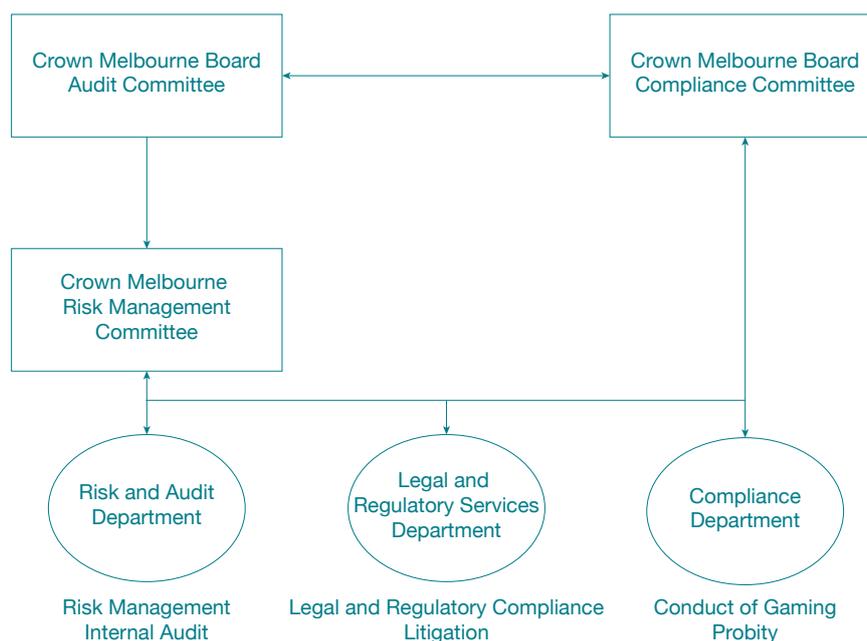
Crown Melbourne also has a Whistleblowers/Alert line policy in place to facilitate reporting of unethical or illegal behaviour. This is detailed under the heading Whistleblower review on page 71.

### **Legal and regulatory compliance**

The Chief Legal Officer Australian Resorts oversees two units which are responsible for Crown’s legal and regulatory compliance program.

Over the review period, the regulatory compliance unit’s functions have included relationships and cooperation with law enforcement agencies; responsible service of gaming; AML/CTF; planning, building, fire safety and environmental compliance; smoking regulations; liquor licensing and food hygiene and safety; employment law and workplace health and safety; litigation; privacy; and liaison with the VCGLR under gambling laws.

Figure 4: Crown Melbourne Risk Management, Audit and Compliance overview



Key elements of liaison with the VCGLR include legislative and regulatory compliance generally; variations to game and equipment approvals and to the system of accounting and internal controls; special employee licensing (including employee and contractor criminal record checks); and controlled contract probity assessments.

### External audit

Ernst & Young, a chartered accounting and financial advisory services firm, has been the external auditor to:

- Crown Melbourne since 1993
- PBL, at all times it held Crown Melbourne
- Crown Resorts since November 2007, and
- CPH since 1993.

Section 127 of the Casino Control Act requires the casino operator to have its financial statements audited by a person approved by the VCGLR. Crown Melbourne must provide the auditor's report and the financial statements to be lodged with the VCGLR within four months of the end of the respective financial year.

Crown Resorts, as an ASX listed company, is also required under the *Corporations Act 2001* to provide an annual independent auditor's report.

The question for an external auditor is whether financial accounts give a true and fair view of the entity's financial performance, and are complying with relevant accounting standards and legislated requirements.

To form an unqualified opinion on the financial health of Crown Resorts and Crown Melbourne, the external auditor assesses the risks of material misstatement of the financial statements, and in doing so, obtains an understanding of the internal controls. The external auditor's report in the Crown Resorts 2017 annual report states that as part of the audit, the external auditor:

*"obtains an understanding of the internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal controls of the financial statements."*

The VCGLR has taken this procedure as a low-level indicator only of the internal controls that have contributed to having unqualified external audit opinions of the Crown Resorts and Crown Melbourne financial accounts. The external auditor obtains an understanding of the internal controls to provide a level of comfort before signing off the financial accounts.

Ernst & Young found the financial statements for Crown Melbourne and Crown Resorts in the Review Period to have met the necessary standards.

It is important that the external auditor is independent, and for this reason the VCGLR considered external audit partner rotation and the level of fees for non-audit services for Crown Melbourne and Crown Resorts, through a review of papers (including those of the Crown Resorts Audit and Governance Committee) and at interview.

Audit partner rotation is required for ASX listed entities; an individual who plays a significant role in the audit of a listed company must not be a key audit partner for more than five consecutive years in seven, with a two year break. The VCGLR observed that Ernst & Young is complying with the requirement to rotate the key audit partner role for Crown Resorts every five years. The fifth anniversary of

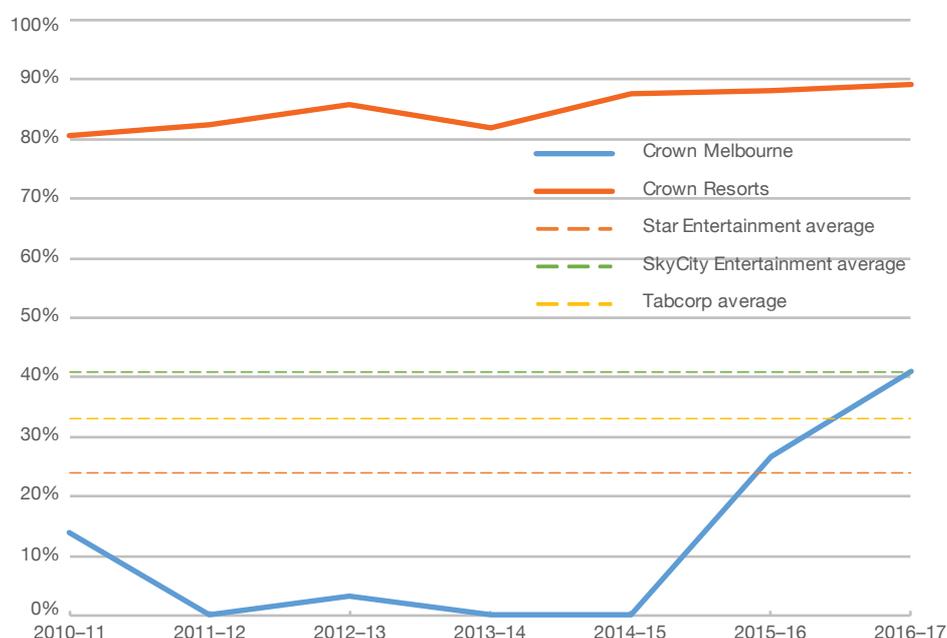
the current partner fell in 2017 and a new lead partner was appointed from the commencement of the 2018 financial year. The audit partner for Crown Resorts also oversees the audit of Crown Melbourne.

In addition to its statutory auditing work, Ernst & Young has been engaged to provide non-audit services to Crown Melbourne and Crown Resorts.

In the report of the Fifth Casino Review period, the VCGLR considered “that the fees for non-audit services since 2008 for Crown Resorts have been consistently high, which raises concerns for the VCGLR about the processes and procedures Crown Resorts has in place to assess the independence of the external auditor in accordance with the Audit & Corporate Governance Committee charter”. The Crown Resorts Audit and Governance Committee has noted that the high level of non-audit fees has been the subject of adverse comment by the Australian Shareholders Association and some proxy advisors. Mr Alexander made the same comment at interview.

Average non-audit fees as a proportion of total fees paid to the external auditor for Crown Resorts for the period from 2008–12 were 79 per cent, and eight per cent for Crown Melbourne. In the Review Period, average non-audit

*Chart 10: Percentage of Crown Resorts non-audit service fees compared with other casino and gaming companies*



Source: Crown Resorts annual reports, Star Entertainment annual reports, Skycity Entertainment annual reports, Tabcorp Holdings annual reports

fees for Crown Resorts increased to 88 per cent. Crown Melbourne's average non-audit fees increased to 19 per cent.

Acknowledging that Crown Resorts has recently had a high level of international acquisition and disposal activity, the VCGLR compared the average non-audit fees of Crown Resorts with Skycity Entertainment (operator of the Auckland, Adelaide and Darwin casinos), Star Entertainment (operator of the Sydney, Brisbane and Broadbeach casinos) and Tabcorp (off-course betting provider for Victoria and New South Wales) for the same period. Comparative average non-audit fees are 42 per cent, 28 per cent, and 33 per cent respectively.

The provision of consistently high non-audit services raises the possibility that the work led by the external audit partner will include non-audit services provided by the same firm (the "self-review threat").

In the Fifth Casino Review, the VCGLR recommended that the Crown Resorts Audit & Governance Committee perform a comprehensive assessment of the independence of its external auditor on a periodic basis and provide the results of each assessment to the Crown Resorts board and the VCGLR.

For this purpose, in November 2013, Ernst & Young made a presentation to the Crown Resorts Audit & Governance Committee on its independence monitoring programs and systems. The committee concluded "that Ernst & Young has processes in place at engagement level to ensure independence, individuals within Ernst & Young are personally held accountable for breaches of independence, and high standards are in place for individual independence".

In addition, the Audit & Governance Committee obtained an external legal review to satisfy itself as to whether the external auditor is independent based on the processes the committee has in place and any other matters that should be considered by the committee in making its determination. Crown declined to provide this on the basis of client legal privilege and so, beyond noting the additional diligence undertaken, the VCGLR is unable to rely on this work for further assurance.

The review was reported to, and accepted by, the VCGLR at the time.

Both the Crown Melbourne Audit Committee and Crown Resorts Audit & Governance Committee continue to formally review the independence of the external auditor in accordance with their respective charters.

As required by laws introduced in 2004, Crown Resorts has complied with:

- mandatory disclosure in the annual report of fees paid for non-audit services in certain categories, and
- the requirement that its directors state, in the annual report, they are satisfied that the provision of those services is compatible with auditor independence—in 2017 saying:

*"Based on the advice received from the Audit & Governance Committee, the Directors are satisfied that the provision of audit services during the 2017 financial year by Ernst & Young is compatible with, and did not compromise, the standard of independence imposed by the Corporations Act 2001 (Cth) for the following reasons:*

- *all non-audit services have been reviewed by the Audit and Corporate Governance Committee to ensure that they did not impact the impartiality and objectivity of the auditor; and*
- *none of the services involved reviewing or auditing the auditor's own work or acting in a management decision-making capacity for the company".*

The continued increase in non-audit fees was raised with Mr Alexander and Professor Horvath. They each indicated that the board was comfortable with the level of non-audit services provided by Ernst & Young. There was a view that this would decline in the coming period due to changes in Crown Resorts' corporate strategy.

The VCGLR will continue to monitor the level of non-audit fees by Ernst & Young. While noting that the majority of the work conducted by Ernst & Young relates to taxation matters, the VCGLR considers the self-review threat to be a concern to be taken seriously.

## Litigation

Crown Melbourne advised that, between 1 January 2013 and mid-December 2017, there have been 212 proceedings initiated against it or Crown Resorts. In total, 176 of these proceedings have been settled, 25 have been finalised by judgement, dismissal or withdrawn and 11 proceedings are still ongoing. The proceedings against Crown Melbourne included a wide range of matters including personal injuries claims by patrons and employees, equal opportunity litigation and commercial litigation.

The number of proceedings during the Review Period is higher than the Fifth Casino Review period. However, the level of litigation is not considered to be excessive given the number of employees and patrons at the Melbourne Casino and the size of the business operations.

There are a small number of legal proceedings awaiting resolution.

The most significant legal proceeding that is pending is the class action against Crown Resorts initiated on 4 December 2017 in the Federal Court of Australia, brought on behalf of shareholders who acquired shares between 6 February 2015 and 16 October 2016—the date on which the detention of 19 Crown staff in China became known. The plaintiffs allege a failure by Crown Resorts to comply with its continuous disclosure obligations and engaging in misleading and deceptive conduct in relation to the business operations in China. Media reports indicate plaintiffs' lawyers' assessments of Crown Resorts' liability being in excess of \$100 million. Crown Resorts has stated that it will vigorously defend the class action.

## General governance and risk observations

Effective governance requires an active and robust culture to accurately assess the performance of the business, the potential risks to the business and to make strategic decisions in the best interests of the corporate entity for the future success of the business. However, issues with governance may also be divided between the need for rules-based conformity and executive drive to develop the business.

It is a licensing requirement that Crown Melbourne continue to demonstrate that it has a satisfactory corporate structure. The corporate regulators and the markets have an interest in ensuring that the governance checks and balances operate in a way which ensures that all investors' interests are assured. This is outside the remit of the VCGLR.

However, sometimes a casino operator will conduct its gaming business in a way which does not meet expectations. If such conduct arises because governance processes do not operate as they should, it becomes a matter for the VCGLR to address those governance processes.

The VCGLR has identified that all aspects of Crown's governance are fully documented, and it has the required range and scope of governance institutions and functions. In addition, the VCGLR commissioned PwC to further consider Crown's risk framework through management interview and examination of documentation, in a targeted and focused, time-limited exercise.

PwC identified that Crown's risk management framework and approach is documented and that processes are in place to support its implementation by staff. The PwC work identified that a potential area of improvement is to establish "risk appetite" for material risks and to report risk performance measures relative to appetite on a regular basis.

The VCGLR considers responsible gambling a key function for the reporting of risk performance relative to appetite.

While the review of records suggested a process-driven approach to governance at the Crown Melbourne level, this was tempered by the observations of the directors and senior executives who were interviewed. Indeed, the VCGLR observed that the directors and executives spend significant time in meetings.

Governance and control of the company centres on the activities of Mr Alexander and Mr Felstead, with the former being in daily contact with key operational executives, and the key communicator with Mr Packer and the board members. Mr Alexander made clear his commitment to robust governance, and highlighted that the elevation of various functions to the group level was a way of bolstering governance across the group. He demonstrated close

attention to the detail in the business and a disciplined, conservative approach.

As to the question of control, Crown stands out in the general corporate sector (although not in the casino industry) because of one person having a substantial interest in the business, controlling 46 per cent of the voting power.

While this is not technically a majority interest, it is sufficient to allow the holder effective control. Since the grant of its licence in 1994, Crown Melbourne has, as a result of its founding and ongoing circumstances, operated on the mission and vision of its key leaders and owners—initially Messrs Williams and Walker, then Mr Kerry Packer and now Mr James Packer.

This requires others in governance roles, especially board members and senior executives, to advance the best interests of the corporate entity. The VCGLR considered that the relationship between Mr Packer and his controlling interest, and the good governance of the companies, is well mediated by the operations of the boards and committees, and the roles played by the independent directors. The VCGLR also noted that the initiation and discontinuation of a number of initiatives was consistent with a policy of more conservative capital management.

In this review, the VCGLR has given particular attention to Crown’s approach to risk. Crown Melbourne’s risk management processes are detailed and documented, and appear by design to capture what is relevant.

The VCGLR particularly noted the “front-of-mind” risk examples given in interviews. While fire safety, physical security and incident management are proper things for the company to be concerned with (and intuitive risks), none relate to the workings of its primary licence, the casino licence.

However, as described elsewhere in this report, Crown Melbourne has experienced risk failings relevant to its primary licence. In particular:

- Crown Melbourne has been the subject of disciplinary action in two matters where adherence to internal controls was significant—being fined \$150,000 for non-compliance with junket internal control requirements and \$300,000 for varying the operation of 17 gaming machines without the VCGLR’s approval.

These matters suggest that, despite Crown having extensive documented risk management and compliance processes, the company was not sufficiently capable of anticipating risks and addressing them when they arose. The VCGLR has concluded that there is scope for strengthened internal governance.

While Crown Melbourne has responded to those matters individually, there is a broader question of how to improve the system.

The VCGLR observes that this can be achieved through:

- defining the role of the Crown Melbourne board in a charter
- rigorous review and potential expansion of the charters of the Crown Melbourne board’s committees
- better engagement of independent directors, especially in asking questions and in having those questions documented and answered, and
- continuation of the enhancement of the risk and compliance effort.

For instance, in light of the risk and compliance failings documented above, the Crown Melbourne board could enhance the role of its Compliance Committee to drive awareness of regulatory compliance throughout all relevant departments of Crown Melbourne and to provide independent director oversight of new compliance software being rolled out through the Crown Resorts group in 2018.

Finally, given the dominant role of the Crown Resorts board in overseeing the strategic direction and high-level decision making related to the Melbourne Casino, and the move to increase the number of group managers overseeing aspects of the Melbourne operations, the VCGLR will assess whether to undertake ongoing monitoring of Crown Resorts.

**Recommendation 1**

The VCGLR recommends that, by 1 January 2019, Crown develop, and submit to the VCGLR for approval, a change program to fully engage its independent directors in proactive strategic oversight of the operations of the Melbourne Casino. Particular consideration should be given to:

- formulating a charter for the Crown Melbourne board
- fully documenting, for visibility to the VCGLR, the reporting and decision-making relationships between all of the boards, committees and executive meetings with responsibility for, or oversight of, Melbourne Casino functions, and
- elevation of governance to the group board and committees.

The submission should identify any changes to regulatory frameworks and how these will be addressed.

**Recommendation 2**

The VCGLR recommends that, by 1 January 2019, Crown undertake a review of the required qualifications for committee chairs set out in the charters, and ensure that the appointees' actual qualifications match.

**Recommendation 3**

The VCGLR recommends that, by 1 July 2019, Crown assess the robustness and effectiveness of its risk framework and systems, including reporting lines in the chain of command, and upgrade them where required. This assessment should be assisted by external advice.

## Illegal and undesirable activities

Casinos are known to be areas of potential criminality.

The chart below illustrates some of the criminal offences at the Melbourne Crown Casino complex, by year and type of offence.

Enquiries were made about the number of reportable deaths at the Melbourne Casino Complex. The number of reportable deaths was very low during the Review Period and was not statistically significant.

### Illegal prostitution

The VCGLR met with representatives of the Victoria Police to discuss the possible incidence of illegal prostitution at Crown. Victoria Police has not detected incidents of illegal prostitution nor has evidence of illegal prostitution been observed at the casino.

From information received, the VCGLR does not consider that illegal prostitution is prevalent at the casino and does not present as an issue requiring special consideration.

### Drug dealing on premises

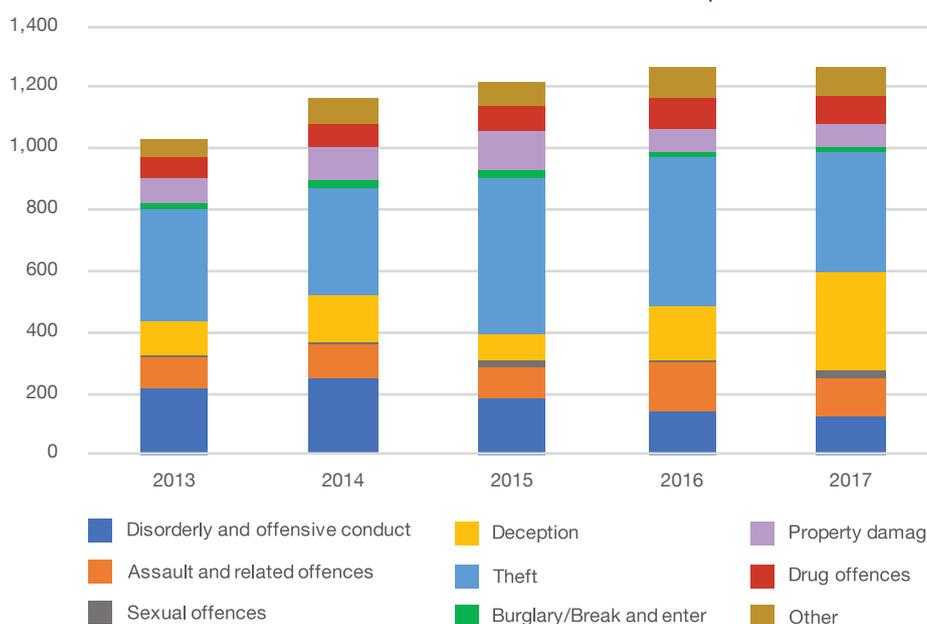
Crown has strong guidelines on drug use at the casino and is active in managing drug issues on-site. Victoria Police is contacted whenever drugs are detected at Crown. Occasionally, drugs are found in hotel rooms and these are surrendered to Victoria Police.

Victoria Police has indicated that there is no greater drug problem at Crown than at other gaming or licensed premises. High levels of drug activity have not been detected in any area of the casino. Statistics provided by Victoria Police indicated an average of 13 drug dealing offences per year during the review period.

### Weapons

Victoria Police indicated that weapons have been found in the casino precinct, including in hotel rooms. Victoria Police advise that the incidence of weaponry on the casino precinct is not extraordinary in comparison to weapons detection at other locations.

Chart 11: Recorded offences at the Melbourne Crown Casino Complex



Source: Victoria Police

## Assaults and thefts

Victoria Police has identified an increase in the number of assaults and thefts in the casino precinct over the past 12 months. The increase may be attributed to several factors including alcohol consumption, and the number of people who frequent the area.

Victoria Police indicated that Crown Melbourne has been proactive by employing more responsible service of alcohol officers and by maintaining regular liaison with Victoria Police.

Victoria Police maintains a presence at the casino on Friday and Saturday nights, using the “My City” policing model. The model was commenced in September 2017 and requires a detail of three members to patrol the casino precinct. My City replaced the former Safer Streets program.

Victoria Police believes that a visible presence acts as a deterrent to criminal activity.

## Family violence

The VCGLR specifically enquired about the incidence of family violence within the Melbourne Casino and the Melbourne Casino Complex. It was noted that an incident had been described by Mr Andrew Wilkie MP in October 2017.

Those enquiries revealed that incidents of family violence (an average of 2 reported per month) do occur at the Melbourne Casino Complex, both in hotel rooms and in the complex more generally. They are reported by victims to Victoria Police or to Crown security, or both. Victoria Police advised that Crown security staff are often already appropriately in attendance when police officers arrive.

Statistically, the incidence of family violence is not significantly higher at the Melbourne Casino Complex than at other hotels in the vicinity.

## Gambling with fraudulently obtained funds

The risk of individuals gambling with fraudulently obtained funds at the casino remains. However, measures such as customer due diligence and suspicious transaction reporting help diminish the incidence of gambling with unaccounted resources.

Crown maintains relationships with relevant agencies such as Victoria Police, AUSTRAC and the Australian Federal Police. These relationships assist with the identification of matters for investigation, and assist Crown to refine its monitoring processes.

Although suspicious funds have been detected at Crown Melbourne, this has often been in the context of other agency investigations.

While the scale of the offering, and the loyalty program offered by Crown Melbourne make it a more attractive gambling location for those spending large amounts of money, consultation with Victoria Police suggests that Crown is not particularly prone to this type of activity.

The use of fraudulently obtained funds remains a threat to the integrity of casino operations. While processes in place appear to be satisfactory, Crown must remain vigilant, continually monitoring existing processes and strengthening them if necessary.

## Recruitment into criminal enterprises

The recruitment by criminal enterprises of people previously unknown to law enforcement to act as low-level operatives is a known risk at casinos (Smith 2014); it is not an activity specific to the casino. Individuals experiencing problem gambling behaviours will be at greater risk than others and, therefore, it is anticipated that more robust problem gambling strategies will reduce the risk.

Victoria Police has indicated that there is no hard evidence that individuals are being actively recruited to criminal enterprises, and the Australian Criminal Intelligence Commission did not highlight this as a particular risk associated with the casino.

## Loan sharking case study

The nature of loan sharking activity in a particular ethnic community at the Melbourne Casino was considered in the study “Gambling and drugs: The role of gambling among Vietnamese women incarcerated for drug crimes in Australia”. The researchers interviewed 35 Vietnamese women imprisoned for drug crimes in Victoria during 2011 and 2012. The study, first published in December 2014, discussed the relationship between gambling at the Melbourne Casino and participants in drug trafficking activities to repay gambling debts. The study noted that of the 35 participants in the study, 18 were driven into the drug trade to resolve debts incurred through casino gambling. They had attended the casino to socialise and invariably gambled on table games such as blackjack, baccarat or poker. Once participants lost money, they obtained loans from other Vietnamese patrons at the casino and the participants described the lenders as “friends”. The loans were agreed to verbally and involved an interest rate of 10 per cent per week. Ultimately, when the participants could not repay the loans they became involved in illegal drug activity, either as drug mules, personally transporting heroin via air travel from Vietnam to Australia or were “crop sitters” taking care of hydroponic cannabis crops in suburban houses, in order to try to repay the loans.

Source: Le and Gilding 2014.

Through the stakeholder engagement process, the Review Team received, and the VCGLR acknowledges, anecdotal evidence of recruitment. The VCGLR does not consider that this matter should be pursued beyond the current monitoring processes.

### Loan sharking

Loan sharking is the practice of lending money to a person in exchange for its repayment at an excessive interest rate, and may involve intimidation or illegal methods to obtain repayment. Loan sharking is not in itself a criminal offence.

Loan sharking activity is commonly associated with casinos (Wheeler et al 2010).

The submission from Financial Counselling Australia and discussions with representatives from ethnic communities raised concerns about loan sharking at the Melbourne Casino and the relationship to criminal activity. Consultation with the VRGF also identified concerns that loan sharks prey on problem gamblers who borrowed money and were at risk of being exploited and unwillingly recruited to participate in criminal activity.

The VRGF publication “Problem Gambling and the criminal justice system” (Perrone et al 2013) detailed the outcome of research regarding the relationship between problem gambling and crime. It noted that it is suspected that a proportion of loans by loan sharks relate to gambling issues. The publication commented that current intelligence on the role of problem gambling in the practice of loan sharking is highly likely to be understated due to the extreme reticence of borrowers to disclose any details of their offending or their victimisation at the hands of loan sharks, for fear of serious reprisal. This underpins the difficulty in detecting loan sharking activity. The research noted the relationship between loan sharks and crime, observing that offences are committed by borrowers for the sole purpose of complying with the repayment of the loan secured from a loan shark and that offences committed by loan sharks involve offences such as violence, or threat of violence, committed by the actual lender against the borrower or their family to coerce repayment of the loan and associated interest.

During the review Crown Melbourne stated that whilst loan-sharking is not a specific criminal offence, it is inconsistent with Crown Melbourne's practices and will not be tolerated. The casino has developed a corporate policy in relation to loan sharking and describes the conduct of loan sharking as "unacceptable behaviour" that is dealt with in accordance with the unacceptable behaviour policy. Crown Melbourne may ask the loan shark to leave the premises, remove the person from the premises and where considered necessary, issue a withdrawal of licence (WOL). Where immediate action does not adequately deal with the situation, the matter may be referred to the security department for further action which may include a letter of warning, exclusion order or referral to police.

From 1 January 2013 until late 2017, Crown recorded 18 instances of detected or reported loan sharking, and in 16 instances issued WOLs to loan sharks. This is an increase in formal action by Crown Melbourne since the last Review Period.

The issue of loan sharking was discussed with Victoria Police. Victoria Police commented that loan sharking is not a criminal offence and it is a difficult activity to detect. Victoria Police is aware of intelligence that suggests loan sharking activity does occur at the casino, but loan sharking can occur in any locality where gambling takes place. Victoria Police does not have evidence of specific loan sharking activity at the casino. Intervention by police is only possible where loan sharking is associated with illegal activity, such as extortion or threats to harm a person.

The VCGLR considers that loan sharking behaviour is a risk to problem gamblers and the integrity of gaming at the Melbourne Casino. The VCGLR expects Crown Melbourne to actively monitor for this activity and to take effective action. The VCGLR considers that effective action involves Crown Melbourne making an involuntary exclusion order where a person is detected engaging in loan sharking in the casino complex.

Exclusion order powers are conferred on the casino operator to enable the operator to preclude undesirable persons from entering or remaining in the casino.

The additional benefits of utilising the exclusion power are:

- they are more enforceable than withdrawals of licence because it is an offence to breach an exclusion order

- there is greater transparency to the regulator because these orders are reported to and monitored by the VCGLR, and
- a person who has been unfairly accused may apply to the VCGLR for an independent review of the decision.

It is open to Crown Melbourne to complement an exclusion order with issue of a withdrawal of licence for the whole casino complex if this is considered desirable.

## Whistleblower review

Crown has an active whistleblower program in place which is overseen by senior management.

This is implemented through a Whistleblowers/Alertline policy, which enables employees and contractors to report any alleged unethical or illegal behaviour, including corruption, criminality or serious misconduct or behaviour. Employees and contractors can report any improper behaviour to their immediate manager or to an independent whistleblower provider appointed by Crown Melbourne.

The independent whistleblower provider validates the report then forwards the information to Crown Melbourne's Internal Sources Management Committee, which reports to the CEO—Australian Resorts as required.

The VCGLR reviewed the Crown Melbourne whistleblower reports provided to the independent whistleblower provider since 2013 and noted that all reports were deliberated over by a committee of senior staff (Whistleblower/Alertline Committee) and the files closed.

A register is maintained of every report and the results of investigations are recorded. In the Review Period, approximately 38 matters were registered and investigated.

A review of the register was conducted. It revealed allegations such as workplace bullying and petty theft and, in one instance, police action in respect of recreational drug use by an employee at home. The treatments of these matters appeared to be appropriate and the range of issues is considered characteristic of a large organisation and unremarkable.

## Regulatory compliance

### Formal disciplinary actions

Section 20 of the Casino Control Act sets out grounds for taking disciplinary action against a casino operator and the forms it can take.

Grounds include specific matters, such as a breach of the Casino Control Act, the Gambling Regulation Act or the casino operator's Responsible Gambling Code of Conduct, and more general matters, such as that the casino operator is no longer suitable.

Forms of disciplinary action can be one or more of the issuing of a letter of censure, the imposition of a fine up to \$1 million, the variation of the terms of the casino licence, and the suspension or cancellation of the casino licence. Letters of censure and fines have been the forms of disciplinary action taken against Crown Melbourne in the past.

An ongoing issue for all casinos is preventing minors from gambling. In Victoria, Chapter 10, Part 7 of the Gambling Regulation Act prohibits gambling by minors and the entry of minors into a casino. Other key issues are compliance with the game rules, gaming equipment and internal control approvals given under the Casino Control Act and the Gambling Regulation Act.

During the Review Period the VCGLR undertook disciplinary action against Crown Melbourne under section 20 of the Casino Control Act, as follows:

- On 16 December 2013, the VCGLR imposed a fine of \$35,000 in respect of three minors detected in the casino on 1 January 2013. Two of the minors engaged in gambling whilst in the casino.
- On 30 June 2014, the VCGLR imposed a fine of \$20,000 in respect of a minor who entered the casino on 14 December 2013.
- On 30 June 2014, the VCGLR imposed a fine of \$20,000 in respect of a minor who was detected in the Mahogany Room within the casino on 31 December 2013.
- On 30 June 2014, the VCGLR imposed a fine of \$10,000 in respect of two minors who entered the casino on 18 January 2014. The VCGLR took into account that the minors had been assisted in gaining entry to the casino by an adult who facilitated their entry via a lift.
- On 15 June 2015, the VCGLR issued a letter of censure in respect of one minor detected in the casino on 1 August 2014 in circumstances where the minor had produced false identification to gain entry.
- On 19 July 2016, the VCGLR imposed a fine of \$25,000 and issued a letter of censure for a failure, between 10 November 2015 and 12 June 2016, to have in place a pre-commitment system with set time/loss limits in place for FATGs, in breach of section 60(2) of the Casino Control Act. The requirement to offer pre-commitment applied from the inception of FATGs and was contained in the game rules approved under section 60(2).
  - Prior to the introduction of the YourPlay gaming machine pre-commitment system, Crown Melbourne had offered voluntary pre-commitment across gaming machines and FATGs. This was delivered through its Play Safe Limits system. The requirement to offer pre-commitment continued beyond the implementation of YourPlay for gaming machines.
  - YourPlay was implemented through a new, state-wide, system, meaning that Play Safe Limits could no longer be used for gaming machine pre-commitment. However, Crown Melbourne decommissioned the Play Safe Limits program (Play Safe) not only for gaming machines (where YourPlay was replacing it) but also for FATGs, at the time of early implementation of YourPlay on 10 November 2015. The rules did not permit the withdrawal of pre-commitment for FATGs.
  - Crown explained that, when engaging with the Department of Justice and Regulation over the implementation of YourPlay, Crown had indicated that a consequence of implementation would be the decommissioning of Play Safe, which until then had supported pre-commitment on both gaming machines and FATGs at the Melbourne

- Casino. Crown believed that this consequence was understood and accepted. However, at no time did Crown identify the issue to the VCGLR or approach the VCGLR with an application to remove the obligation from the rules.
- In early January 2016, the VCGLR became aware that pre-commitment was no longer offered on FATGs and raised this with Crown. Rather than cease operating the FATGs until the situation could be remedied, Crown sought clarification as to whether the pre-commitment requirements would remain in the rules. Only when it was confirmed that the pre-commitment requirement would remain in the rules (in early March 2016) did Crown commence work to reinstate Play Safe for FATGs.
  - On 12 July 2016, pre-commitment on FATGs was reinstated.
- On 6 December 2017, the VCGLR imposed a fine of \$150,000 for failure to comply with section 121(4) of the Casino Control Act, which requires Crown Melbourne to ensure that the approved system of internal controls is implemented.
    - Conduct between January and September 2015 involved 13 instances of failure to comply with the Junket and Premium Player Programs Internal Control Statement concerning the documentation of junket arrangements.
    - The failures included not naming the junket program players in multiple junket agreements, one instance of not documenting front money, not legibly recording the authorised Crown representative in junket agreements and one instance where a new non-resident junket operator was not notified to the VCGLR (missing information).
    - Crown submitted that in some instances, the missing information was available in Crown's casino management systems and could be provided upon the VCGLR's request. The VCGLR found that such an arrangement was neither sufficient nor appropriate for the creation and maintenance of an audit trail for the monitoring and recording of junket programs.
  - On 26 April 2018, the VCGLR imposed a fine of \$300,000 and issued a letter of censure for contravention of section 3.5.5(5) of the Gambling Regulation Act, in relation to Crown Melbourne's use between 27 March 2017 and 21 April 2017 of a gaming machine type and games which had been varied on 17 electronic gaming machines, as part of a trial, without the required approval of the VCGLR.
    - The variation of the gaming machines was the use of blanking plates to prevent certain game options from being played. The affected machines' return to player was unaffected.
    - In finding the ground for disciplinary action established, the VCGLR noted that Crown's managers and staff did not set out, deliberately, to contravene and erroneously believed that no approval was required.
    - The VCGLR noted that an apparent failure by Crown's managers and staff to consult with or seek advice from relevant compliance staff allowed this erroneous belief to persist and, therefore, the contravening conduct to occur.
    - The letter of censure called upon Crown to present an updated compliance framework to the VCGLR within 6 months, including how Crown has addressed lessons learned, and to meet with VCGLR staff within 6 weeks to discuss whether changes to the approved system of internal controls are required to prevent a recurrence.
    - The fine is the largest imposed by the VCGLR.
    - The subject matter of this disciplinary action related to one of the matters raised by Mr Andrew Wilkie MP in the House of Representatives in October 2017, which the VCGLR had under investigation at the time.
- Disciplinary action is taken when the conduct falls below the VCGLR's expectations, and in accordance with the VCGLR's regulatory approach.
- The selection of incidents concerning minors and the disciplinary action taken depends on the relevant circumstances of each matter, including the adequacy

of the casino operator's perimeter controls (noting that typically the minor is deliberately seeking to enter the casino), and any other relevant mitigating or exacerbating circumstances.

The other matters relate to a disconnect between Crown Melbourne's regulatory obligations and Crown's assessment of them. Each was avoidable, and poses the question as to whether Crown's internal culture and practice is conducive to full compliance with regulatory expectations and public interest.

The case of the offering of pre-commitment on FATGs shows a failure of compliance, concerning a harm minimisation measure, which Crown only rectified after regulatory intervention. The rectification commenced when it became clear that the rules would not be changed to regularise the situation. Crown stated that it believed its actions were consistent with a change in policy, but it did not identify or seek the specific compliance requirement which would need to change to give effect to that policy until after the non-compliance had become apparent to the VCGLR.

In the case of the junket procedures, the availability of the missing information in the casino management system was raised as a mitigating factor, which misunderstands the nature of the obligation.

In that case, as well as that of the use of the unapproved gaming machine types, the VCGLR found that Crown Melbourne staff did not set out deliberately to contravene the regulatory regime. However, in these instances, their collective conduct failed to demonstrate a culture conducive to compliance by failing to understand the regulatory structure and obligations.

The VCGLR's concern, and the resulting disciplinary action taken, reflects the culture, practices and internal controls

which had allowed the three circumstances to occur. It is essential that the VCGLR is assured as to Crown Melbourne's organisational ability to consider, and to comply with, all regulatory obligations.

## Warnings

In addition to formal disciplinary actions, the VCGLR issued three warnings to Crown in the Review Period.

Two of the warnings related to minor dealer errors.

The third related to building works on the casino boundary, for which an application to redefine the boundary should have been made. As the VCGLR granted the necessary approval once an application had been made, a determination was made to issue a warning letter.

## Recommendations arising from disciplinary process

Consistent with the VCGLR's published regulatory approach, the VCGLR aims to achieve high levels of voluntary compliance by setting clear expectations, and encouraging the right behaviour, while taking strong enforcement action when breaches are detected. It aims to constrain regulatory costs and restrictions to what is necessary to achieve regulatory objectives.

A consequence of this approach is that when reasonable regulatory expectations are not met, the breach is more serious. For that reason, it is important for all licensees to comprehend the full extent of their obligations so that they know what is expected.

### Recommendation 4

The VCGLR recommends that, by 1 July 2019, Crown undertake a robust review of internal controls to ensure that Crown's regulatory and compliance department is aware of all projects and works in progress for which regulatory approvals might be relevant.

### Recommendation 5

The VCGLR recommends that Crown convene annual round table sessions briefing key internal staff on the VCGLR's risk-based approach to regulation, with a particular focus on how that approach relies on the integrity of Crown's internal processes.

## Other matters investigated

In October 2017, Mr Andrew Wilkie, member of the House of Representatives for Denison (Tasmania), raised a number of matters in Parliament concerning the operation of the Melbourne Casino. The material put before Parliament included video recordings of statements from anonymous former Crown employees.

The VCGLR engaged with Mr Wilkie to obtain further information about the matters.

One of the matters raised, relating to the button panel configuration of gaming machines, was already known to, and under investigation by, the VCGLR. This matter has subsequently been the subject of disciplinary action.

The other matters have since been investigated.

- A claim that gaming machine buttons had been shaved (to enable them to be held down by the insertion of a card) was not substantiated following an audit of all gaming machines at the Melbourne Casino.
- A claim that gaming machines were operating below the minimum allowed return to player ratio of 87 per cent was not substantiated. The legal requirement is that, each year, a machine must return above that level. Monitoring records confirmed this. Further, monthly, whole-of-casino monitoring reports show return to players over the minimum.
- A claim that Crown tolerates family violence and drug use and does not respond appropriately to instances of self-harm or loss of bodily functions was not substantiated. A review of complaint and reportable incident data revealed no support for the claims.
- A claim was made that the clearing of gaming machine memory affected returns to players. No breach of laws, rules or procedures was identified. Master resets are undertaken as a matter of routine. They are logged in the monitoring system. They have no impact on the operation of the gaming machine's random number generator. Where a reset clears a jackpot balance held only in a machine's memory, Crown has a process for capturing and crediting that value for return to players in future jackpots. This process is audited for revenue compliance by the VCGLR
- A claim was made that gaming machines are not properly tested. Noting the rigorous approval process, which includes external expert advice from an accredited test facility, this claim is misconceived.
- A claim was made that gaming machines are relocated within the casino without authority. No breach of laws, rules or procedures was identified. The only regulatory control of machine locations relates to the defined areas for unrestricted gaming machine play. Subject to compliance with this regulatory control and to ensuring that all machines are enrolled into the monitoring system, the casino operator may move gaming machines within the casino at its discretion.
- A claim that automated table games are unregulated was misinformed. These games are subject to similar approval requirements as for table games, are audited for revenue compliance and are required to be enrolled on the monitoring system.
- A claim that the gamble feature on gaming machines had been unlawfully disabled was misinformed. Consistent with the approvals given for the same games elsewhere, the game configurations afford the casino operator a discretion to offer, or not offer, the gamble option.
- A claim regarding limitations of the VCGLR's audit program had already been identified and addressed by the VCGLR.
- A claim that VCGLR staff did not pursue the button panel configuration issue is inconsistent with there being an ongoing investigation. (The VCGLR, as a matter of course, does not announce or comment upon pending investigations.)
- A claim that VCGLR staff do not have the necessary technical competence could not be substantiated in the context of the internal approvals process and its use of external technical specialists.

## China

During the Review Period there have been well-publicised events in China, regarding the operation of Crown's international commission-based business and its international sales team.

On and shortly after 13 October 2016, Chinese Government authorities started detentions of 19 Crown staff, including Crown's Group Executive General Manager—VIP International, who was visiting China at the time.

On 11 November 2016, three staff were bailed, while the other 16 Crown staff remained in detention.

On 26 June 2017, the 19 Crown staff were convicted by the Shanghai Baoshan District Court of contravening of Article 303, Clause 1 and Article 25, Clause 1 of the Criminal Law of the People's Republic of China. These charges related to the promotion of gambling in China.

Sixteen of the Crown staff were fined a total of RMB¥8.62 million, which is approximately AUD\$1.67 million. The fines imposed by the Court were paid by Crown. Eleven of the 16 Crown staff were sentenced to a period of imprisonment of nine months and, taking into account the time already spent in detention, were released on 12 July 2017. A further five of the Crown staff, including Crown's Group Executive General Manager—VIP International, were sentenced to 10 months' imprisonment. Taking into account time spent in detention, they were released on 12 August 2017.

The remaining three Crown staff who were bailed on 11 November 2016, were not fined or sentenced to a period of imprisonment.

In July 2017, the VCGLR opened an investigation in relation to the detention of Crown's staff in China and Crown was notified of the investigation. The VCGLR commenced gathering material for the investigation, including requesting information from Crown. Crown provided various information to the VCGLR between July and November 2017.

On 4 December 2017, a shareholder class action was filed against Crown Resorts in the Federal Court of Australia (Crown China class action) (see the information box on the following page).

In January and February 2018, the VCGLR gave Crown notices formally requisitioning specified documentation

from Crown. Crown responded to these notices in January and February 2018, including a response on 16 February 2018 which advised, among other things, that Crown was in the process of restoring computer back-up tapes, which possibly contained materials required to be discovered in the Crown China class action.

Crown noted that the restoration process would take months.

Crown also stated that, as back-up tapes continue to be restored and further materials are reviewed, it might identify further documents covered by the formal notices issued by the VCGLR.

The final witness interview in the VCGLR's investigation was conducted on 10 May 2018.

On 29 May 2018, the solicitors representing Crown in the class action provided further detail about the restoration of back-up tapes: the tapes can only be restored one at a time; each takes approximately 5 business days; once a tape is restored, the entire contents of mailboxes of interest must be extracted to a database in which they can be viewed. The solicitors explained that, because of the time this takes, the process of restoring the mailboxes from the period is relevant in the litigation (and the subject of the VCGLR's focus) would take many more months. They also indicated that they had identified further documents which might fall within the notices issued by the VCGLR.

On 7 June 2018, Crown's solicitors provided the VCGLR with further documents and, on 12 June 2018, advised that those documents completed the process, subject to anything further being found in the course of dealing with the class action.

The VCGLR had intended to complete its investigation and include the outcomes in the findings, analysis and recommendations of the Sixth Casino Review. However, this has been precluded by the timing of the most recent document disclosures and the possibility of further disclosures.

Accordingly, the VCGLR has not taken into account, in forming the opinions required by section 25 of the Casino Control Act, anything of what has been learned to date in respect of the detention of the 19 Crown staff in China.

The VCGLR will continue with its investigation and, at the appropriate time, will assess whether the events in China give cause for regulatory action.

# China class action

## Zantran Pty Ltd v Crown Resorts Limited

This is the formal title of the shareholder class action filed against Crown Resorts in relation to the detention of 19 employees in China in October 2016. The action is brought by Zantran on behalf of itself and others who acquired an interest in Crown Resorts' ordinary shares between 6 February 2015 and 16 October 2016 (the Group Members).

The details of the action are set out in a statement of claim (35 pages, including an index) filed in the Victoria Registry of the Federal Court of Australia on 4 December 2017. In summary, the Group Members' allege in the statement of claim:

- Crown Resorts derived a substantial portion of its revenue from Chinese citizens who travelled to Australia to gamble at the Melbourne and Perth casinos.
- Crown Resorts employed people in China to perform sales, marketing and related tasks, including meeting Chinese citizens to promote its casinos, providing them with assistance with travel and accommodation and organising credit for them, all with respect to gambling in its casinos.
- Article 303 of the Criminal Law of China provides that whoever for the purpose of profit gathers a crowd to gamble, opens a gambling establishment or undertakes gambling as a business shall be sentenced to fixed-term imprisonment of not more than three years, detention or surveillance and shall be subject to a fine.
- For more than 10 years, there has been in place a Chinese Supreme Peoples' Court interpretation that "gathering a crowd to gamble" includes organising 10 or more Chinese citizens to go abroad to gamble from which kickbacks or referral fees are collected.
- A Chinese Gambling Crackdown was commenced in February 2015, with a media conference being given by the Ministry of Public Security on 6 February 2015.
- On 19 June 2015, Chinese authorities arrested employees of South Korean casino operators Paradise and Grand Korea Leisure and charged them with offences related to marketing gambling to Chinese citizens.
- As a result of the foregoing, Crown Resorts was aware, either from 6 February 2015 (the date of the media conference) or from 19 June 2015 (the date the Koreans were arrested), of matters which gave rise to disclosures of six particularised risks which the Group Members say should have been made to the market in order for Crown Resorts to be compliant with its continuous disclosure obligations.

In order to succeed, the Group Members will need to prove the matters alleged in the statement of claim, including that Crown Resorts was obliged to actually make the particularised market disclosures and that they suffered loss by reason of that not being done.

At the date of writing, none of the contentions in the statement of claim had been tested in court.

# Part 3—Legislated and transaction document obligations

## Scope of section

This part of the report deals with the matters raised by sections 25(1)(b) and (c) of the Casino Control Act—whether the casino operator has complied with:

- the Casino Act, the Casino (Management Agreement) Act and the Gambling Regulation Act, and
- the Transaction Documents (as identified in the Management Agreement).

These obligations were separated out of the suitability obligation following the Third Casino Review, at the same time as the Review Period was extended from three to five years.

As detailed below, the investigation method included identifying key obligations for examination in detail and seeking and testing an assurance from Crown as to the remaining obligations.

The sections which follow detail the nature of the obligations set out in the relevant Acts and in the Transaction Documents, and other, similar obligations covered by this Part.

## Gaming legislation and transaction documents

The Casino Control Act is the primary statute authorising the conduct of casino gaming in Victoria. In addition to establishing the initial casino regulatory framework and

creating certain offences in relation to casino gaming, the Casino Control Act makes compliance with certain statutory obligations conditions of the casino licence for the Melbourne Casino.

The Casino Control Act requires that, before a casino operator can be granted a licence, there must be an agreement with the State for the management of the casino, ratified by Parliament. Such an agreement was ratified, in respect of the Melbourne Casino, by the Casino (Management Agreement) Act, and amendments to that Act have ratified ten deeds of variation.

The Gambling Regulation Act regulates all gambling generally in Victoria. Parts of this Act also regulate the Melbourne Casino (particularly with respect to gaming machines).

The Transaction Documents are identified in the Management Agreement for the Melbourne Casino (that is, the agreement ratified by the Casino (Management Agreement) Act). The Transaction Documents are the:

- Management Agreement
- Casino Licence
- Casino Agreement (the agreement which set out the terms which would apply to and continue in respect of the grant of the Casino Licence), and
- other documents setting out collateral financial and quasi-regulatory obligations of Crown Resorts and those providing for Crown Melbourne's leasehold tenure over the casino site.

Due to the interrelationship between the regulatory obligations set out in the three Acts of Parliament and the Transaction Documents, the VCGLR’s considerations of the review criteria in sections 25(1)(b) and (c) are documented together in this Part.

## Other select regulatory regimes

Under the Management Agreement and the Casino Agreement, Crown Melbourne is required to comply with all applicable laws. Consequently, the VCGLR has also considered compliance with a range of other regulatory schemes. These include the federal law relating to money laundering (money laundering being a key risk with casinos), the laws regulating the supply of liquor and the consumption of tobacco products (under which the casino operator enjoys a specific exemption) and the laws relating to workers’ compensation and the maintenance of safe workplaces (under which Crown Melbourne is a self-insurer).

The VCGLR observes that compliance with other laws also reflects on the casino operator’s suitability to continue to hold the casino licence.

As the exercise of identifying potential compliance issues with these laws is similar to that of establishing compliance with gambling legislation and the Transaction Documents, these matters have been included in this Part, rather than in Part 2 (suitability). A similar approach was taken in the report of the Fifth Casino Review.

## Key transaction documents obligations

For the purposes of this review, Crown’s legislated and Transaction Documents obligations were catalogued into 199 items, many of which are detailed and technical in nature. An overall acquittal of these is described in the section on Crown’s attestation of compliance.

High priority obligations were separately identified and are dealt with in the international class casino complex and responsible gambling sections which follow, and in this section below.

## Group gearing ratio

Clauses 22.1(m) and (ma) of the Casino Agreement, and related provisions of the Supplemental Casino Agreement require both Crown Melbourne and Crown Resorts to ensure that total liabilities do not exceed 60 per cent of total assets without the permission of the VCGLR.

Neither Crown Melbourne nor Crown Resorts applied for permission to exceed the 60 per cent threshold in the Review Period.

This obligation is subject to continuous monitoring, which has established compliance throughout the Review Period.

## Flagship casino, commission-based players, headquarters and beneficial to Victoria clauses

Clause 22.1(r) of the Casino Agreement establishes an obligation to use best endeavours to ensure that Crown Resorts’ other casino businesses in Australia are conducted so as to benefit Crown Melbourne and the other businesses, and to promote tourism, employment and economic development in Victoria.

In addition, the following commitments have been made on a rolling, four-year basis under clause 22.1(ra):

- Melbourne will be the headquarters of Crown Resorts’ Australian gaming businesses
- the Melbourne Casino will be the flagship casino in Crown Resorts’ Australian gambling businesses, and
- the Melbourne Casino will remain the dominant commission-based player casino in Australia.

The current four-year cycle ends in July 2018. Crown has indicated that it has no plans to opt out of these obligations. (The dominant commission-based play casino obligation is also addressed in the section on the “international class” casino complex obligation.)

Further provisions in clause 22.1 require of Crown Melbourne that:

- at least one company secretary must reside in Victoria
- the senior executives must reside in Victoria, and
- it must conduct 75 per cent of executive and board meetings in Melbourne.

The VCGLR noted that Crown Melbourne has complied with these key obligations.

## Casino operating practices

Clause 28 of the Casino Agreement requires Crown Melbourne to conduct its operations in a manner that has regard to the best operating practices in casinos of a similar size and nature to the Melbourne Casino.

In the course of the review, Crown Melbourne has advised that senior Crown staff (including from gaming departments, the Responsible Gambling Support Centre, Regulatory and Compliance, and Security and Surveillance) travel across various Australian jurisdictions together with other jurisdictions around the world benchmarking Crown's offering, meeting with suppliers and attending conferences, all with a view to gaining insights to ensure that Crown has regard to the best operating practices in casinos of a similar size and nature.

Taking into account what was learned by the review team visiting Singapore's casinos (which compete with Melbourne in high roller business), receiving presentations (which detailed how Crown Melbourne conducts its operations), and interviews with Crown directors, executives and staff, Crown Melbourne has established compliance with this obligation.

## Restrictions on table games and gaming machines

The Casino Licence restricts Crown Melbourne to the operation of 440 gaming tables operating any approved table game, a further 100 poker-only tables and 2,628 gaming machines.

The VCGLR monitors the number of gaming tables and gaming machines in operation at any given time at Crown Melbourne. No breaches were detected in the Review Period.

## Insurance

Under the Casino Agreement, Crown Melbourne is required to:

- have insurance appropriate for a business of its size and nature
- ensure that the rights of the State and the Minister are cited on the insurance policies
- make available to the VCGLR the insurance policies, and
- report on all claims made against the insurance policies.

Crown Melbourne's insurance policies have been inspected and confirmation has been made that the obligations have been met.

## State charges and guarantees

The Transaction Documents require Crown Melbourne and Crown Resorts to provide guarantees over the operation of the casino in the form of fixed and floating charges, security deeds in favour of the State and guarantees from other companies in the Crown Resorts group.

The Casino Agreement requires Crown Melbourne to ensure there is a first ranked unlimited fixed and floating charge over all of the casino assets.

The Casino Agreement and Deed of Undertaking and Guarantee require Crown Resorts to provide a letter of credit of \$185 million.

The Deed of Undertaking and Guarantee requires Crown Group companies to act as guarantors for Crown Melbourne in the event it is unable to meet its obligations to the State. In addition, the guarantor companies must represent at least 90 per cent of Crown Resorts' EBITDA (excluding Crown Melbourne).

All State charges and guarantees are in place and up to date and no breaches of these obligations have been detected in the Review Period.

## Obligations in relation to the casino site and complex

In 1993, Crown Melbourne entered into a 99 year lease of the Melbourne Casino Complex site with the State.

The lease requires Crown Melbourne to pay annual rent, maintain the site, ensure the Melbourne Casino Complex and site are clean and the surrounding landscaping is maintained in good order.

The Department of Treasury and Finance is responsible for the management of the obligations under the Site Lease. The VCGLR consulted the Department of Treasury and Finance and no issues were raised.

## Taxation and other charges

State taxation in respect of the Melbourne Casino is provided for in the Management Agreement.

Essentially, taxation is based on gross gaming revenue, which the Management Agreement defines as the total of all sums received in any period by Crown Melbourne from the conduct or playing of games within the casino less the total of all sums paid out as winnings during that period.

The VCGLR receives a daily record of revenue and tax and audits this information for accuracy and completeness on an ongoing basis, and collects casino tax on behalf of the State.

There is an outstanding legal issue between the State and Crown Melbourne over the tax treatment of the entry fees

to poker tournaments conducted at the Melbourne Casino. That matter is outside the scope of the Sixth Casino Review.

Noting that matter, there have been no issues with the payment or calculation of tax by Crown Melbourne in the Review Period.

The current tax regime is set out in Appendix 2.

## An “international class casino complex”

Clause 20.1 of the Management Agreement requires Crown Melbourne to:

- keep the Melbourne Casino Complex fully let
- ensure there is a variety of retail businesses of a type and nature necessary to attract customers and tourists consistent with the use of a high quality, international class casino complex, and
- ensure that each business is kept open for business and carried on in a manner compatible with and complementary to the use of the Melbourne Casino Complex.

In addition, clause 22.1(ra)(ii) of the Casino Agreement requires Crown Melbourne to be the dominant commission-based player casino in Australia. In order to comply with this obligation, Crown Melbourne needs to offer high-quality international class facilities, to enable it to attract the high roller players who will provide that commission-based business.

High rollers are gamblers from Australia and overseas, including but not limited to commission-based players, who gamble large amounts of money in casinos, typically in purpose-specific exclusive areas. Those areas in the Melbourne Casino are the Teak Room, the Mahogany Room and various private gaming suites.

The Casino Control Act limits access to commission-based play to people domiciled outside Victoria. This adds to the

focus on international and interstate business to meet the dominant commission-based play obligation.

While the requirements to meet the criteria of high-quality international class standard convey a sense of the expected outcome, measurement of compliance presents some issues. For this reason, members of the Review Team visited Australian and international (Singapore) casino properties to undertake qualitative benchmarking.

The VCGLR selected the Singapore integrated resort casinos for conducting the international benchmarking exercise as they are considered high-quality international-class and compete in a similar high roller market as the Melbourne Casino. It is less easy to compare Crown Melbourne to either European “club style” or American “resort style” casinos.

In consultation with subject matter experts, the VCGLR identified certain necessary attributes of the high-quality international class standard, and the more recent, related concept of an integrated resort.

Those necessary attributes (sometimes collectively known as “the offer”) are:

- **location and physical facilities**

An international class casino complex should have unique and appealing architectural quality/theme. A casino complex needs to be well maintained and regularly refurbished and modernised to retain a high-quality international-class rating. The casino floor must appear refreshed, including new carpets and lighting, and painting of walls and ceilings and ongoing commitment to upgrades and expansion of infrastructure and facilities.

- **casino product**

The three main table games offered by casinos are baccarat, roulette and blackjack and these are expected as a minimum. The gaming floor should have a full range of gaming machine games and traditional and automated table games. An international class casino should have the latest games and jackpots, and be responsive to offering newly developed games. For high roller players, there needs to be a mix of premium rooms and salons.

In addition, an international class casino has to cater to the full range of players’ gambling needs, especially those of high roller players, by accepting risk in its table limits, offering credit and providing the product.

- **hotel**

An international class casino complex should have ample room capacity, offer a range of star quality ratings options from at least four to six, and represent value for money.

- **convention facilities**

An international class casino complex should have a range of convention facilities, including presentation rooms and a premium ball room tailored to a range of customers’ budgets, as well as entertainment facilities for stage shows.

- **food and beverage**

An international class casino should offer an extensive range of restaurants including mass-market economy, premium and high-end dining options. Premium gaming suites should offer in-room dining.

- **retail**

An international class casino complex should offer access to a range of retail options, including mass market economy, premium and high-end fashion.

- **customer service**

An international class casino complex should have a high-quality customer service culture, recruit the best staff and commit to staff training.

- **elements of an integrated resort**

Integrated resorts include theme parks, sports facilities (pools, tennis courts, golf courses) and spa facilities.

In the review period, Crown Melbourne invested \$447 million in maintaining and refurbishing the casino complex as a commitment to maintaining the casino complex to a high quality international standard.

This has included upgrades to high roller facilities and introducing new luxury retail offerings, a number of high profile restaurants and enhancements across all three hotels, such as enhancement to the Crown Towers spa. There are also improved entertainment offerings and there has been a revitalisation of the Yarra Promenade. Crown Melbourne has advised that supporting infrastructure has been upgraded, including security and surveillance facilities, car parking offerings and general back of house areas.

The VCGLR has observed that Crown Melbourne is proactive in sourcing new technologies and games, in order to provide patrons with the latest international gaming options.

Since 2013, the Melbourne Casino Complex has won awards in relation to the casino complex, learning and development, food and beverage and hotels. They include:

- Best Integrated Resort of the Year in the International Gaming Awards in 2014
- Casino Operator of the Year Australia/Asia in the 2016 International Gaming Awards, and
- Best Luxury Hotel in the Australian Traveller People's Choice Awards in 2016 (Crown Towers).

The VCGLR considers that Crown Melbourne, while not necessarily a resort destination in itself, is a feature of Melbourne as a tourist destination. Taking into account its off-site golf club, indoor pool, spa facilities and tennis court, shopping and restaurants, Crown Melbourne can be considered as an integrated resort.

In February 2017, Crown Melbourne and the Schiavello Group received conditional planning approval for a new 388 room luxury six-star hotel and approximately 700 luxury apartments on a site adjacent to the Casino Complex. The proposed One Queensbridge Project is a 50/50 joint venture between Crown Resorts and the Schiavello Group and remains subject to financing and long-form agreements.

The VCGLR considers on the basis of its investigations that Crown Melbourne has met the obligations under clause 20.1 of the Management Agreement and maintains the Melbourne Casino as the dominant commission-based player casino in Australia in accordance with clause 22.1(ra)(ii) of the Casino Agreement.

## Crown's attestation

For the purposes of this review, Crown's legislated and Transaction Documents obligations were catalogued into 199 items.

Noting that the Review Team's work would focus on high priority obligations, the VCGLR sought formal written assurance from Crown Resorts and Crown Melbourne as to their compliance with each of the 199 obligations. (This process followed the practice of the Fifth Casino Review.)

This was done in the form of an attestation schedule provided to Crown.

Some examples of the 199 obligations are:

- Clause 8(a) of the Casino Licence requires that Crown Melbourne must have not less than 150 and not more than 440 gaming tables in operation and not more than 440 gaming tables while the Melbourne Casino is open for business, of which those gaming tables which are fully automated table games may have no more than 250 stations in aggregate.
- Section 81AAC of the Casino Control Act requires that the casino operator must not knowingly allow a person who is in a state of intoxication to gamble or bet in the casino.

The schedule provided the option for the relevant entity to disclose any non-compliance and, in such a case, to provide comment on the nature and extent of the non-compliance. In the case of certain obligations, the schedule called for a short narrative as to how the entity had satisfied itself that it was indeed compliant.

Both entities attested positively to their compliance for each obligation and provided comment where called for.

Five randomly selected items were then audited to validate the assurance provided by the claims of compliance. This exercise identified one item where a disclosure of partial non-compliance should have been made. While the particular matter (late compliance with notifiable corporate changes) had not been material to the VCGLR's licensing and compliance activities in the period, it did give rise to the need for further testing of Crown's attestation.

Accordingly, a further ten obligations were selected for audit. These further ten items were successfully validated, thereby allowing the VCGLR the required level of assurance as to general compliance with the obligations.

# Responsible gambling

## Introduction

### Where does responsible gambling fit in?

There have always been strong concerns about the potential impact of operations at the Melbourne Casino on the Victorian community. These community concerns have been expressed in public submissions to the Sixth Casino Review and consultation with the Victorian Responsible Gambling Foundation. Increasing community expectations were also acknowledged and understood by Crown's directors and senior executives in their interviews.

Despite Crown's international business focus and its licensing obligation to maintain the Melbourne Casino as the dominant commission-based player casino in Australia, local players form a large proportion of Crown's customer base with over 60 per cent of its revenue coming from the main gaming floor.

The risks to the local community of casino gambling are recognised in the Casino Control Act and related legislation, with specific references to harm minimisation and the requirement for a Responsible Gambling Code of Conduct.

Specific responsible gambling and harm minimisation measures are set out in the Casino Control Act, and are therefore dealt with in this Part. However, the care with which Crown Melbourne offers its gambling product to patrons, especially those who are most vulnerable to harm from gambling, also reflects on its general suitability to hold the casino licence.

### Review Process

In investigating Crown Melbourne's compliance with responsible gambling and harm minimisation obligations, the Review Team reviewed agendas, papers and minutes of the Crown Resorts board Responsible Gaming Committee, the Crown Melbourne Responsible Gaming Management Committee minutes, "VIP" Committee

minutes, "Persons of Interest" Committee minutes and papers, Revocation of Self Exclusion Committee minutes, attended presentations by Crown executives, reviewed submissions provided by Crown Melbourne, reviewed relevant VCGLR records, met with officers from the Department of Justice and Regulation (Vic) and spoke with officers of the New Zealand Department of Internal Affairs, reviewed written and oral submissions from public stakeholders and considered academic research in relation to responsible gambling.

A summary of legislative obligations referred to in this chapter can be found at Appendix Four.

### What is responsible gambling?

The Victorian Responsible Gambling Foundation (2018a) defines responsible gambling for individuals to mean:

- they may gamble for pleasure and entertainment but are aware of the likelihood of losing and understand the associated risks
- they exercise control over their gambling activity, and
- responsible gambling occurs in balance with other activities in their lives and is not causing problems or harm for themselves or others.

It further defines responsible gambling for the broader community, including gambling providers, governments, and sporting associations, as requiring:

- shared responsibility for generating awareness of the risks associated with gambling
- creating and promoting environments that prevent or minimise problem gambling, and
- being responsive to community concerns about gambling.

The risk of harm from gambling can occur across a broad spectrum of gamblers (Miller 2017). Overall the number of gamblers in Victoria identified as experiencing some level of harm is around 500,000 adults (Victorian Responsible Gambling Foundation 2015). Harms can

include relationship conflict, financial difficulties, reduced work or study performance, anger, increased consumption of alcohol and feelings of shame and hopelessness (Gambler's Help 2018).

The Gambling Activity in Australia report estimates that, in 2015, 6.8 million (or 39 per cent of) Australian adults gambled in a typical month, with 21 per cent (1.4 million to 1.5 million) playing gaming machines and 3 per cent playing casino table games (Armstrong and Carroll 2017). Typical monthly expenditure by the 6.8 million regular gamblers amounted to an estimated \$8.6 billion dollars nationally for 2015. The report states that regular gamblers who gambled on gaming machines spent \$1,292 per year on average, and those who gambled on casino table games spent \$1,369 on average per year. As noted when consulting with the VRGF, a significant percentage of the population does not gamble. The average loss per participating adult would therefore be much higher than these figures (Victorian Responsible Gambling Foundation 2018b).

A person suffering harm from gambling is generally identified using a screening tool, the Problem Gambling Severity Index of the Canadian Problem Gambling Index—endorsed at the time of adoption as the national definition of problem gambling by gambling Ministers. This screening tool includes nine key questions relating to gambling behaviour and four levels of responses (never (0), sometimes (1), most of the time (2), always (3)). A total score of 3 to 7 indicates moderate risk, while a score of 8 or more indicates problem gambling.

In Australia, 17 per cent of regular gamblers (adults who spent money on one or more gambling activities in a typical month) are considered to have a gambling problem (Armstrong and Carroll 2017). The Study of Gambling and Health in Victoria estimated that 0.81 per cent of the adult Victorian population are problem gamblers (2 per cent of regular gamblers) and 2.79 per cent are moderate-risk gamblers (7 per cent of regular gamblers) (Victorian Responsible Gambling Foundation 2015).

Harm minimisation is an approach to gambling harm that recognises that gambling is a legal product. Recent studies show that gambling harm occurs on a continuum, with lower-risk gamblers also experiencing harm, and the level of harm is likely to increase over time (Miller 2017).

Reducing harm from gambling can be implemented using a range of tools, including providing accurate and accessible information to gamblers, reducing gambling demand (such as encouraging people to gamble less or delay their gambling) (ACIL Allen Consulting 2014), providing a pre-commitment tool to allow gamblers to limit their gambling time and spend, training staff at venues to identify behaviour that could indicate that a patron is being harmed from gambling, using data analytics to examine gambling activities and identify potential at-risk gamblers, and providing an exclusion program that allows gamblers who are concerned about their behaviour to request they be denied entry to gambling venues.

An effective venue harm minimisation program for gambling reduces the risks of gambling harm while working proactively to identify customers exhibiting risky behaviour before they start experiencing harm.

### **Suicide as harm**

The Victorian Coroner's Court provided information for the purposes of the review, noting a small number of probable suicides during the Review Period that could be linked to gambling activity, though not necessarily at the Melbourne Casino. This is consistent with research, which indicates that a minority of reported incidences connected with problem gambling are associated with major harms such as suicide.

## Harm minimisation and gambling

Approaches to harm minimisation for gambling range on a continuum from proactive to reactive measures and can be initiated by venues or patrons. Proactive measures include data analytics for predictive modelling, pre-commitment, real time risk monitoring and mandated breaks in play. Reactive measures include voluntary exclusion, including the maintenance of perimeter control.

### Venue-initiated approaches

Data analytics is a machine-based harm minimisation approach, gathering information on a gambler's behaviour—such as changes in bet size, variations in play, length of time playing on a machine and amount gambled—to create a model of behavioural patterns that might suggest a person is at risk of experiencing harm from gambling. Data analytics tends to have a higher success rate when the system observes a player over a period of time in order to learn their individual gambling patterns. Systems are also more successful depending on the algorithms developed, and if they are modified and updated for the context in which they are used. Staff at a casino or other venue are notified by a data analytics system when customers are considered to be at risk.

Mandated breaks in play are another type of proactive, real-time risk monitoring. When a machine is used continuously for a certain number of hours, or a patron card is in use for a certain number of hours, an alert is sent to venue operators to contact the patron and request that they take a break. Venues determine the length of play that will trigger an alert, for example, five hours and ten hours, or four, six and eight hours. Alerts may also be generated if a player reaches a particular turnover or loss threshold. For example, in New Zealand there is a mandated feature on each gaming machine which randomly interrupts play at intervals of not more than 30 minutes of continuous play. When the play is interrupted a message is displayed on the machine about the duration of play, amount of money spent and net wins or losses. The player must elect whether to continue playing.

Venue harm minimisation measures are both public-facing as well as those that are internal to venue operators. One key measure is the training of venue staff in identifying problem gambling behaviour, for example, “observable signs”. Effective staff training enables staff to feel confident in observing patron behaviours as well as approaching them if they observe signs of problem gambling. At the Marina Bay Sands casino in Singapore, all casino staff, including cleaning staff, are responsible gambling ambassadors who are trained in observing signs of problem gambling. Another non-public facing measure is a system to allow staff to record observances of problem gambling behaviour. If this is regularly monitored by a manager, the system can help empower staff to act when they see a pattern of concerning behaviour emerge, as well as enabling management to oversee the delivery and effectiveness of venue harm minimisation measures for responsible gambling.

### Patron-initiated approaches

Pre-commitment is a system for electronic gambling that allows patrons with a card to set time and bet limits and to track their play with notifications that pop up on gaming machines, fully-automated table games (FATGs) or online games during play. Studies show that pre-commitment systems help gamblers to reduce expenditure and may also help prevent the escalation of harm from gambling.

A more extreme form of pre-commitment is voluntary exclusion or “self-exclusion” in which the patron initiates contact with the gambling venue to request to be excluded. Voluntary exclusion is frequently invoked when a person has reached the stage where they are experiencing significant harm from gambling, including financial issues. In the case of voluntary exclusion, a patron requests a venue operator to cause them to be excluded from their gambling venue. Voluntary exclusion requires strong perimeter control by venue operators to ensure that patrons who have excluded themselves are not able to re-enter gambling venues.

## Casino operator activities

Crown Melbourne has a corporate policy for the responsible service of gaming. The policy notes that Crown is committed to providing gaming services in a responsible manner and provides services and programs for customers to support this commitment. The policy notes that Crown Melbourne encourages customers to gamble responsibly and that some customers may experience difficulties associated with their gambling behaviours. It has a range of responsible gambling programs and services in place to assist such customers. The Responsible Gaming Support Centre (RGSC) provides this range of services which include: providing information about problem gambling and pre-commitment, managing the voluntary exclusion program, providing the services of psychologists and a chaplain and referrals to problem gambling support services. This policy approach has been in place for many years.

The VCGLR notes an apparent tension between responsible gambling, which involves limits on patrons' gambling behaviour and thus the amount of money spent, and the core business of a gambling venue. However, leaving aside the obligatory nature of regulatory compliance, responsible gambling makes business sense. Not only is the creation of a safe and enjoyable gambling environment essential to the sustainability of gambling businesses, but gambling providers also now understand the need to conduct themselves in accordance with public expectations.

### Progress since 2013

Crown Melbourne has taken steps since 2013 to enhance its responsible gambling strategies, including self-initiated steps, and those implemented in accordance with legislative requirements, commitments and recommendations.

Crown:

- as part of the agreement for the Tenth Deed of Variation to the Management Agreement and the passage of the Casino and Gambling Legislation Amendment Act 2014, recruited an additional two

full-time Responsible Gaming Liaison Officers (RGLOs), in December 2014 and June 2015, as well as one additional part time psychologist

- in accordance with State law voluntary pre-commitment scheme requirements, implemented "YourPlay" pre-commitment technology, updated customer information (including updating stickers on all gaming machines and electronic table games), introduced responsible gambling messages on automated teller machines, revised brochures, website and internal television commercials
- in response to the Fifth Casino Review recommendation 4, included the issue of responsible gambling as a regular agenda item on the Crown Melbourne board meeting agenda and the board receives the minutes of the Crown Resorts board Responsible Gaming Committee meetings
- in response to the Fifth Casino Review recommendation 5, developed a trial model for player data analysis
- in response to the Fifth Casino Review recommendation 6, introduced identification procedures at the Teak Room and the Mahogany Room
- in response to the Fifth Casino Review recommendation 7, introduced procedures to request prospective loyalty members to disclose if they have been subject to any type of exclusion order in any Australian jurisdiction
- in response to the Fifth Casino Review recommendation 8, trialled facial recognition technology at the entry of the Teak Room and the Riverside Lounge
- in response to the Fifth Casino Review recommendation 9, introduced procedures where a person's voluntary exclusion order had been revoked to ensure the person was not sent advertising or other promotional material and formalise the process of contacting a person around three months after the exclusion order has been revoked

- established a process for voluntary exclusion from both the Melbourne Casino and Perth Casino, and added an opt-out clause following an incident in 2017
- amended Crown Melbourne's Responsible Gambling Code of Conduct
- introduced a trial of the "Time Out" scheme (short form informal exclusion), and
- introduced the concept of the remote voluntary exclusion order, under which a person can seek exclusion without having to attend the casino.

## Crown Resorts board committee— Responsible Gaming Committee

The Crown Resorts Responsible Gaming Committee (the Responsible Gaming Committee) was established to:

- monitor and review the operation and effectiveness of responsible gambling programs at each of Crown's wholly owned businesses
- recommend policies and procedures which may enhance the effectiveness of responsible gambling programs at each of Crown's wholly owned businesses
- promote and support continuous improvement in the responsible gambling performance of Crown, and
- encourage and promote awareness of responsible gambling and related welfare issues at Crown.

The Responsible Gaming Committee oversees all group responsible gambling functions for relevant entities of Crown Resorts, including Crown Melbourne, Crown Perth, CrownBet (until March 2018), Betfair, Draftstars and overseas businesses.

In 2013, the Responsible Gaming Committee comprised three directors, Professor John Horvath (Chairperson), Ms Rowena Danziger and Mr Rowen Craigie. After the resignation of Mr Craigie in 2017, Mr Alexander joined the Responsible Gaming Committee. In October 2016, Ms Danziger retired from the Crown Resorts board. The Responsible Gaming Committee convenes six times per year.

The Responsible Gaming Committee reports to the board of Crown Resorts and receives regular reports from relevant managers in all businesses, including from the Group General Manager for Responsible Gaming in relation to the Melbourne and Perth Casinos.

Reports on the Melbourne Casino include details of:

- voluntary exclusion orders made
- breaches of voluntary exclusion orders
- revocations of voluntary exclusion orders
- visits by various delegations and stakeholders to the RGSC
- interactions with external agencies such as ministerial working groups, and
- staff training and some patron feedback regarding RGLOs or the delivery of aspects of responsible gambling.

The Responsible Gaming Committee also receives statistical data regarding the visits to the responsible gambling pages on Crown Melbourne's website. A review of papers indicates that the Responsible Gaming Committee does not receive any other statistical information regarding the volume or nature of activities of the RGSC staff or other casino staff, the outcome of any activities (for example, referrals to Gamblers Help) or other statistical data regarding the operations of the RGSC and its staff.

This is in contrast to information provided to the Crown Melbourne RSA Steering Committee, which contains highly detailed statistics regarding the activities of RSA officers.

The Responsible Gaming Committee minutes indicate that the committee generally notes the reports submitted in relation to responsible gambling activities at the Melbourne Casino. At interview, Professor Horvath stated that there is detailed discussion at committee meetings and the minutes do not reflect the depth of discussions held by the committee members.

Review of the minutes shows:

- the Responsible Gaming Committee being advised in April 2017 of the “Time Out” initiative implemented in February 2017, with there being no earlier indication of the Responsible Gaming Committee being apprised of or approving the initiative, and receiving the protocol in June 2017, and
- no advice to the Responsible Gaming Committee of the second trial of the player data analytics model prior to this being advised to the Review Team in November 2017.

In response to recommendation 4 of the Fifth Casino Review, the Responsible Gaming Committee’s minutes are now circulated to the Crown Melbourne board. In addition, in 2013, responsible gambling became a standing agenda item for Crown Melbourne board meetings.

## Crown Melbourne executive meetings—Responsible Gambling committees

Crown Melbourne has established several meetings of executives and managers (executive committees) that are responsible for overseeing delivery of Crown Melbourne’s responsible gambling and harm minimisation obligations.

The most senior committee is the Responsible Gaming Management Committee that comprises senior executives from Crown Melbourne and responsible gaming department staff. There is no charter for this committee but it was set up in line with the Crown Responsible Gambling Code of Conduct. This committee meets quarterly.

The minutes of these meetings are brief and indicate there are standard agenda items, such as Responsible Gambling Code of Conduct, Patron Welfare, Responsible Gaming Ministerial Advisory Council update, and Responsible Gambling Support Centre updates and activities. There are no papers prepared for this committee.

The Crown Melbourne Responsible Gaming Operational Management Committee commenced operating in March 2015 and has held quarterly meetings since that time. These meetings are of 30 minutes duration and the usual agenda items are a responsible gaming update, staff and operational update, training, and visitors. The minutes indicate that the meeting is designed to provide updates to operational managers. There are no papers for this committee.

By contrast, the information provided to the Crown Melbourne RSA Steering Committee includes highly detailed statistics and other papers.

The Responsible Gaming VIP Committee considers and makes decisions in relation to responsible gambling issues involving loyalty program members. There are no papers for this committee; its work is discussed in the section on loyalty programs.

The Revocation of Self Exclusion Committee considers applications by excluded persons to revoke a voluntary exclusion order. Crown requested that it not be required to provide these papers on the basis that they contained sensitive information about patrons. The VCGLR determined that documentary disclosure of this sort of material was not required for the purposes of the review.

## Responsible Gaming Support Centre and RGLOs

Crown Melbourne has channelled its gambling harm responses and harm minimisation activities through the RGSC (see table), established in 2002.

The stated objectives of the RGSC are:

- to provide immediate support to patrons
- to provide information about responsible gaming
- to offer assistance and referral information to families, and
- to promote awareness of responsible gaming.

## Responsible Gaming Support Centre (RGSC)

- Operates 24 hours per day, 7 days a week
- Located in the casino complex, on a publicly accessible floor below the main casino gaming floor.
- The RGSC provides the following information to patrons, family and friends (in a range of languages):
  - The Crown Melbourne Limited Responsible Gambling Code of Conduct
  - The YourPlay pre-commitment scheme
  - The Play Safe Limits pre-commitment scheme
  - The voluntary exclusion program
  - Gambling support services, such as Gambler's Help
- The RGSC provides referrals to:
  - Other gambling support services
  - The chaplaincy service arranged by Crown Melbourne
  - Responsible gambling psychologists (RGPs) engaged by Crown Melbourne for counselling (query by phone)
  - Other agencies where appropriate
- The RGSC manages the voluntary exclusion program
- The services provided are confidential and free
- The RGSC also provides responsible gambling training to casino staff

The RGSC is open and staffed at all times the casino is open. It is currently staffed by seven full-time RGLOs, with one staff member on duty at all times, supplemented on some days by a second person between 10.00am and 10.00pm or 7.00am and 7.00pm. In some weeks, a further RGLO will be rostered to attend to staff training, attend staff briefings and assist with administrative duties. The RGLOs are drawn from the ranks of experienced gaming staff or security staff. Most of the RGLOs have been engaged in this role for many years.

In addition, the RGLOs are supported by three part-time psychologists, of whom at least one is available on site during standard business hours (9.00am-5.00pm) on weekdays. They are available on call at all other times. There is also an office coordinator and a chaplain on call.

Crown Melbourne indicated that there are no quantified key performance measures for the RGSC.

Crown Melbourne maintains a Responsible Gambling Register. Crown Melbourne's Responsible Gambling Code of Conduct states that all responsible gambling interactions on the gaming floor and in the RGSC are to be recorded in the Responsible Gambling Register.

According to data provided by Crown from the Responsible Gambling Register, the following number of people made contact with, or were referred to, the RGSC in each calendar year between 1 January 2013 and 30 September 2017:

Table 4: Patron contact with RGSC

	2013	2014	2015	2016	2017*
Yearly total	4673	5218	6796	6952	5553

\*to September 2017

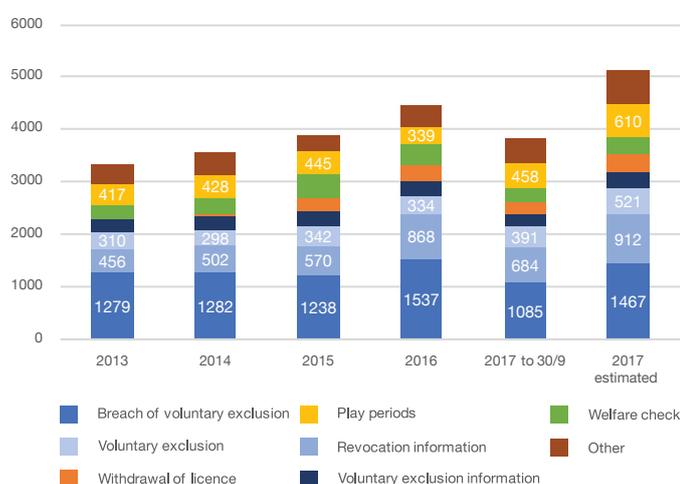
Source: Crown

In 2016, approximately 134 persons per week made contact with or were referred to the RGSC, which is less than one person per hour, in a casino complex operating 24 hours a day with 21 million persons visiting per annum.

Crown Melbourne provided information from the Register setting out all the activities of the RGLOs or other staff from the RGSC between 1 January 2013 and 30 September 2017. The following chart indicates the most common types of activities:

Crown Melbourne provided the following information regarding the responses to each activity of the RGLOs or other staff at the RGSC between 1 January 2013 and 30 September 2017:

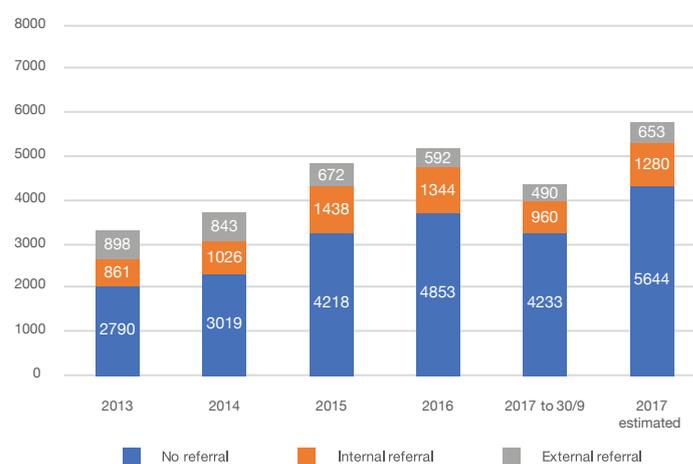
Chart 12: Main activities of RGSC staff



Source: Crown

The data indicates that staff are most often called to act when a voluntarily excluded person has been detected in the casino, or to provide information regarding revocation of a voluntary exclusion order, and that a majority of their role is focused on managing voluntary exclusions. There is also a trend of increased activity by RGSC staff over the period. Activities totalled 4,684 in 2013, 5,256 in 2014, 6,841 in 2015, 7,000 in 2016 and 5,801 as at 30 September 2017. An explanation of all activities is included at Appendix 3.

Chart 13: Responses to RGSC activities



Source: Crown

The data indicates that over the Review Period there has been an increase in RGSC staff recording “no referral” and a decrease in referrals to outside agencies (Gambler’s Help, Victoria Police, the VCGLR and Chinese Peer Connection (East)) compared with internal referrals (the RGSC, Security, RG Psychologists and RGLOs). In approximately five to six per cent of activities, RGSC staff referred persons to the Gambler’s Help Counselling Service or the Gambler’s Help Information Line. Responses totalled 4,684 (2013), 5,256 (2014), 6,841 (2015), 7,000 (2016), and 5,801 (1 January to 30 September 2017).

The following number of activities by the RGLOs or the staff of the RGSC were described as chaplaincy or counselling:

*Table 5: Counselling and chaplaincy services*

	2013	2014	2015	2016	2017 to 30/9
Counselling	32	26	26	20	25
Chaplaincy	5	178	319	282	193

Crown Melbourne provided the following data representing the average number of people flagged each week as displaying potential signs of problem gambling, across the last five calendar years.

*Table 6: Patrons displaying potential signs of problem gaming, weekly average*

	2013	2014	2015	2016	2017 to 30/9
Weekly average	75	81	98	101	112

Crown Melbourne attributed the up-trending in flagged persons to Crown Melbourne's increased focus on training in the potential signs of problem gambling along with better reporting. The VCGLR notes that these figures include data of 47 different types of activity by RGSC staff from voluntary exclusion orders, breaches of voluntary exclusion orders, VCGLR appeals, "other", withdrawals of licence, unattended children, observable signs and unpaid parking. The VCGLR observes that these activities include numerous instances where persons have previously sought exclusion from the casino due to harm from gambling and are known to Crown Melbourne as requiring assistance, and who should not be present.

Given the range of data used to compile these statistics the VCGLR has concerns that these figures are sufficient to demonstrate an increased focus on training in the potential signs of gambling harm.

Crown Melbourne provided a performance evaluation plan for RGLOs. In relation to providing a direct service to patrons at the casino the outcomes listed include:

- attending to all requests for assistance by customers in a timely fashion, recording the interaction and providing appropriate referrals
- delivering exceptional levels of service to all RGSC customers by providing relevant, up to date information; barriers to service are identified and communicated to operations manager along with written recommendations for improvement
- communicating effectively with all internal and external customers including follow up as required. Verbal and written (including electronic) communication to be professional at all times and compliant with all departmental and Crown Melbourne policies, and
- facilitating the voluntary exclusion process, ensuring compliance with the Casino Control Act—entire process to be completed efficiently and without error; voluntary exclusion statements to be witnessed and delivered as required.

The performance evaluation plan includes personal development objectives, health and safety objectives and corporate objectives. The plan also includes an objective in the day-to-day role of RGLOs to "minimise risk to Crown Melbourne by making written recommendations for issuance of withdrawal of licence, exclusion orders, alert notices and/or letters of warning".

The VCGLR acknowledges the work of the RGSC. However, it is concerned that its level of staffing means RGLOs are under-resourced and only able to address limited responsible gambling issues beyond managing the voluntary exclusion process. Crown Melbourne should review its RGSC resources to allow broader and more proactive harm minimisation initiatives for the benefit of all patrons, not just those who self-identify. Crown should also include in any key performance indicators for the RGSC measures of how many patrons experiencing harm have been assisted, and the outcomes.

## Responsible gambling budget

The actual expenditure by Crown Melbourne in responsible gambling responsibilities, including the RGSC, responsible gambling measures and initiatives, salaries, marketing, equipment and training rose from approximately \$2.5

million in the 2013 financial year to approximately \$3.2 million in the 2017 financial year. As a statutory requirement, Crown installed the YourPlay system in the 2015 and 2016 financial years at an additional cost of approximately \$7.8 million.

## Training of staff

Crown Melbourne is obliged to train all relevant staff in relation to its responsible gambling obligations (see section 58A of the Casino Control Act). The RGSC arranges responsible gambling training. At induction, all staff are introduced to Crown Melbourne's responsible gaming practices, available support programs (including the RGSC), the role of the RGSC and its programs, and are provided with a copy of Crown Melbourne's Responsible Gambling Code of Conduct. They are also required to complete an online training module regarding responsible gambling. Additional training is completed by gaming managers, new gaming employees and RGLOs. All relevant staff complete refresher training in responsible gambling every two years, in accordance with the legal requirement for relevant staff to complete refresher training every three years.

A "senior manager responsible gaming training" program is provided for operational managers in Gaming, Security and Surveillance, Cage, Hotels and Food & Beverage units. This program is to assist relevant managers in relation to responsible gambling, and includes information regarding the Responsible Gambling Code of Conduct, the RGSC and its programs and services and observable signs. The RGLOs also undertake additional training in gaming odds, financial issues for problem gamblers, trauma and problem gambling, and group study work.

The VCGLR finds that the training arrangements implemented by Crown Melbourne comply with the requirements under the legislation.

## Observable signs

Crown Melbourne's approach to harm minimisation (except for those on voluntary exclusion orders) relies almost exclusively on persons seeking assistance or casino staff identifying persons who display "observable signs"

of potential harm from gambling. Crown Melbourne's Responsible Gambling Code of Conduct notes that *"A customer displaying observable signs that may be related to potential gambling behaviours or unacceptable behaviour will be approached by a staff member who will offer assistance and referrals to specialist support as required."*

Crown Melbourne describes "observable signs" as *"seen or reported behaviours or patterns of behaviours which are potential indicators that a person may be experiencing problems with their gaming behaviours. These are seen or reported in context and usually more than one is displayed to indicate potential problems with gaming."*

The observable signs adopted by Crown Melbourne in October 2016 in the latest version of the Responsible Gambling Code of Conduct are an amended list from the observable signs that were in place at the last review in 2013.

Crown has advised that all relevant staff are trained in identifying these observable signs. When a staff member identifies that a patron is displaying observable signs of harm from gambling, staff may interact with the customer and encourage them to take a break from gambling, or offer them a non-alcoholic refreshment in a lounge area or the RGSC.

The Responsible Gambling Code of Conduct states that staff will refer persons displaying these observable signs to RGLOs or senior management. Staff record notes in the customer database in relation to: responsible service of gaming and responsible service of alcohol, aggressive, argumentative or unusual behaviour, begging or misaligned occupation, and information regarding spend in the transaction monitoring program. When concerning behaviour is recorded, an email is forwarded to the Responsible Gaming Department. RGLOs are tasked to observe the customer when they next visit and, if they consider necessary, to approach the customer and offer information or referral options. The loyalty program data may also be reviewed if a RGLO interacts with a customer who has displayed observable signs associated with problem gambling. There is no regulatory requirement for a RGLO or other casino staff member to intervene when a person displays observable signs indicative of gambling harm.

## List of observable signs

List of observable signs of problem gambling as at June 2013	List of observable signs of problem gambling from October 2016 onwards
<p>Self-disclosure of a problem with gambling or problems related to gambling</p> <p>Request to voluntarily exclude</p> <p>Distorted and irrational attitudes about gambling</p> <p>Barely reacting to surrounding events</p> <p>Intolerance to losing, displayed as bad temper or distress</p> <p>Significant variation in mood during a gambling session</p> <p>Children left unattended whilst parent/guardian gambles</p> <p>Regular complaints to staff about losing or blaming the venue/staff for their losses</p> <p>Request to borrow money for gambling</p> <p>Showing a pattern of gambling for long periods without a break</p> <p>Progressive reduction of self-care e.g. appearing unkempt or fatigued</p> <p>Requests for assistance from family and/or friends concerned about an individual's gambling behaviour.</p>	<p>Self-disclosure of a problem with gaming or request to voluntarily exclude</p> <p>Gets angry while gaming or shows signs of distress during or after gaming</p> <p>Often gambles for long periods without a break</p> <p>Witnessed or heard that a customer was trying to borrow money for gaming</p> <p>Significant decline in personal grooming or appearance</p> <p>Observed conflict over gaming between family members or friends</p> <p>Unrealistic remarks about gaming</p> <p>Children left unattended whilst parent/guardian gambles</p> <p>Complains to staff about losing or blames the casino or gaming product for losing</p> <p>Secretive or embarrassed about being at the casino or stays on to gamble when friends leave the venue</p> <p>Gambles without reacting to what is going on around him/her and avoids contact or conversations with others</p> <p>Frequent visits to the ATM</p> <p>Requests for assistance from family and/or friends concerned about an individual's gaming behaviour.*</p>

\*These signs are adapted from Thomas, A. et al 2014, "Validation study on in-venue gambler indicators", Gambling Research Australia.

Crown Melbourne records indicate that RGSC staff have acted where there have been observable signs (as defined in their list set out in Appendix 5) on 14 occasions in 2015, 92 occasions in 2016 and 149 occasions between 1 January and 30 September 2017. Crown Melbourne advised that the category described as “observable signs” was only introduced in responsible gambling register reporting from 2015 onwards.

The VCGLR notes that other types of activities recorded by Crown Melbourne may indicate that a patron has displayed an observable sign, for example “unattended children” or “gaming equipment damage”, which have been listed as other activity types (see Appendix 5).

The VCGLR considers that monitoring observable signs is accepted practice as part of a harm minimisation strategy. However, the VCGLR is concerned that the primary reliance on a policy of observable signs with the current service delivery model may not be the most effective approach to assisting patrons at risk of harm.

Crown’s use of “observable signs” as a key harm minimisation initiative relies on staff being adequately trained in observing signs and making a subjective assessment of a person in the casino. Further, this policy relies on having adequate staff available to observe persons in the casino and to respond appropriately. A table games dealer may be hampered in interacting with a customer displaying behaviour indicating harm from

gambling if they are managing a large number of patrons. In the areas where electronic gaming machines and automated table games are located, there are even fewer staff than in traditional table games areas.

This policy also relies on the presence of a RGLO to assess and to approach persons who may be at risk of harm. Only one or two RGLOs are rostered on at any one time, and the 24/7 RGSC staffing model does not allow the number of RGLOs to be adjusted for peak visitor periods. Notably, there is usually only one RGLO on duty in the late evening and early morning. It has been calculated that less than one person per hour made contact with the RGSC in 2016, which may reflect the limits of RGLOs’ capacity to interact with patrons.

The VCGLR is not confident, on the information provided, that Crown Melbourne has sufficient staffing to proactively intervene early and offer assistance to persons at potential risk of harm.

Having more staff skilled in identifying and communicating with at-risk patrons in appropriate circumstances would enhance the ability of Crown Melbourne to engage in proactive harm minimisation for more patrons in a timely and effective manner. However, reliance on gaming floor staff with other duties will not be enough if the other duties already fully occupy them.

### Recommendation 6

The VCGLR recommends that, by 1 January 2020, Crown Melbourne review its allocation of staffing resources to increase the number of work hours actually available to responsible gambling and intervention with patrons. This might be achieved by training more gaming staff to undertake assessments and then approach patrons identified as at risk, without the need to contact a RGLO. However, this will only be effective if those staff have sufficient time aside from their gaming duties.

### Recommendation 7

The VCGLR recommends that Crown Melbourne use observable signs in conjunction with other harm minimisation measures such as data analytics to identify patrons at risk of being harmed from gambling.

## Unattended children

Children being left unattended is one of the observable signs of gambling harm identified by Crown Melbourne, since parents responsible for these children can sometimes be found gambling elsewhere in the casino. The RGSC staff are responsible for providing assistance in relation to unattended children in the casino complex. The responsible gambling register records that staff of the RGSC acted on the following number of occasions in relation to unattended children:

*Table 7: Unattended children identified by staff 2013–17*

	2013	2014	2015	2016	2017
Unattended child	63	86	99	57	68

Crown’s records indicate that numerous children have been left unattended in hotel rooms or found in public areas of the casino (outside the gambling areas) in the Review Period. When an unattended child is located a RGLO works with security to locate the parents to reunite the child with their parent. The RGLO will assess the situation and the circumstances in which a child was left unattended. The RGLO may caution the parent or issue a withdrawal of licence (WOL) when a child is left unattended, depending on the circumstances.

## Breaks in play

Crown Melbourne indicates in its Responsible Gambling Code of Conduct that it encourages patrons to take regular breaks in play from gaming. This may take the form of:

- announcing a draw, including those relating to a trade promotion
- announcing any entertainment occurring
- verbal encouragement by staff for customers to take refreshment breaks
- “Have you had a break?” reminders on the displays of gaming machines and FATGs and on gaming machine bank end advertising

- the opportunity to take large winning payments in part or full by cheque
- lounge facilities, available throughout the casino and complex, and
- the availability of the RGSC located away from the gaming floor.

A number of these items do not appear to be proactive steps by Crown Melbourne to ensure responsible gambling. For example, the location of the lounges and RGSC do not in themselves instigate a break in play. Further, where a person is gambling without reacting to what is going on around them (an observable sign), it is unlikely that announcements or signage would initiate a patron taking a break in play.

Crown Melbourne does not indicate in its Code of Conduct the time period after which it will intervene if a person is continuously playing or present within the casino without a break.

An internal Crown policy on “play periods” dated August 2015 provides guidance to responsible gaming staff in relation to loyalty program members gaming continuously for long periods of time. The policy indicates that RGSC staff are provided with monitoring alerts for every four hours of continuous play. Loyalty program members who have been playing for significant periods under 24 hours will be reminded by a RGLO to take substantial regular breaks, including at the 16-hour mark. When a loyalty program member has played continuously for a 24-hour period, a RGLO will direct the loyalty program member to leave the gaming floor and take a 24-hour break. In high roller gaming rooms separate from the main floor, an Assistant Area Manager must also be present when approaching the loyalty program member. The RGLO documents all interactions relating to play periods. In the calendar years between 2013 and 2016, RGSC staff listed approximately 400 “play periods” activities per year, although the most common outcome of the activity was “no referral”.

Skycity Auckland’s Host Responsibility Program outlines its guidelines for interacting with patrons after extended

continuous play and continuous presence in the casino (Skycity Entertainment 2017b). If a customer has been observed to be continuously present at the casino for 12 hours an automated alert is sent to gaming staff and the host responsibility team and reasonable efforts are made to encourage the patron to take breaks. If a person has been continuously present for 24 hours, and no other action has been taken, non-international high-roller customers must be requested to leave the premises for at least 24 hours. If a person has been observed gaming continuously for five hours without a break of at least 30 minutes (aggregated), an alert is sent to gaming staff and the host responsibility team to encourage the person to take a break. If a person with a loyalty card has been gaming continuously for 10 hours (without any breaks), and no other action has been taken, non-international high roller customers must be requested to leave the casino for at least 24 hours.

The VCGLR notes that Crown's policy of only intervening after 16 or 24 hours of continuous play is very conservative, and not conducive to responsible lengths of play for local players. Noting that RGSC staff receive alerts after every four hours of continuous play, it would be open to Crown to intervene with local players much earlier, to encourage the person to take a break and leave the casino premises.

## Pre-commitment

Pre-commitment is a technological system that helps to minimise harm by providing a tool to assist players to control their gambling behaviour and avoid escalating gambling into harmful levels of play. A pre-commitment system enables a person to pre-set the amount of money or the amount of time a person may be engaged in gambling on a gaming machine or a fully automated table game (FATG). During the Review Period, two pre-commitment systems were in operation at the Melbourne Casino.

### Play Safe

The Play Safe Limits scheme was introduced by Crown Melbourne in June 2003 and made available to loyalty program members. Play Safe Limits allowed loyalty program members to voluntarily set limits on time or spend

on each session before playing gaming machines and FATGs.

During the Review Period and prior to November 2015, loyalty program members could set a spending or time limit on their play on a daily and annual basis for gaming machines and FATGs. Once a patron reached their limit, the gaming machine emitted an audible tone and displayed a written message, explaining that the patron could no longer accrue membership points. Crown Melbourne did not take any other action when a player reached their pre-set limit.

### YourPlay

From 1 December 2015, the State-wide voluntary pre-commitment system, known as YourPlay, came into operation. This system is mandatory for all electronic gaming machines at all gaming venues in Victoria, including the Melbourne Casino.

This pre-commitment system came into force under the *Gambling Regulation Amendment (Pre-commitment) Act 2014* and the *Gambling Regulation (Pre-commitment and Loyalty Scheme) Regulations 2014*.

YourPlay:

- is mandatory on all gaming machines, at all gaming venues across Victoria including the Melbourne Casino
- is provided via a networked system with gaming machines connected to a central database
- shares existing infrastructure to ensure maximum efficiency and economies of scale
- shares player account equipment with loyalty systems to ensure maximum efficiency and economies of scale.

The Victorian Government issued a monitoring licence to Intralot to implement and operate the YourPlay system.

Under the YourPlay scheme individuals can activate a YourPlay player card and then set limits regarding the duration of play and spending (amount of net loss) in play and players can track their play.

## YourPlay cards

There are two types of YourPlay player cards—a registered player card and a casual player card.

**Registered Player Card:** A person can submit an application for a YourPlay account online at the YourPlay website ([yourplay.com.au](http://yourplay.com.au)), at a YourPlay kiosk in a gaming venue, at a Player service point at a gaming venue or by contacting the YourPlay Help desk. Registration requires personal details (name, postcode, gender and age range) which are provided to Intralot and remain confidential.

Within 90 days of registering the YourPlay account, the person can obtain a registered player card from a gaming venue (after presenting appropriate identification) or have a loyalty card encoded at a gaming venue to include YourPlay account details. The person then activates the registered card, using a unique PIN, when they insert the player card into a card reader at the gaming machine. At the time of registration, the person can set a time or spending limit or choose the “no limit” option (if they only want to track their play). If they choose the “no limit” option, they can set a time or spending limit at a later date.

**Casual Player Card:** A casual player card can be obtained from any gaming venue and activated by using a pre-set PIN number. It does not require any personal data to be provided. A casual card has a default “no limit” setting. This allows the casual card player to track their play. A person can subsequently attend a kiosk at the gaming venue to set time and spending limits and add a personal reminder message. At a kiosk a person can also set up a username and password, and then access their player activity information online and change their limits. Casual cards can be linked to a registered YourPlay account at a later date. An unregistered casual player card expires after 2 years from the date of first use.

The Gambling Regulation Act and regulations require the casino operator to:

- install various equipment and player service points in a prescribed manner, location and number for the YourPlay system to operate on all gaming machines in the casino
- provide information and assistance to all persons who wish to use the YourPlay scheme or are YourPlay player card holders
- provide YourPlay information to persons who are seeking to join the casino operator loyalty scheme, provide player activity statements to loyalty scheme participants and operate the loyalty scheme in accordance with the regulatory framework (for example, not accumulating rewards points after a person meets their YourPlay limit), and
- distribute and make available YourPlay player cards in accordance with the prescribed standards, designs, numbers and locations and information requirements.

Under the YourPlay scheme, when a player has set a time or spending limit and the person reaches the YourPlay set limit, the gaming machine is disabled and a message is displayed on the machine notifying the player that the player has reached the limit. A message then asks the player to choose whether to stop game play on the gaming machine or to continue play. If a person chooses to keep playing, the game play will be re-enabled on the gaming machine and YourPlay will continue to track the play.

### YourPlay at Crown Casino

Crown Melbourne introduced the YourPlay pre-commitment scheme in accordance with its regulatory obligations. As Crown Melbourne operates its own loyalty scheme it must meet the additional YourPlay obligations under the regulations (as detailed in Appendix 4).

In late 2017, the VCGLR undertook a compliance audit of Crown Melbourne in relation to the implementation and operation of YourPlay. No issues of non-compliance were detected, however the VCGLR recommended further refresher staff training in relation to the YourPlay scheme.

Crown Melbourne has YourPlay casual cards and YourPlay registered cards available for patrons.

In addition, a person can have YourPlay activated on Crown Melbourne's loyalty program card (Crown Rewards card), either as a casual card holder or a registered card holder. The loyalty program membership rules state that once a person is registered for YourPlay, members can access YourPlay via their loyalty card. If a loyalty program member reaches either their time or monetary limit set using YourPlay then the person can continue to play the gaming machines but cannot earn points for the loyalty program until the next time limit period begins. Crown Melbourne has indicated that it cannot reliably advise of the number of loyalty program members who have registered with YourPlay.

A patron must use a YourPlay card to play electronic gaming machines in some parts of the Melbourne Casino. In accordance with the Casino Control Act and Gambling Regulation Act, Crown Melbourne can operate 1,000 gaming machines in unrestricted mode in the "specified area" of the casino. The specified area includes most of the gaming floor, the Teak Room, the Mahogany Room, private salons, Riverside Room and other areas. Gaming machines in unrestricted mode can operate in a mode where spin rate, bet limit, autoplay and note acceptors are unrestricted.

This means that the gaming machine:

- can accept bank notes greater than \$50
- allows a game to be played continuously (that is, without each spin being initiated by the player pushing a button or touching the screen)
- can have a spin rate shorter than 2.14 seconds
- does not have a bet limit, and
- can pay out cash for winnings and accumulated credits exceeding \$2000.

Gaming machines are capable of being played in either unrestricted or restricted mode. The Melbourne Casino is the only venue in Victoria where there are gaming machines that can be played in the unrestricted mode.

These gaming machines can only be used in unrestricted mode if the patron uses a YourPlay card.

When a person reaches a limit under the YourPlay system and elects to continue playing, Crown Melbourne staff take no action and there is no regulatory obligation on them to do so.

Crown Melbourne should consider implementing policies to direct casino staff to communicate with a person when they continue playing a gaming machine without accruing loyalty points (as would be triggered by reaching a YourPlay set limit), to assess if they are at potential risk of gambling-related harm.

### Automated table games

Fully automated table games have replaced many traditional tables, allowing Crown to reduce staffing levels and provide terminals with a range of automated table games. With the reduction in staff, particularly dealers, the introduction of automated table games reduces supervision of players and thus the ability of staff to use observable signs for identification of harm from gambling. Crown Melbourne has addressed this supervision issue by expanding the responsibility of gaming machine attendants to also monitor FATG terminals.

Limited research has been conducted on SATGs and FATGs to date, including the likelihood of them causing gambling harm. FATGs have some functions similar to gaming machines that are associated with addictive gambling behaviours, such as higher speed of play (although they are one-third slower than gaming machines), visual and auditory enhancements, and the illusion of control (where players are given the opportunity to make choices that have no impact on the outcome) (New Zealand Parliamentary Council Office 2013, Gambling Research Australia 2016).

VCGLR approval for a trial by Crown to allow concurrent gaming on SATGs was withdrawn on 1 August 2017 because it had not been demonstrated that the ability to play multiple games was not going to increase harm. The VCGLR concluded that allowing the ongoing operation of concurrent gaming was inconsistent with the objects set out in the Casino Control Act.

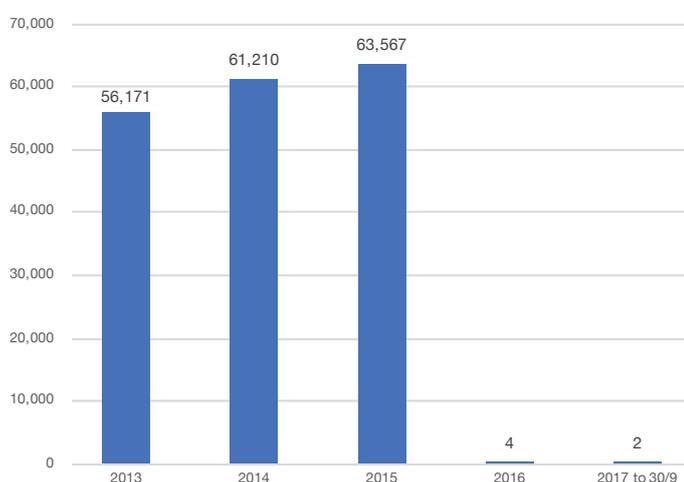
As gambling products continue to evolve, and are increasingly delivered through electronic means, the potential for these products to cause gambling harm will need to continue to be monitored.

### Play Safe and FATGs

In November 2015, Crown Melbourne decommissioned its voluntary pre-commitment scheme, Play Safe Limits, in advance of the commencement of YourPlay. The Play Safe scheme was decommissioned for all gaming machines and FATGs. The VCGLR subsequently advised Crown Melbourne it was required to continue to operate the Play Safe scheme in relation to its FATGs, which were not covered by YourPlay as described in Part 2. On 19 July 2016, VCGLR took disciplinary action against Crown Melbourne and imposed a fine of \$25,000 and a letter of censure for having no pre-commitment system in place for FATGs. On 12 July 2016, Crown Melbourne reinstated Play Safe for FATGs.

In the Fifth Casino Review it was noted that the loyalty program members using Play Safe Limits had increased from less than 5,000 patrons in 2008 to over 35,000 patrons in 2012. It increased to over 63,000 patrons in 2015. As the chart below demonstrates, there was a

**Chart 14: Loyalty program members registered with Play Safe Limits 2013–2017**



Source: Crown

substantial drop in Play Safe use by members with the introduction of YourPlay and the seven-month suspension of Play Safe.

### Loyalty program

On 15 November 2016, Crown Melbourne launched a redesigned loyalty program known as Crown Rewards, which operates across the Melbourne and Perth Casinos and CrownBet (until March 2018) and is available to all persons over the age of 18 years. The new program is heavily promoted in the casino with signage located at the entries and throughout the main casino gaming floor. In 2017, there were in excess of 400,000 loyalty program members.

Responsible gaming staff and operational gaming staff check membership movements above silver level and any matters of concern are raised for discussion or further review. All proposed membership changes are referred to the Responsible Gaming Department, which checks whether there is any relevant information regarding gambling harm in relation to the nominated members. This information is provided to the staff responsible for membership movements. Players who have registered for voluntary exclusion are barred from the loyalty program.

A 2014 paper commissioned by Gambling Research Australia on gambling venue loyalty programs (Van Dyke 2016) found that loyalty program members generally spent more time and money gambling than non-program members, gambled more frequently and had a higher likelihood of being harmed from gambling. Observations included:

- approximately 18 per cent of survey respondents said that they had played gaming machines for longer than they had intended so they could get more rewards
- 16 per cent said they had spent more money than they would have otherwise so they could get more rewards

## Crown loyalty program

Members can earn loyalty points from a range of activities including gambling on gaming machines and gaming tables, and purchases in restaurants, hotels and retail outlets in the casino complex. Loyalty points can be redeemed for hotel accommodation, food and beverage and other goods and services (including game play).

The loyalty program allocates a designated level of membership to a patron depending on the level of points and status credits in a designated period. Membership upgrades and downgrades are recommended by the database system based on both gaming and non-gaming activity in the casino complex and the membership credits obtained by a patron according to the Crown Rewards Rules. There are five tiers of membership; member, silver (five status credits), gold (25 status credits), platinum (100 status credits) and black (invitation only).

The program brochure for the loyalty program outlines the rate of earning points for dining at the casino restaurants, purchases at the bars and nightclubs, hotels, retail outlets, play on table games, booking and holding an event or conference at Crown Melbourne and wagers through CrownBet (until March 2018). The rate of earning loyalty points for play on gaming machines is not disclosed.

- 14 per cent said that they had visited a gaming machine venue more often than they would have otherwise so they could get more rewards
- 26 per cent either agreed or strongly agreed that having loyalty program membership resulted in their gambling more than they would otherwise, and
- loyalty program members were found to have an increased likelihood of being in the “moderate risk or problem risk” categories of the Problem Gambling Severity Index.

The Gambling Regulation Act provides that the casino operator must not allow a person to participate in the loyalty scheme unless the person agrees to receive player activity statements (section 3.5.36). Player activity statements set out a player’s gambling activity in relation to gaming machines and FATGs, including the total time the person played, the total number of days played and the amount won or lost. A player activity statement can be viewed at a Voucher Issuance Kiosk, with kiosks located throughout the casino gaming floor. They can be collected from a loyalty program desk or a member can elect to have them sent to them in paper or electronic form. Where a person does not view or collect their annual player activity statement, the casino operator is obliged to follow a regulatory process to suspend and then cancel membership of the loyalty program. Crown Melbourne indicated that the overwhelming number of loyalty program members view or collect their statement, although in excess of 140,000 members do not view or collect their player activity statements each year and are removed from the loyalty program.

### Responsible Gaming VIP Committee

The Responsible Gaming VIP Committee considers information regarding loyalty program players who have displayed behaviour that may be indicative of harm from gambling. Their activities are tracked through their loyalty cards. The VIP Committee shares relevant information regarding specific loyalty players and determines whether further action should be taken. The Committee meets regularly and comprises responsible gaming department management and staff. The Committee assesses responsible gaming department information that may be

related to observable signs of gambling harm in respect of loyalty members (for example, a loyalty member found sleeping or a family member contacting the RGSC) and may make a range of decisions, including to place an alert for the person to be monitored on their next visit to the casino, for a RGLO to undertake a “welfare check” when the patron next visits, to issue a withdrawal of licence or to take no further action. The VIP Committee considers “play periods” (discussed above) but not other types of player analytical data, e.g. changes in gambling spending patterns, that may be indicative of a risk for gambling harm.

The VCGLR notes Crown Melbourne’s efforts in establishing and maintaining the Responsible Gaming VIP Committee and encourages Crown Melbourne to closely monitor the gambling activity of its loyalty program members, using both observable signs and player data, to identify persons at potential risk of harm and to follow an early intervention strategy to minimise the risk of harm.

Further, the VCGLR encourages Crown Melbourne to extend this approach to patrons whose play is not tracked through a loyalty card. This could be achieved, for example, by developing an algorithm that would identify a player’s sessions of play using buy-in and ticket-in ticket-out data.

## Player data analytics

Player data analytics assists gambling venue operators to identify persons at risk of harm from gambling, and allow them to intervene to help prevent patrons from experiencing harm from gambling. Since 2008, the VCGLR has encouraged Crown to implement player data analytics. In the Fourth Casino licence review in June 2008 the Victorian Commission for Gambling Regulation noted:

*“While the Commission recognises that Crown Melbourne’s responsible gambling program is among the best in the world, it nevertheless considers that Crown Melbourne could review the program with a view to more pro-actively and effectively intervening where anomalies appear in an individual’s gambling expenditure patterns. This may identify potential problem gamblers.”*

In the Fifth Casino Review the VCGLR recommended that, to assess *the effectiveness of the use of player data*

*in relation to intensity, duration and frequency of play as a tool, to assist in identifying potential problem gamblers, Crown Melbourne trial for a reasonable period the use of player data analysis as an initial indicator to identify players who may be having problems with their gambling. The effectiveness of this trial was to be considered by the Crown Melbourne board and Crown’s Responsible Gaming Committee, and Crown Melbourne was to provide a copy of the report on the outcome of the trial to the VCGLR as a result.*

Player data analysis has been shown to be a valuable way of assisting casinos to identify potential persons at risk of harm from gambling. The VCGLR encouraged Crown to trial player data analysis with a view to implementing this tool to supplement Crown Melbourne’s existing responsible gambling practices by identifying signs of at risk behaviour based on frequency, duration and intensity of play, and identifying significant changes in expenditure patterns. The VCGLR is also mindful that Crown Melbourne has access to the playing data of many patrons through its loyalty program.

### Access to player data

Crown Melbourne has access to the following playing data in relation to each member of its loyalty program:

- the time and date of play when the loyalty card is inserted into an electronic gaming machine or attends a table game
- cessation of session of play when loyalty card is removed from an electronic gaming machine or person leaves the table games
- gaming machine expenditure for session (net win or loss), and estimate of table game expenditure
- type of game play (gaming machines or table games), and
- other spending in the casino complex, such as meals, hospitality and retail.

As discussed above, Crown Melbourne accesses player data to monitor the play periods of its patrons.

## Data analytics

Internet gambling, and to a lesser extent electronic gaming machines, provide a large amount of data which, if tracked by customer, can be analysed to observe trends in customer behaviour and identify potential risks. Data analytics can isolate certain types of behaviour that may indicate problem gambling. These are based on behavioural information from gamblers who have already experienced harm, and include frequency of play and expenditure. These indicators are subjective, for example the size of bets may vary depending on individual means as well as addictive behaviour. A European study demonstrated that even an analysis of the payment data of gamblers can indicate gambling harm. Predictive models cannot identify all problem gamblers but they may “identify as many as one in 4 or 5 customers at high risk” of being harmed by gambling. As a result, results from data analytics need to be confirmed by venue staff by interacting with customers or identifying “observable signs”.

**UK:** In 2014, the Responsible Gambling Trust initiated one of the largest studies in the world on the use of data analytics, employing private firm Featurespace to analyse data provided by five of the UK’s largest bookmakers (Betfred, Coral, Ladbrokes, Paddy Power and William Hill). The research project examined the bets of 333,000 customers over a 10-month period and identified fifteen “potential markers of harm” which can be used as early warning signs. As a result, a customer awareness system was implemented at all licenced premises in Great Britain during 2015. It tracks the behaviour of all customers who have loyalty cards and initiates responsible gambling interactions when customers are considered at risk.

**Canada:** The Ontario Lottery and Gaming Corporation (OLGC) first initiated research on player data analytics in 2010 to establish benchmarks related to healthy and “at risk” player behaviour. The “Social Responsibility Data Analytics Program” has been developed as a result. In 2016, the OLGC launched PlaySmart to allow players to set limits and track play on online slot machines.

**USA:** After gambling was legalised in Massachusetts, USA in 2011, the Massachusetts Gaming Commission developed the PlayMyWay pre-commitment system to allow individuals gambling at casinos to set limits and receive feedback in real time. This was introduced at Plainridge Park Casino in 2016. Nearly 13,000 gamblers had enrolled in the system by June 2017.

**Scandinavia:** The “smart system” Playscan was introduced in Sweden in 2006 as a behavioural analysis tool to provide information to participants on their internet gambling habits and associated risks. By 2015, 65,000 players had voluntarily registered with Playscan. Norway introduced a card-only system for electronic gaming in 2009 that placed a cap on gambling expenditure as well as a mandatory break after one hour of play. Finland’s state-owned national lottery Veikkaus has used data analytics to identify responsible gambling behaviour since early 2017. Veikkaus has also used data analytics to drive its marketing and increase sales.

**New Zealand:** Skycity Auckland introduced an analytical model for loyalty data (the “Focal Model”) in 2015 to assist in identifying customers who may have potential problem gambling behaviours. They also offer a voluntary pre-commitment scheme allowing players to set time and spend limits. Skycity staff are alerted once limits are breached, increased or disabled, as these actions are considered indicators of potential problem gambling behaviour.

**South Australia:** South Australia introduced automated risk monitoring (ARM) and pre-commitment systems in the Adelaide Casino in 2014 as a requirement for the introduction of cashless gaming. The ARM monitors length of play and “hot player” activity to identify potential problem gambling behaviour, and sends alerts to casino staff when particular thresholds are reached. The pre-commitment system allows participants to set time and expenditure limits. 691 players had set pre-commitment limits by March 2017. Pre-commitment breaches also trigger alerts, usually at lower levels than the ARM. The system will be rolled out to all hotel and club gaming venues by the end of December 2018.

Sources: PricewaterhouseCoopers 2016, Haeusler 2016, Focal Research 2015, SA Centre for Economic Studies 2015, Gaming Intelligence 2016, Cision 2016, Murphy 2016, Associated Press 2017, Playscan 2015, Wood and Wohl 2015, Engebø 2010, Marr 2017, Pentaho 2016, Skycity 2017b, New Zealand Parliamentary Counsel Office 2013, O’Neill and Cebulla 2017.

## Implementation of player data analysis

In response to recommendation 5 from the Fifth Casino Review Crown Melbourne developed an in-house, historical player analytics model (the first player data model). The model reviewed historical playing data of members of Crown Melbourne's loyalty program and identified seven parameters that may be indicative of harms from gambling. These parameters were then used to identify persons who may be at risk of harm due to their gambling activities. The outcome of the model testing was delivered to the VCGLR in November 2015. In summary, Crown Melbourne concluded:

*The project was a useful exercise to determine whether the use of player data in relation to intensity, duration and frequency of play is effective as a tool to assist in identifying potential problem gamblers. Based on the trial conducted, it appears there is only limited value in this tool. Crown's view continues to be that the most effective means of identifying means of identifying potential problem gamblers is through the detection of observable signs of problem gambling behaviour within the venue (e.g. Stress, aggression etc.).*

The VCGLR raised a number of queries about the first player data model, including whether analysis from player data of excluded patrons could be used to determine any common parameters. As a result of further communications in mid-2016 between the VCGLR and Crown Melbourne, Crown Melbourne commenced development of a second player analytics model.

On 20 October 2017, Crown Melbourne stated that:

*"The concept of using player data to potentially identify players who may have a gambling problem has gained a level of exposure, however, research and experience in relation to the use of algorithms or parameter based models to identify potential problem gambling behaviours via data is inconclusive and nascent when considering land based play."*

In November 2017, Crown Melbourne provided limited details to the VCGLR of the second player data analytics model that it had developed. The second model used historical player data between 2012 and 2016 of persons

who had subsequently applied for voluntary exclusion. Crown Melbourne identified a number of common parameters of excluded persons. Crown Melbourne advised that these parameters matched a significant proportion of those who had sought voluntary exclusion but, when asked about the parameters (outside the context of the review) declined to provide specifics of them. Crown Melbourne has indicated that it requires further time to validate results on the second model and that "for best outputs continued analysis and enhancements may be required to form a final view on accuracy, usefulness and reliability."

In January 2018, Crown Melbourne indicated that the Crown Model Trial, utilising the second player data model, is scheduled to commence by the end of the 2018 financial year. Crown Melbourne advised the VCGLR that the trial would involve generating periodic reports from the Crown gambling data using various parameters to identify persons that may be at risk of gambling related harm.

On the information available, the second player data model number shows relative success in identifying persons who may be at risk of harm from gambling.

The time-line indicates limited progress by Crown Melbourne since 2013 in implementing a player data analytics tool to identify persons who may be at risk of harm from gambling.

Ten years ago, the VCGLRs predecessor suggested that Crown should intervene when anomalies in individuals' expenditure patterns appear and the VCGLR then made a formal recommendation concerning player data analytics in the Fifth Casino Review. The VCGLR notes that, a few days before the completion of the Sixth Casino Review, on 25 June 2018, Crown Melbourne began its first live trial using player data analytics to detect and assist persons who may be at risk at an early stage. Early identification and intervention to assist gamblers who are at risk of harm should be a high priority for Crown, to minimise the harm suffered by persons, their families and the community.

In contrast, other commercial entities have significantly progressed the use of player data to identify and assist persons at risk of harm from gambling. These commercial packages are used by various casinos in the Australia/New Zealand region, including the Skycity casinos.

### Recommendation 8

The VCGLR recommends that Crown Melbourne proceed with development and implementation of comprehensive data analytics tools for all patrons, to proactively identify for intervention patrons at risk of harm from gambling. These tools would utilise both historical data (with parameters developed from the second player model), and real-time monitoring of play periods. Crown Melbourne should look to models in other jurisdictions, and consult with external data analytics experts, with a view to implementing world-class, proactive approaches with real-time (or near-real time) operational effectiveness. In particular—

(a) for carded play (that is, player activity which can be systematically tracked), Crown Melbourne will have in operation a comprehensive real-time player data analytics tool by 1 January 2020, and

(b) for uncarded play (that is, all other player activity), Crown Melbourne will, by 1 January 2019, commence a comprehensive study of all the practical options for a real time player data analytics tool, with a view to reporting in detail (including legal, technical and methodological issues) to the VCGLR by 1 January 2020 and the tool being in operation by 1 July 2022.

### Recommendation 9

The VCGLR recommends that Crown Melbourne arrange, at its expense, for an independent assessment of the real-time player data analytics tool for carded play (see Recommendation 8(a)), to be completed 12 months after implementation of the tool. The independent assessment is to be undertaken by a person approved by the VCGLR, after consultation with Crown.

## Exclusion orders

### Voluntary exclusion

A voluntary exclusion order is a reactive harm minimisation measure, usually invoked when a patron has such concerns about their gambling behaviour that they request to be barred from the casino. Voluntary exclusion is commonly described as self-exclusion because the exclusion order is issued by the casino at the request of a person who wishes to be prohibited from entering the casino. A voluntary exclusion order is a legal order prohibiting the patron from entering the casino.

The RGSC is responsible for managing the voluntary exclusion order program for Crown Melbourne. As noted above, managing voluntary exclusions forms a key part of the work of the RGSC.

In the Review Period, between July 2013 and September 2017, Crown Melbourne made approximately 1,100 voluntary exclusion orders. All voluntary exclusion orders issued by Crown Melbourne were for an indefinite period.

There were more than 4,500 voluntary exclusion orders in effect as at 24 July 2017, more than 500 of which were issued before 1 January 2000. The details of each voluntary exclusion order are entered on the list of excluded persons, as required by section 76 of the Casino Control Act. Crown Melbourne must provide an up to date list of excluded persons to the VCGLR on a daily basis.

In the period of the sixth review, Crown Melbourne introduced the concept of remote voluntary exclusion orders. Only one person has taken up this option. This option is not mentioned in Crown Melbourne's self-exclusion brochure or on its webpage referring to self-exclusion. Crown Melbourne has advised that to access this option the person must first contact the RGSC.

The VCGLR considers that it is appropriate for a person to obtain a voluntary exclusion order without the need to attend or contact the RGSC, particularly as doing so requires attendance at the casino. Many services are now accessible online, for example, a person can apply online

# Voluntary exclusion orders

## Voluntary Exclusion Orders at Crown Melbourne

A person experiencing problems with their gambling may voluntarily apply for an exclusion order to exclude themselves from the casino.

### What is it?

- A voluntary exclusion order is a legal order prohibiting a person from entering the casino (section 72 of the Casino Control Act).
- A voluntary exclusion order is in force until revoked.

### How is a voluntary exclusion order made?

The procedure determined by Crown Melbourne is as follows:

- A person can attend the RGSC and request and that Crown Melbourne make a voluntary exclusion order.
- The person must make the request for voluntary exclusion in writing and it must be signed.
- The person will then be interviewed by the RGLO and the RGLO will provide the person with information about how the voluntary exclusion program works and the consequences of a voluntary exclusion order.
- If a person wants to proceed with their request, then the RGLO will ask the person for personal information—including name, address and photographic identification, and take a photograph of the person.
- The RGLO will then prepare a written voluntary exclusion order and provide it to the excluded person.
- The process is documented in each case by the RGLO.

### What are the consequences of a voluntary exclusion order?

- A voluntary exclusion order is a legally enforceable order for Crown Melbourne to prohibit the excluded person from entering or remaining in the casino.
- If a person has a voluntary exclusion order it is an offence for the person to enter or remain in the casino (see section 77 of the Casino Control Act).

- If a person who is the subject of a voluntary exclusion order is detected in the casino, then:
  - a RGLO will attend to the person and discuss with the person why they have entered the casino
  - Crown Melbourne will notify the VCGLR
  - the VCGLR inspector will remove the person or cause the person to be removed from the casino, and
  - any money that the excluded person has won at the casino will be forfeited.

#### **Follow up calls after issue of voluntary exclusion order**

Crown Melbourne has created a process to contact voluntarily-excluded persons three months after Crown Melbourne has issued the order. Providing the person agrees, a RGLO will make telephone contact with the excluded person and ask the following 8 questions:

- Was self-exclusion helpful?
- Have you self-excluded from anywhere else?
- Have you gambled anywhere since your self-exclusion from Crown?
- Have you entered the gaming floor at Crown since self-excluding?
- Have you told anyone else that you are self-excluded from crown?
- Have you tried anything else to help manage your gambling?
- Do you need any further assistance from us?
- When you think about the self-exclusion process do you have any comment that would help other people?

Crown Melbourne provided the following statistics regarding the number of follow up calls made by RGLOs:

	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Voluntary exclusion follow-up	164	184	247	206	157

for a liquor licence. Similarly, members of the Australian community can make online applications to Centrelink, Border Force and the Australian Taxation Office.

The VCGLR observes that to assist persons seeking to be voluntarily excluded from the casino, Crown Melbourne could provide an easily accessible online application facility to enable a person to apply for a voluntary exclusion order under section 72(2A) of the Casino Control Act without the need to attend the casino complex.

For example, the online facility could be on Crown Melbourne's casino website and have features that enable a person to complete an online application and provide all the relevant information. Crown Melbourne could also include information about this online application facility in all its responsible gambling publications and regularly provide information to relevant stakeholders, such as Gambler's Help and other similar organisations.

If, on full consideration, Crown requires the applicant to be interviewed, this could be done using third party facilities—for instance, a standard interview protocol being administered by a gambling counsellor.

The VCGLR has already authorised a range of persons to witness a voluntary exclusion application, including lawyers, medical practitioners and police officers. The VCGLR would be willing to facilitate the implementation of an online voluntary exclusion process by authorising additional persons, such as financial counsellors and gambler's help employees, to witness such an application.

### Appeals against exclusion orders

Section 72 of the Casino Control Act gives excluded persons a right of appeal to the VCGLR, even when the order was made at the person's request. In the Review Period, only a small number of appeals (less than 20 per year, or two per cent) were lodged against voluntary exclusion orders.

### Breach of voluntary exclusion order

If an excluded person enters or remains in the casino they will be in breach of the voluntary exclusion order and liable to a penalty under section 77 of the Casino Control Act. A person in charge of a casino, an agent of the casino operator or a casino employee is required under section 78 of the Casino Control Act to notify a VCGLR inspector as soon as practicable when they reasonably believe that a person the subject of a voluntary exclusion order is in the casino. The VCGLR inspector may remove the excluded person or cause the excluded person to be removed from the casino.

Crown Melbourne outlined procedures and systems to prevent excluded persons from entering the casino complex and the casino, and to detect excluded persons in the casino, as follows:

- entry points to the casino gaming floor are staffed by security services personnel whose responsibilities are to check prospective entrants for any entry requirements (including exclusion status)
- when a person is excluded their photograph is distributed to security services, surveillance, gaming and responsible gaming staff and recorded in a central database
- loyalty program membership accounts of excluded persons are flagged and information is noted that the person is excluded, not permitted entry to the casino gaming floor and prevented from participation in the loyalty scheme, and
- if a person is not a member of the loyalty scheme when they are excluded, an account is created and information noted that the person is excluded.

Crown Melbourne provided the following information completed by the Responsible Gaming Department, which reflects all persons identified, notified and/or confirmed as being on the property in breach of a voluntary exclusion order. Persons with multiple breaches account for approximately two thirds of all breaches of voluntary exclusion.

*Table 8: Breaches of voluntary exclusion orders*

	2013	2014	2015	2016	2017*
Total VE breaches	1,272	1,280	1,239	1,541	1,077
Total persons with VE order	684	711	679	741	558
Persons with unique breaches	437	464	434	459	369
Persons with multiple breaches	237 persons totalling 835 breaches	247 persons totalling 816 breaches	224 persons totalling 805 breaches	282 persons totalling 1,068 breaches	189 persons totalling 703 breaches

\*To end of September 2017

The VCGLR notes that the purpose of voluntary exclusion orders is to reduce the potential gambling related harms a person may suffer by attending the casino and gambling. Crown Melbourne has an important role in minimising harm by ensuring that excluded persons do not enter the casino.

### Revocation of voluntary exclusion order

Crown Melbourne issues all voluntary exclusion orders for an indefinite period. A person can apply to Crown to revoke a voluntary exclusion order, and Crown is responsible for deciding whether to revoke the order, under section 75 of the Casino Control Act.

A person may make a revocation application, which is an application in writing to Crown Melbourne for the exclusion order to be revoked.

There are no legislative requirements outlining the procedure or circumstances in which an exclusion order can be revoked. Crown Melbourne has developed its own policy about the circumstances in which it will revoke a voluntary exclusion order.

Crown Melbourne has determined the requirements for it to consider a revocation application, as follows.

- The revocation application must be made more than 12 months after the voluntary exclusion order was made or since the last detected breach of the voluntary exclusion order
- The revocation application must be supported by a report from a relevant medical professional (a registered psychologist, psychiatrist or general practitioner)
- A responsible gaming psychologist employed by the casino will contact the relevant medical professional to verify the report
- The revocation application will then be considered by the Self-Exclusion Revocation Committee, and
- If a voluntary exclusion order is revoked, the person will be asked to attend the RGSC to attend a Gambling Resumption Information Program (GRIP) session.

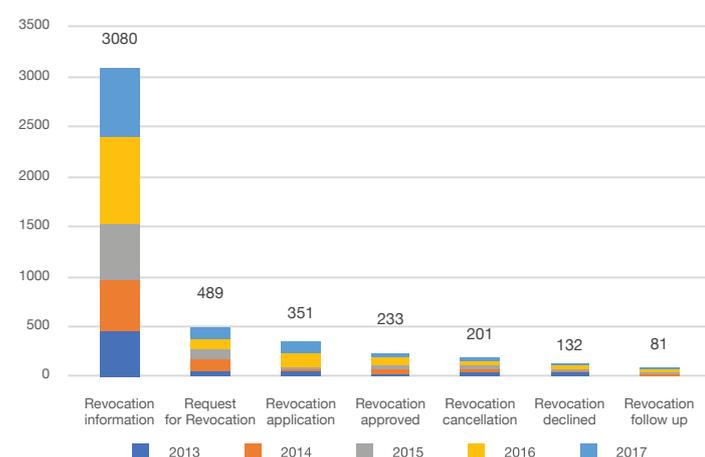
The data provided by Crown Melbourne set out in Table 9 indicates the number of revocation activities by staff of the RGSC.

**Table 9: Crown Melbourne revocation activities by RGSC staff 2013–17**

	2013	2014	2015	2016	2017
Revocation information	456	502	570	868	684
Request for Revocation	55	111	115	82	126
Revocation application	55	18	19	138	121
Revocation approved	27	51	47	69	39
Revocation cancelled	38	38	45	40	40
Revocation declined	29	24	30	35	14
Revocation follow up	1	18	17	32	13

Note: table terms are detailed at Appendix 5

**Chart 15: Crown Melbourne revocation activities by RGSC staff 2013–2017**



Note: chart terms are detailed at Appendix 5.

Source: Crown

Crown Melbourne requires a person to apply in writing for revocation of a voluntary exclusion order and this application, along with an accompanying medical report, is considered by the Self-Exclusion Revocation Committee. The Self-Exclusion Revocation Committee meets monthly and comprises casino employees, including senior executives from various departments and staff from the responsible gaming department. The two considerations for revocation are whether there is written support of a relevant medical professional, and no incidences of breaches of the voluntary exclusion order in the preceding period.

Crown Melbourne's requirement for a medical report is a significant barrier for revocation. The VCGLR notes the large number of persons who make inquiries about revoking a voluntary exclusion order (between 456 and 868 per year during the Review Period), compared with the lesser number of persons who made a revocation application (between 55 and 126 people per year during the Review Period).

Crown Melbourne's policy on revoking voluntary exclusion orders is conservative and does not appear to have taken into consideration the possibility of other approaches, such as time-limited orders.

On reviewing Crown Melbourne records, it was notable that a number of persons identified as at risk of harm from gambling and who met with RGLOs to discuss voluntary exclusion, were reluctant to apply for a voluntary exclusion order due to its indefinite nature. Crown Melbourne has recognised this preference for shorter periods of exclusion by trialling a new approach with short term "time out" agreements that have features common to the voluntary exclusion order. These are discussed below.

Time-limited voluntary exclusion orders are common in other casinos and online gaming venues around the world. For example, the Ontario Lottery and Gaming Corporation in Canada offers individuals the opportunity to select either a two-month, 12-month or indefinite term for exclusion from casino and online gambling. Skycity Auckland offers individuals the options of a three, six, nine, 12 or 24-month exclusion order. New Zealand authorities have indicated that the most common periods for voluntary exclusion orders at Skycity Auckland are three months or 12 months. The time periods are determined in discussion with the person applying to be voluntarily excluded.

Similarly, the VCGLR has approved voluntary exclusion programs for other gambling venues in Victoria that involve periods from six months to two years. Further, Crown Melbourne already makes involuntary exclusion orders under section 72 of the Casino Control Act for finite periods, such as five years.

As at 24 July 2017, there were more than 4,500 current voluntary exclusion orders. Many of these exclusion orders are extremely old (more than five years) and they have been issued for an indefinite period with some dating back to 1996. This imposes an unrealistic burden on Crown Melbourne to ensure those persons do not enter the casino gaming areas and the associated administrative costs in maintaining the list of excluded persons, some of whom may be deceased or moved overseas. It is inevitable that persons' circumstances have changed and the exclusion order may no longer be applicable. Moreover, the photographs are out of date and likely to be of little utility in identifying an excluded person in order to prevent them from re-entering the casino.

A voluntary exclusion order can be effective harm minimisation where a person is willing to agree to such an order and it is effectively enforced. It is apparent that some persons are reluctant to be subject to such an order because of its indefinite nature. Other jurisdictions have introduced shorter voluntary exclusion orders. Crown Melbourne has trialled a short term of exclusion.

### Recommendation 10

The VCGLR recommends that, by 1 July 2019, Crown Melbourne undertake a comprehensive review of its policy for the making and revocation of voluntary exclusion orders under section 72(2A) of the Casino Control Act. The comprehensive review should be undertaken in conjunction with the VCGLR, VRGF and other relevant external stakeholders. The review should be undertaken with a view to implementing policies that facilitate:

- Crown Melbourne issuing short term exclusion orders for three, six, 12 or 24 months under section 72 of the Casino Control Act, considering the specific circumstances of the person and their preferred time period for exclusion, and conditional on the person undertaking to comply with the order and with other matters (such as obtaining treatment), and
- Crown Melbourne reviewing voluntary exclusion orders which are more than 10 years old to consider whether the continued operation of these orders serves a useful purpose, with a view to retaining only those orders that are beneficial to the persons who are subject to them, and can be adequately enforced. The VCGLR further recommends that the review of such orders occurs in an orderly manner between 1 July 2019 and 30 June 2020.

### Welfare withdrawal of licence

A welfare withdrawal of licence is issued when a customer is displaying observable signs of potential harms from gambling. Crown states it is used when a customer refuses to engage with responsible gaming services or programs such as voluntary exclusion. Unlike exclusion orders, welfare withdrawals of licence are not overseen by the Crown Resorts Responsible Gaming Committee. There is also no option for a customer to appeal a welfare withdrawal of licence, however the Self-Exclusion Revocation Committee considers revocation applications for welfare withdrawals of licence on an ad hoc basis.

The VCGLR considers that Crown could make involuntary exclusion orders rather than imposing welfare withdrawals of licence, which would allow regulatory oversight and provide the patrons with the opportunity to appeal if they so chose.

### Time Out trial

“Time Out” was developed by Crown Melbourne as a short-term alternative to voluntary exclusion, offered after a person declines to seek a voluntary exclusion order. Time Out is a private agreement with Crown Melbourne where the individual undertakes not to enter the casino gaming floor offered for a fixed period of 90 days. Crown Melbourne commenced a trial of its “Time Out” initiative in January 2017. Currently, Time Out is available once per calendar year.

An application for “Time Out” between the customer and Crown Melbourne is signed in the presence of an RGLO and a witness. In the application, the person considers themselves “to be banned from the Casino Gaming floor” to acknowledge that it is the person’s responsibility to undertake not to enter or gamble within all gaming areas of the Melbourne Casino. The form also includes a complex legal indemnity which may be intimidating to some applicants.

If a person enters the casino gaming floor in breach of their Time Out agreement, Crown Melbourne will issue a verbal warning on the first occasion and a written warning on the second occasion. In each instance Crown Melbourne

advises the person of the various responsible gambling programs available. If a person breaches the undertaking on the third occasion Crown Melbourne may consider a withdrawal of licence. At the conclusion of the Time Out period, the customer is responsible for making contact with an RGLO to facilitate a return to gaming. As part of this, the customer must attend a GRIP session. Between January 2017 and 30 September 2017, 29 persons participated in the Time Out trial, including 16 loyalty member patrons. In November 2017, Crown Melbourne advised the Review Team that the trial would cease in January 2018 and that a full evaluation would be conducted. As at April 2018, Professor Horvath indicated that no information was available regarding the evaluation of the trial.

The VCGLR notes that the “Time Out” trial is an initiative that was implemented at the instigation of Crown Melbourne in 2017. This trial is without any statutory basis and in effect is a very short-term exclusion order, although not set out as such in law. The VCGLR supports the option of an alternative short-term exclusion order in appropriate circumstances.

However, the VCGLR considers that this Time Out initiative should be included as part of the statutory exclusion order scheme rather than a private agreement between the person and Crown Melbourne, which includes an indemnity and release clause in favour of Crown Melbourne. The statutory scheme does not impose a release or indemnity in favour of the casino operator, but provides other protections such as the restriction of advertising to excluded persons, right of appeal, and the obligation on the casino operator to notify the VCGLR of any attendance to cause the removal of the person from the casino.

The implementation of Time Out, along with voluntary exclusion orders and the use of a welfare withdrawal of licence, leads to a patchwork of options which can lead to confusion for patrons, inconsistencies in approach by Crown Melbourne and a lack of clear information to the regulator, especially regarding the welfare withdrawal of licence and Time Out options.

### Voluntary exclusion from Melbourne Casino and Perth Casino

In 2016, Crown Resorts introduced the opportunity for persons to exclude themselves from the Melbourne Casino and the Perth Casino at the same time. As at 24 July 2017, 29 persons in the Melbourne Casino had chosen to voluntarily exclude themselves from both the Melbourne Casino and Perth Casino. Since then, in response to a case where a patron who was only excluded from the Perth Casino was not prevented from entering the Melbourne Casino, where he allegedly proceeded to gamble extensively and displayed observable signs of harm from gambling, Crown has introduced an opt-out measure so that patrons are automatically excluded from both the Melbourne and Perth casinos unless they choose to opt-out.

The VCGLR supports the initiative to voluntarily exclude patrons from the Melbourne Casino and Perth Casino, subject to an opt-out. The VCGLR also supports Crown Melbourne acting to minimise harm and endorses initiatives whereby information from the Perth Casino is utilised to reduce the potential for harm to persons in Victoria who attend the Melbourne Casino.

### Third party exclusion

Inquiries from family members and friends who may be concerned about a person's gambling or the effects of their gambling on others are referred to the RGSC and their enquiries are recorded in the Responsible Gambling Register. RGLOs usually respond to such approaches by providing information to third parties about the voluntary exclusion program, other gambling support services, and details of the chaplaincy service. According to data from the

Register, the RGSC responded to the following number of enquiries from third parties during the Review Period: 98 in 2013, 54 in 2014, 88 in 2015, 42 in 2016 and 23 between 1 January and 30 September 2017. These numbers are an aggregation of statistics for third party assistance/enquiries and third party self-exclusion enquiries, as described in Appendix 5.

At Crown Perth, third party exclusion orders are issued in response to requests from concerned family members or friends. In addition, there is substantial experience in South Australia with third party-instigated exclusions and related interventions.

The VCGLR is aware of examples where persons may not be capable of making an application for a voluntary exclusion order, for example due to a medical condition, but are at risk of gambling related harm. In such instances, an alternative process could be put in place to minimise the harm by issuing an exclusion order, noting it is open to Crown to verify third party concerns with their own records regarding the patron's frequency of play, length of play, spend etc.

The casino operator has the option to issue an exclusion order to a person in Victoria under section 72 of the Casino Control Act, if family and friends provide reliable information regarding the risks of gambling activities associated with a person, such as financial or health issues. Offering third party exclusion orders would be a positive show of support to concerned family and friends. Crown's own records suggest that the volume of third party exclusion orders would likely be small in number and unlikely to place a burden on Crown Melbourne. Crown Melbourne executives have indicated recently that they are considering issuing third party exclusion orders.

### Recommendation 11

The VCGLR recommends that, by 1 July 2019, Crown Melbourne develop and implement a policy and procedure to facilitate Crown Melbourne issuing involuntary exclusion orders under section 72(1) of the Casino Control Act at the request of family members and friends in appropriate cases. The policy and procedure should be developed in conjunction with the VCGLR, VRGF and other external stakeholders. Crown Melbourne should include information about this option in all its responsible gambling publications, website and regularly provide information to relevant stakeholders, such as Gambler's Help and other similar organisations, about this option.

## Perimeter control

In the report of the Fifth Casino Review, the VCGLR stated, “The VCGLR is concerned that the high number of people detected breaching their exclusion orders in, or at the entrance to, VIP gaming areas of the casino indicates that Crown Melbourne may not be effectively preventing excluded persons from entering those areas.” As a consequence the VCGLR recommended (recommendation 6) that Crown Melbourne develop and implement a management plan for detecting excluded people attempting to gain entry to the VIP gaming areas.

In response, Crown Melbourne installed identification processes (specifically computer terminal podiums, known as Member Identification Checking Kiosk (MICK)), at the entrance to the Teak Room and the Mahogany Room. Patrons are required to provide their loyalty cards to swipe through the computer to verify against Crown Melbourne’s electronic records whether they are excluded persons. Guests are also required to produce photographic identification to verify their identities.

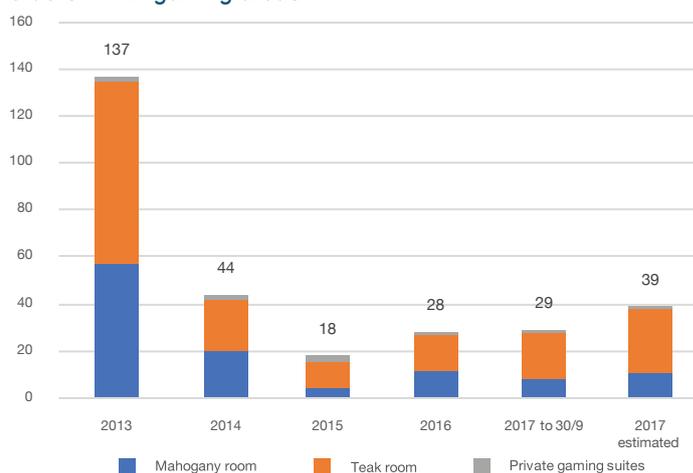
During the course of this review, Crown Melbourne provided the following data regarding the detection of persons with voluntary exclusion orders in VIP gaming areas:

*Table 10: Detection of persons with voluntary exclusion orders in VIP gaming areas*

	2013	2014	2015	2016	2017 to 30/9
Mahogany room	57	20	4	12	8
Teak room	78	22	11	15	20
Private gaming suites	2	2	3	1	1
Total	137	44	18	28	29

Crown Melbourne did not record whether the persons were gambling at the time they were detected.

*Chart 16: Detection of persons with voluntary exclusion orders in VIP gaming areas*



Source: Crown

Although low in relation to overall visitation, the VCGLR is concerned that Crown Melbourne states that it does not have records reflecting whether the excluded persons were gambling when detected, particularly given the statutory obligation of the casino operator to forfeit any winnings of an excluded person to the Community Support Fund (see section 78B of the Casino Control Act).

It is of concern to the VCGLR that despite the introduction of identification procedures to the VIP gaming areas, excluded persons, including voluntarily excluded persons, are still entering these restricted gaming areas. Crown Melbourne advised that some excluded persons gained entry to the VIP rooms, despite the identity check procedures, because Crown Melbourne does not have photographs of all persons who are recorded in their electronic database system, and photographic identification is not a mandatory requirement for loyalty club members.

In the Fifth Casino Review the VCGLR stated that there “is a limit to the effectiveness of Crown Melbourne Limited’s processes and procedures for detecting excluded persons because of the high number of patrons.” While acknowledging the challenges to Crown Melbourne of detecting excluded persons due to the high number of patrons, the VCGLR recommended (recommendation 8) that Crown Melbourne strengthen its processes for

detecting excluded persons attempting to gain entry to the VIP gaming areas of the casino by:

- commencement of a trial of facial recognition technology to improve the detection of excluded persons attempting to enter, or remain in, the VIP gaming areas of the casino, and
- consideration by the Crown Melbourne board of a report on the outcomes of the trial and providing a copy of that report to the VCGLR.

### Facial recognition

Since January 2013, Crown Melbourne has trialed facial recognition technology at the entrance of the Teak Room. The VCGLR noted a four-page report on the Crown Melbourne facial recognition trial, dated October 2014. The report outlined the trial providers, the scope of the trial, methodology and outcome. In addition, a range of documents was provided to the VCGLR, including tenders from service providers, various trial documents and a trial agreement with a service provider dated 31 August 2016 for a 12-month trial. After a call for expressions of interest, two providers were invited to trial a facial recognition technology product for Crown Melbourne. Each facial recognition product was trialed at the Melbourne Casino in June 2014 using five cameras over a seven-day period.

Operational results indicated that staff walking through the entrance individually were successfully identified between 60 and 100 per cent of the time to individual days during the trial period. When staff walked through in groups or collectively, the success rate was between 80 and 99 per cent. Results were impacted by image angle, facial expression changes and their walking speed. The report concluded that the facial recognition technology was able to detect persons entering on many occasions, however it also:

- identified multiple targets at once (positives and false-positives)—resulting in staffing and logistics issues, particularly during busy periods
- failed to detect persons when they altered their image and facial expression, and
- was labour intensive to operate in a live environment.

As a result, Crown Melbourne indicated that its preferred solution was to require members to use the membership swiping system.

Facial recognition was continuing to be trialed in 2017, and three facial recognition cameras remain installed at the entry to the Teak Room. The trial was reviewed on a weekly basis with regular assessments on its operation. Crown Melbourne provided some photographic matching reports for January 2017 but no recent data or detailed assessments on the overall progress of the trial. Crown Melbourne indicated that the technology needed to be improved further before it would be operational.

In January 2018, Crown Melbourne commenced a new trial of facial recognition technology including an additional nine cameras at entrances and in various gaming areas of the casino. This has seen an increase in the number of voluntary excluded persons detected in the casino and being removed from the casino. While the early results are promising, further analysis will be required to ascertain the extent to which this operates to keep out excluded persons.

The VCGLR remains concerned about the potential for excluded persons to gain access to the casino, as demonstrated by the recent increase of detections with the roll out of facial recognition technology. It is a responsibility of Crown Melbourne to ensure that excluded persons are not present in the casino at any time, in order to minimise the harm from gambling to patrons and the broader community.

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### Recommendation 12

The VCGLR recommends that, by 1 July 2019, Crown Melbourne expand facial recognition technology to cameras on all entrances to the casino and that Crown Melbourne provide written updates on a quarterly basis on its effectiveness to the VCGLR.

## Facial recognition technology

Facial recognition is a technological system used to screen individuals at entry points for security and identification purposes. It compares surveillance footage to an image database to manage entry and identify persons of interest. In Australia, facial recognition is increasingly being used at immigration entry points and large sporting events. Key challenges to the performance of facial recognition are lighting conditions, the ability of software to recognise people when moving, and to recognise faces that are turned from cameras. In order to recognise individuals, facial recognition is dependent on good quality, recent image of the subjects or accurate biometric data, to compare with surveillance data.

Facial recognition may be used at casinos for law enforcement purposes, including identifying suspicious behaviour and persons of interest. Many casinos in the USA now use facial recognition to detect card-counters and cheaters, and Macau casinos have introduced facial recognition in an effort to prevent criminal activity and enforce anti-money laundering rules. Facial recognition technology is also used at casinos in Germany.

Facial recognition may also be used to assist a casino to enforce exclusion orders. In 2011, the Ontario Lottery and Gaming Corporation in Canada introduced a facial recognition program to detect the more than 15,000 problem gamblers who had registered for voluntary exclusion. Currently 19 of 27 casinos in Ontario use the technology. When a potential match is identified by the software, security guards verify the match before approaching the visitor. At the Ontario casinos, patrons are funnelled through narrow entrances to the casinos, potentially making the software more effective than in other locations. In 2013, SkyCity Auckland commenced a trial of facial recognition technology to enforce exclusion orders.

The capture of biometric data for use in facial recognition systems has prompted concerns regarding privacy, intrusiveness, over-collection and function creep. The Victorian Government recommends that in the development of technologically-based surveillance systems, organisations should consult the public, develop clear policies and procedures regarding the purpose of the program and the collection and safe storage of data, and balance expectations of privacy against necessity.

Sources: Hicks 2013, Sillitoe 2016, Deahl 2017, Robson 2011, Elash and Luk 2017, Sutton 2009, Skycity Entertainment 2013, Commission for Privacy and Data Protection 2017.

## Responsible Gambling Code of Conduct

It is a licence condition that the casino operator implement a Responsible Gambling Code of Conduct (section 69 of the Casino Control Act). Crown Melbourne's first Responsible Gambling Code of Conduct was approved in May 2009 and implemented in June 2009. The Ministerial Direction made under the Gambling Regulation Act provides the requirements the code must meet.

Crown Melbourne successfully applied to the VCGLR to amend Crown Melbourne's Responsible Gambling Code of Conduct on two occasions during the Review Period, in July 2016 and in October 2016. The purpose of the amendments was in response to the introduction of YourPlay, Loyalty Program changes, amendments to the "Observable Signs" listing and operational changes.

Each year during the Review Period the VCGLR has conducted an annual review of Crown Melbourne's compliance with the Code. As part of the annual review process Crown Melbourne undertakes a range of activities including, surveying staff and loyalty card members, inviting comments from interested stakeholders such as Gambler's Help and meetings held involving the Crown Responsible Gambling Management Committee and other members of the executive team.

Each year, the VCGLR has reported to the Minister that Crown Melbourne's code is compliant with the legislative provisions and Ministerial direction. However, in 2017, the VCGLR reported the following breaches of Crown's Code of Conduct:

- failure to have the correct talker affixed to each gaming machine, and
- failure to have the number of prescribed pre-commitment brochures equal to or greater than the number of gaming machines.

In the 2017 Code Review, the VCGLR noted, "*Crown has demonstrated a change in focus to consider activities that promote Code awareness... which has been beneficial in educating staff and customers on responsible gambling messages.*" Crown Melbourne held a Code Awareness Campaign in February 2017 over a two-week period to increase awareness for customers and employees.

However, the responses in the surveys of loyalty card members and staff indicate a significant decrease in patron awareness of how to access the player information display on gaming machines (down from 92 to 79 per cent), and only 15 per cent of patrons correctly identified Crown Melbourne's responsible gambling messages, although patrons did identify other responsible gambling messages. There was a decrease in staff awareness of complaint procedures for the Code, from 96 per cent down to 76 per cent. This is concerning, since responsible gambling messages will only be effective in reaching patrons if they are enlivened by Crown staff.

In addition to the VCGLR annual review, Crown Melbourne conducts its own internal audits of compliance with the code. The Responsible Gaming Committee received an internal audit report, dated February 2013, regarding compliance with the Responsible Gambling Code of Conduct. The internal audit found that there was material compliance with the code, save for some minor issues regarding:

- management documenting responses
- displays of responsible service of gaming messaging not formally reported as part of compliance reports, and
- internal spot checks identifying minor failures regarding displays of rules availability and responding to an enquiry for the code in a Chinese language.

- In May 2015, a further internal audit report dated February 2015 was provided to the Responsible Gaming Committee regarding compliance with the Code. The report noted several examples of non-compliance, such as:
- lack of responsible service of gaming signage and information at a loyalty club booth
- issues of compliance at pop up loyalty booths
- responsible service of gaming messages not on automated teller machines in the proximity of one entrance
- cage windows not consistently displaying responsible service of gaming messages, and
- non-completion of audit alerts.

In November 2016, the Responsible Gaming Committee considered an internal audit report dated September 2016 on responsible service of gaming compliance. It recommended that management of the Responsible Gaming Department maintain ongoing oversight of completion of responsible service of gaming training on a regular basis, that issues be promptly investigated and resolved and that training records be maintained in a consistent format across all departments.

Crown Melbourne's Responsible Gambling Code of Conduct is quite lengthy, and this may possibly be an outcome of addressing in substantial detail the requirements set out in the Ministerial Direction. The VCGLR observes that Crown Melbourne could, nonetheless, tailor targeted communication of the key aspects of the code to particular audiences—producing a suite of documents that are succinct and can be easily understood by patrons of the casino.

The VCGLR finds that Crown Melbourne has generally complied with the requirements of the Responsible Gambling Code of Conduct during the Review Period. The VCGLR acknowledges Crown Melbourne's approach, in continuing to consider responsible gambling as a regular subject of audit, but notes that this work represents only two per cent of each year's internal audit hours. The VCGLR also notes Crown Melbourne's initiative in recognising responsible gambling as a "significant risk" since November 2012.

The VCGLR is concerned that there has been a significant decrease in patron awareness of responsible gambling information at the Melbourne Casino. Crown Melbourne's responsible gambling logo and branding has been in place since 2007. Rebranding or refreshing of a brand is an important aspect of communication, and updated and contemporary messages and displays have the capacity to capture an audience more effectively.

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### Recommendation 13

The VCGLR recommends that, as part of developing a new responsible gambling strategy, by 1 July 2019, Crown Melbourne rebrand or refresh its responsible gambling messaging and publish new responsible gambling messages throughout the casino, in all Crown Melbourne publications, including online and social media platforms.

## Engaging with external agencies and activities regarding responsible gambling

Crown Melbourne's Responsible Gaming Department is active in engaging with external agencies in relation to responsible gambling. The business objectives set out in the performance evaluation plan for RGLOs includes development and maintenance of key external stakeholder relationships. Further RGLO objectives include developing relationships with external service providers, in particular Gambler's Help. The VCGLR noted in the 2017 Responsible Gambling Code of Conduct Review that Crown Melbourne continues to undertake substantial interaction with third parties in relation to responsible gambling.

Crown Melbourne has detailed the substantial and extensive interaction of RGSC staff with public, private and community agencies, and attendances and participation in various forums and conferences on gambling harm. Crown Melbourne also actively supports and promotes Responsible Gambling Awareness Week each year as well as hosting YourPlay weeks to raise awareness of the Victorian Government pre-commitment system.

The Responsible Gaming Committee receives detailed information approximately every two months about the engagement by the responsible gaming staff with external agencies and the many delegations that visit the RGSC and are hosted by the responsible gaming staff.

The VCGLR acknowledges Crown Melbourne's efforts in investing resources and undertaking engagement with third parties and promotions in relation to responsible gambling.

## Other Responsible Gambling regulatory compliance

The casino operator has a range of specific legislative obligations to minimise the harm from gambling to persons at risk. In addition to the areas discussed above, other responsible gambling related obligations include:

- the provision of information to players on responsible gambling and game rules
- restrictions on the provision of credit, ATM locations and payment of winnings
- features of electronic gaming machines
- environmental aspects of the gaming floor (such as clocks, lighting and windows)
- not sending advertising to excluded persons, and
- not allowing intoxicated persons to gamble.

Crown Melbourne actively monitors its compliance with the various responsible gambling obligations. It has undertaken two internal audits in the Review Period regarding its responsible gambling obligations, discussed earlier in this chapter. These reports identify only minor breaches and demonstrate a programmed and timetabled approach to monitoring Crown's own compliance.

The VCGLR detected a small number of minor breaches in audits of Crown's responsible gambling obligations between 2013 and 2017. All issues have been rectified.

The VCGLR is satisfied that Crown Melbourne has substantially complied with the various regulatory responsible gambling requirements.

## Advertising

As noted above, the casino operator must not knowingly send or direct by any means advertising or other promotional material to a person who is the subject of an exclusion order (section 78A Casino Control Act). In addition, the casino operator must not publish any gaming machine advertisements outside the casino (section 3.5.34AA Gambling Regulation Act).

Crown Melbourne has put data filters in place on its electronic customer database to prevent the dissemination of direct mail or e-direct mail to patrons who are both excluded persons and loyalty program members. When a person is an excluded person and not part of Crown Melbourne's loyalty program, Crown Melbourne creates

an account in its database with a restriction to prevent the dissemination of any advertising or promotional material by direct mail or e-direct mail.

Over the Review Period Crown Melbourne has enhanced its online presence and utilises social media, such as Instagram, Facebook and Twitter. Excluded persons can still access Crown Melbourne’s promotional content on its various social media platforms.

## Conclusions and recommendations

### Effectiveness of the current approach to responsible gambling

The VCGLR acknowledges Crown Melbourne’s efforts in addressing gambling harm by maintaining a 24-hour Responsible Gaming Support Centre, employing seven Responsible Gaming Liaison Officers, three part-time psychologists, an office coordinator and a chaplain, and in training staff in Crown Melbourne’s responsible gaming practices and available support programs. However, the VCGLR notes that the delay in installing facial recognition technology for more effective perimeter control, slow progress on data analytics and that the dominant activity of the centre staff relates to the operation of the voluntary exclusion program, with limited proactive interventions with patrons, represents a highly conservative system to address gambling harm.

Crown Melbourne indicated that it has not engaged any external advisers or consultants to evaluate the effectiveness of its responsible gambling policies or practices. However, Crown Melbourne maintains practices to address responsible gambling, as follows.

- responsible gaming staff attend external conferences to remain informed on current practice
- Crown Melbourne maintains regular contact with the Victorian Responsible Gambling Foundation and Gambler’s Help to maintain awareness of current issues
- Crown Melbourne engages with industry, community, academic and government representatives to exchange information on responsible gambling practice
- Crown Melbourne conducts an annual internal review of the Responsible Gambling Code of Conduct
- Crown Melbourne employs three psychologists who provide feedback on new research, programs and practices, and
- the Responsible Gaming Committee reviews media and public reports to inform their practice.

Crown Melbourne indicated that its chief legal officer (who covers both its Australian casinos) is the ultimate head of responsible gaming at the Melbourne Casino and thus is “*ensuring constant monitoring and review of matters relevant to responsible gaming at Crown Melbourne, from Board level.*” Further, the Crown Melbourne board discusses Responsible Gaming as a regular agenda item at board meetings and the chair and directors that constitute the Crown Resorts Responsible Gaming Committee are all directors of the Crown Melbourne board.

There has been considerable international research and new initiatives in other jurisdictions in responsible gambling over the last five years and this is likely to continue as new games and new platforms are developed for gambling both online and in venues. In order to remain a world-leading casino on responsible gambling, Crown needs to continually review and update its responsible gambling strategy in response to new tools and perspectives. This includes investing in technologies for harm minimisation such as data analytics, real-time monitoring and pre-commitment, as well as facial recognition technology to identify breaches of exclusion orders.

In the same period, community expectations regarding responsible gambling have increased, as has been acknowledged at interview by Professor Horvath and Mr Felstead. Public submissions to the review have expressed concerns about the impact of casino gambling on local communities, particularly those from migrant backgrounds who may be affected differently by casino gambling and have less access to harm minimisation initiatives (SBS 2018). The impact of the Melbourne Casino on its own community is significant given that over 60 per cent of Crown Melbourne’s revenue comes from the main gaming floor.

Many public stakeholders have provided suggestions for Crown Melbourne to improve its performance in meeting its responsible gambling obligations, for example in marketing, voluntary exclusion, increasing the take up of the YourPlay pre-commitment scheme, the operation of the loyalty scheme, the lack of intervention and assistance for gamblers experiencing harm and the interaction between criminal activity and harms from gambling (details of stakeholder submissions are at Appendix 1).

The VCGLR notes that Crown Melbourne has complied with its formal responsible gambling obligations. However, the VCGLR considers that there has been limited progress by Crown Melbourne during the Review Period in identifying opportunities for improvement in response to initiatives and research in other jurisdictions, including interstate and overseas. Noting that Crown Melbourne seeks to maintain a world leader reputation for its Responsible Gaming program, the VCGLR considers that there are various actions Crown Melbourne could take to minimise the risk of harm to persons gambling at the casino.

The VCGLR considers that for Crown Melbourne to be a best practice casino operator, the RGSC needs to implement a customer service strategy focused on harm minimisation. This approach requires a culture of positive, proactive intervention by all casino operator staff at the earliest stages to assist persons at risk of harm, referral to relevant support agencies and, if appropriate, the refusal of service where a person is at significant risk of harm.

Crown Melbourne has employed RGLOs whose primary role is to assist Crown Melbourne to fulfil its responsible gambling obligations. However the data indicate that a substantial proportion of their activity relates to reactive measures, specifically managing breaches of voluntary exclusion orders and requests for revocation information. The VCGLR is concerned that with the recent increase in detections of excluded persons, RGLOs will be required to spend a disproportionate amount of time on managing excluded persons, rather than assisting Crown Melbourne to fulfil its responsible gambling obligations.

The RGLOs could be utilised more effectively to minimise harm by assisting casino staff and proactively assessing and interacting with patrons early, particularly where there is indicative player data analysis and to provide information about the various support services available and the

possibility of voluntary exclusion. Security staff, rather than RGLOs, could have the primary responsibility of speaking with excluded persons detected in the casino and removing them, without the involvement of RGLOs. This approach would be similar to Crown Melbourne's approach to its responsible service of alcohol strategy (discussed later in this report).

Further, Crown Melbourne should consider utilising other staff (such as gaming machine attendants) to proactively interact with customers where they observe possible signs of harm from gambling, rather than to rely on RGLOs to have these interactions. This would create additional resources to assist in minimising harm to patrons. The VCGLR notes that this type of interaction with patrons must be handled sensitively and points to the approach used in New Zealand and in South Australia in problem gambling staff awareness training which is supported by in-venue posters with messages such as "Please don't be offended if we ask about your gambling. It's part of our role" (Gamblers Rehabilitation Fund 2018, New Zealand Community Trust 2016). With sufficient training and guidance, the VCGLR is confident that Crown Melbourne staff can successfully perform this customer service interaction.

Any interactions with patrons should continue to be recorded in the Responsible Gambling Register. The Responsible Gaming Committee should assist in driving and overseeing this harm minimisation strategy by reviewing regular reporting about the nature of the activities of RGLOs, psychologists and other casino staff and the outcomes of these activities, for example the number and location of referrals.

Transparent reporting on responsible gambling performance is common to casino operators elsewhere, for example in New Zealand, Canada, Singapore and South Australia. The Crown Resorts Corporate Social Responsibility Report, published annually, includes a section regarding the Responsible Service of Gaming and RSA in the Chapter "World-Class Customer Experience". The annual report also includes wide-ranging performance data regarding the performance of employees, financial aspects of the business, environmental sustainability and a Responsible & Ethical Behaviour performance data section. There is no objective data reporting by Crown Melbourne on the performance of the business in respect of the responsible service of gambling.

The community is clearly concerned that the casino delivers responsible gambling measures of the highest quality due to the significant impact on members of the community of gambling harm. A number of stakeholders have expressed concern about the lack of objective measures or statistical data to verify the effectiveness of responsible gambling measures that have been implemented by Crown Melbourne in assisting gamblers and minimising the risk of harm.

At the Crown Resorts Annual General Meeting held in October 2017, Mr James Packer commented on companies being more transparent than in the past and that he would discuss with the board whether data related to gaming machine revenue and problem gambling may be made available. The VCGLR understands that concrete steps have been taken by Crown to explore this with affected stakeholders.

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#### Recommendation 14

The VCGLR recommends that, by 1 July 2019, Crown Melbourne develop and implement a responsible gambling strategy focusing on the minimisation of gambling related harm to persons attending the casino. The strategy should address:

- early proactive intervention initiatives
- player data analytics
- proactive engagement with pre-commitment
- intervening with local players with continuous play based on shorter timeframes which are more reflective of responsible gambling
- the role of all staff in minimising harm
- the effective use and monitoring of exclusion orders
- internal reporting arrangements
- integrating responsible gambling into proposals for trialling or introduction of new products and equipment
- performance measures to assess the performance of the RGLOs, RGSC and casino staff in relation to harm minimisation
- the roles of the Crown Resorts Responsible Gaming Committee and the Responsible Gambling Management Committee in driving harm prevention strategies based on world's best practice
- the objectives of the RGSC in relation to minimising harm to patrons, and
- the responsible service of gaming as a fundamental core business consideration when making strategic decisions regarding casino operations.

The strategy should provide opportunities for regular review of harm minimisation initiatives in response to research and in conjunction with external stakeholders such as the VRGF.

In developing this strategy, Crown Melbourne should work with the VCGLR and VRGF to consider and assess the nature of intervention initiatives, and the risk of harm to the person in particular circumstances. The range of interventions may include requiring a person to take a break from gambling or refusing service in certain

instances, engaging more proactively with persons to discuss their gambling activity and assess potential harm, referral to a Gambler's Help Service for further assistance, prohibiting access to all gambling at the casino for a period of 14 days by making an oral involuntary exclusion order, and/or making a written involuntary exclusion order. Further, the strategy should consider persons other than RGLOs having responsibility to initiate harm minimisation interventions where a person at risk of harm is identified in the casino.

#### Recommendation 15

The VCGLR recommends that, within three months of implementing the new responsible gambling strategy (Recommendation 14), there is regular reporting to the Crown Resorts Responsible Gaming Committee for it to maintain oversight of Crown Melbourne's harm minimisation strategy for responsible gambling. Regular reports every two months should include numbers and types of interventions and other harm minimisation activities of RGSC and other staff, details of the number and nature of referrals to external service providers, exclusion orders, breaches, revocation and appeals, as well as results from player data analytics and other initiatives to minimise gambling related harm. These reports should also be made available to the VCGLR for monitoring purposes. (The VCGLR intends to share this information, as appropriate, with the VRGF).

#### Recommendation 16

The VCGLR recommends that within three months of implementing the strategy, a charter is developed for the Crown Melbourne Responsible Gaming Management Committee (staff committee) which includes reference to the role and responsibility of driving a harm minimisation culture.

# Guy v Crown Melbourne Ltd

## Guy v Crown Melbourne Ltd (No 2)

In 2014, Ms Shonica Guy initiated proceedings in the Federal Court against Crown Melbourne Ltd (Crown) and Aristocrat Technologies Australia Pty Ltd (Aristocrat).

The case centred on the features of one electronic gaming machine (EGM) called Dolphin Treasure. Aristocrat designed and manufactured the Dolphin Treasure gaming machine and supplied them to Crown. Crown had Dolphin Treasure gaming machines in the gaming areas at the Melbourne Casino.

From about 1995 Ms Guy began attending an interstate gaming venue regularly and eventually she began playing on the Dolphin Treasure gaming machine. She was drawn to it by the graphics and the chance to win “free spins”. Ms Guy gave evidence that she felt in control when she played the Dolphin Treasure gaming machine and would “enter a zone” when playing and she would stay at the gaming venue until she had no more money to gamble that day. In 2006, Ms Guy wondered whether she had a gambling problem and subsequently visited a financial planner and gambling counselling service. There was no evidence that Ms Guy played any gaming machines at the Melbourne Casino. Evidence was given by five other persons who played the Dolphin Treasure gaming machine.

Ms Guy alleged that Crown and Aristocrat:

- contravened s18 of the Australian Consumer Law (and former s52 of the Trade Practices Act). It was alleged that Aristocrat in designing the software for and supplying the Dolphin Treasure EGMs and Crown in making the Dolphin Treasure gaming machines available to the public, had engaged in misleading or deceptive conduct as they misled the gaming public about the odds of winning when they gamble on the machines.
- contravened s20 and or s21 of the Australian Consumer Law. It was alleged that Aristocrat, in designing the software for and supplying the Dolphin Treasure gaming machine, and Crown by making it available to the public, had engaged in unconscionable conduct. It was claimed that Crown and Aristocrat played on the vulnerabilities of a subsection of the gambling public at risk of developing a gambling disorder, or becoming “problem gamblers” by misinforming those “vulnerable players” about their odds of winning and by encouraging them into chasing further “wins”, especially through the way the Dolphin Treasure gaming machine rewards gamblers when they “win” less than the amount they have bet.
- The Federal Court dismissed the claims made by Ms Guy. Mortimer J was not satisfied that Crown or Aristocrat had contravened the Australian Consumer Law. In reaching this conclusion the Court considered, amongst other things, that:
  - persons gamble on gaming machines because they secure some level of pleasure or entertainment from them, and/or because gambling on the EGMs satisfies one or more personal or emotional needs, vulnerabilities or tendencies. Many players must realise that the odds are against them winning more than they bet, or even regaining any portion they bet. There is one message conveyed by the publicly available material to those who gamble on gaming machines is that the machine will always come out ahead and most people who gamble on gaming machines understand this reality at some level. (para 309)

The applicant contended that features of the Dolphin Treasure gaming machine, including the display of five even reels spinning at even pace and coming to rest consecutively, the spinning reel sounds and the matrix of symbols displayed, represent to the player that the gaming machine has five reels of equal size (the Equal Size Representation) and this representation was misleading or deceptive. The Court accepted that one reel had more symbols (and stopping points) than the other four reels and the symbols are not evenly distributed across the reels (para 328). The Court did not accept the gaming machines made such a representation and was not satisfied that Crown or Aristocrat engaged in misleading conduct.

The applicant contended that features of the Dolphin Treasure gaming machine, including the display of five even reels spinning at even pace and coming to rest consecutively, the spinning reel sounds, the matrix of symbols displayed, represent to the player that the total number of each of the symbols is evenly distributed across the five reels of the gaming machine and this representation (the Equal Symbol Distribution representation) was misleading or deceptive. The Court did not accept that the gaming machines made such a representation and was not satisfied that Crown or Aristocrat engaged in misleading conduct.

The absence of any direct evidence from gamblers about the effects of the various features of the Dolphin Treasure gaming machine made it considerably harder to be persuaded that the alleged representations by the Dolphin Treasure gaming machines were in fact made, and have the character of being misleading or deceptive (para 321).

The information regarding the theoretical return to player displayed on the “player information display” screen on the Dolphin Treasure gaming machine (the risk representation) is likely to be confusing but it is not misleading or deceptive. It may be that Crown and/or Aristocrat should consider amending the wording on the screen or providing more information on talkers.

The Court could not be satisfied that Crown or Aristocrat had engaged in unconscionable conduct for a range of reasons including that no individual had been identified as being the subject of the alleged unconscionable conduct and the applicant had not proven any special disadvantage or victimisation or exploitation, or any conduct on behalf of Crown or Aristocrat to make out there was unconscionability. In addition, the conduct by Crown and Aristocrat has been the subject of regulatory approval under a highly prescriptive scheme that includes assessment of the operation of the gaming machine for fairness.

## Responsible service of alcohol

### Legislative background

In Victoria the regulatory framework for the supply and consumption of alcohol is set out in the Liquor Control Reform Act under which the VCGLR is responsible for the licensing and compliance, along with Victoria Police.

The objects of the Liquor Control Reform Act include minimising harm arising from the misuse and abuse of alcohol, by:

- providing adequate controls over the supply and consumption of alcohol
- ensuring as far as practicable that the supply of liquor contributes to, and does not detract from, the amenity of community life
- restricting the supply of certain other alcoholic products, and
- encouraging a culture of responsible consumption of alcohol and reducing risky drinking of alcohol and its impact on the community.

To achieve these objectives, the Liquor Control Reform Act imposes a licensing scheme for persons who wish to supply alcohol, restrictions on the service of alcohol to persons in certain circumstances, and the training of licensees and persons who supply alcohol.

The key obligations of liquor licensees under the Liquor Control Reform Act, include:

- not serving liquor to minors
- not serving liquor to intoxicated persons, and
- serving liquor in compliance with the conditions attached to the liquor licence.

Action taken in respect of breaches will depend on their nature and circumstances. The VCGLR can issue a written warning, hold risk management discussions, accept a written undertaking, apply for an injunction to restrain the contravening behaviour, issue infringement notices, and initiate criminal prosecution proceedings and may undertake disciplinary action, which may result in a letter of censure, fine, variation of a licence, suspension, or cancellation.

Victoria Police also has enforcement powers, including:

- issuing infringement notices and initiating prosecutions
- issuing a banning notice to ban a person(s) from a licensed premises and designated areas for up to 72 hours for various specified offences, such as drunkenness, failure to leave a licensed premises, assault, offensive and obscene behaviour and sexual offences, and
- applying to the court for an exclusion order, to exclude an offender from a designated area or licensed premises for a period up to 12 months.

Under the Liquor Control Reform Act, licensees and staff selling, offering or serving liquor under a late night or general licence must undertake approved responsible service of alcohol training programs and must complete refresher training within three years. In addition, licensees must establish and maintain an approved responsible service of alcohol program register recording the details and copies of applicable certificates of training. The register must be available for inspection by Victoria Police or a VCGLR inspector.

It is an offence for the casino operator to knowingly allow an intoxicated person to gamble or bet in the casino under the Casino Control Act (section 81AAC).

### Assessment of Compliance

In assessing Crown Melbourne's conduct in relation to its obligations regarding the responsible service of alcohol under the Liquor Control Reform Act, the VCGLR had regard to the following sources of information: the

Fifth Casino Review report, the submissions made and information provided by Crown Melbourne during the course of the Sixth Casino review, a presentation made by senior management of Crown Melbourne regarding the responsible service of alcohol, the minutes of the RSA Steering Committee, information provided by Victoria Police and information held by the VCGLR in accordance with its functions under the Liquor Control Reform Act.

## Fifth Casino Review

In the Fifth Casino Review it was noted that, since 2008, issues with the responsible service of alcohol at the Melbourne Casino Complex were identified by Victoria Police and the VCGLR's predecessor, Responsible Alcohol Victoria. The Fifth Casino Review report noted that, by 2009, Victoria Police was concerned that security staff were not adequately ensuring that intoxicated patrons were refused entry to the Melbourne Casino Complex and a number of incidents occurred in 2009 which increased the focus on responsible service of alcohol at the Melbourne Casino Complex.

In 2010, the Director of Liquor Licensing determined it was appropriate to enter into an enforceable undertaking with Crown Melbourne for 2 years. Thereafter Crown Melbourne started a restructure and review of its security procedures. In addition, monthly meetings between Victoria Police and Crown Melbourne commenced to discuss how to improve security at the Melbourne Casino Complex which led to the implementation of staffing changes.

In 2012, Victoria Police was concerned about an increase in the number of assaults at Fusion nightclub within the Melbourne Casino Complex. The Victoria Police and Crown Melbourne agreed to a variation of licence conditions for Fusion. In May 2013, following a review of the additional conditions, Victoria Police agreed to support Crown Melbourne's application to remove the additional licence conditions and these additional conditions were removed by the VCGLR on 5 June 2013.

In the Fifth Casino Review Report the VCGLR found that the Victoria Police and VCGLR considered that there had been significant improvement in responsible service of alcohol practices and patron behaviour at the Melbourne Casino Complex since 2009.

## Current liquor licences

As at 30 November 2017, there were 27 liquor licences held in place for the various premises at the Melbourne Casino complex. Crown Melbourne held 18 licences and a further nine liquor licences were held by tenants operating in the casino complex. Crown Melbourne also holds a liquor licence in relation to the Capital Golf Club that is located in Heatherton.

During the Review Period no disciplinary action was taken by the VCGLR against Crown Melbourne or tenants of the Melbourne Casino complex for breaches of the Liquor Control Reform Act. In addition, there were no conditions imposed by the VCGLR on any of the liquor licences held by Crown Melbourne or its licensed tenants, although some variations were made at the request of licensees.

## Management of RSA

Crown Melbourne has endorsed a proactive strategy with a significant focus on harm minimisation for its patrons. Crown Melbourne proactively manages its RSA obligations.

Crown Melbourne has an RSA policy and a management structure to actively oversee the responsible service of alcohol.

### RSA officers

Crown Melbourne has an RSA team dedicated to ensuring that Crown Melbourne complies with its RSA obligations. The RSA team is part of the Security Operations Division, and is overseen by the Security Operations Manager and the General Manager for Security and Surveillance.

Between 2013 and 2016, there were between 22 and 34 RSA officers and an RSA supervisor. As at 13 December 2017, the RSA team comprised one full-time manager, a supervisor and 28 RSA officers (one full-time, two part-time and 25 casual). There are RSA officers rostered seven nights a week. A minimum of 16 RSA officers are rostered during the high risk hours on Friday and Saturday nights. There are also additional RSA officers rostered to cater for specific functions. Most RSA officers work between six to eight hour shifts. In determining the number of RSA

officers to be rostered, the RSA manager will have regard to historical data regarding the number of patrons for the particular date or function.

The RSA officers are the primary staff responsible for ensuring Crown Melbourne and other licensees provide the responsible service of alcohol day to day. They are rostered in specific venues and areas throughout the casino complex to interact with patrons and staff about the responsible service of alcohol. The RSA officers are expected to engage with patrons and act to encourage patrons to drink responsibly, support staff to serve alcohol responsibly and to assess and manage patrons who appear to be intoxicated. RSA officers provide on the job training to staff and record all RSA activities including patron interactions, the location of contact and type of contact. The data are used to assess the performance of RSA officers and for senior executives to monitor RSA activity more generally in the casino.

Requests were made for a copy of the performance assessment criteria and related documentation for RSA officers as at 30 June 2017—a RSA officer position description and performance management performance plan and review template were provided. The VCGLR accepts that the duties of an RSA officer from January 2018 include, amongst other things: engaging and approaching patrons to explain policies and expectations in relation to RSA; assisting with a high level of staff support and relations by coaching, advising and supervising staff in all aspects relating to RSA; contributing to reduction in assisted removals through appropriate RSA intervention and action and customer assistance; providing feedback and raising RSA incidents to RSA management on a daily basis; monitoring Crown’s gaming floor, lounge and bar areas to ensure compliance with liquor licensing laws. The performance management documentation provided was dated May 2017 and includes performance measures for a range of matters including: “demonstrates sound negotiation skills during RSA assessment” and building rapport with patrons and “is pro-active in RSA approach”.

### **RSA management oversight**

There are a number of staff committees at Crown Melbourne that oversee the operations of the RSA team and the responsible service of alcohol more generally, including the following:

- **RSA Steering Committee:** This committee meets quarterly and comprises senior executives of Crown Melbourne and is chaired by the Chief Operating Officer. The charter for the committee notes that the role of the committee is to undertake an annual review of RSA practices across all areas of the Crown Melbourne complex; consider emergent issues; ongoing assessment of risk areas across the complex and aligning resources appropriately and reporting as necessary to the Crown Melbourne board. The Review Team had the opportunity to review the minutes of meetings held in the Review Period. During the Review Period the committee met regularly and discussed various measures such as RSA training and advanced training for staff, the installation of more breathalyser machines on the premises, the introduction of a common shots policy for all licensed venues, the increased use of ID scanners, monitoring of serious incidents related to alcohol, discussed the presence of drugs and practices to reduce the incidence of drugs in the casino complex, and risk assessments related to specific functions to be held at the venue. In addition, the committee receives regular statistical reports regarding the responsible service of alcohol.
- **Bi-Monthly RSA meetings:** This meeting is hosted by the Food and Beverage Department and is an operational meeting. This meeting looks at a range of matters including training, feedback about any specific events and upcoming challenges.
- **Weekly stakeholder meetings.** These meetings are for venue managers to discuss events over the previous week and planning for the week ahead.
- **Management reviews of RSA concerns.** Senior staff conduct reviews of specific incidents which are referred for review. A review may occur where a person required medical intervention or where there was a serious incident related to alcohol consumption. The review may include reviewing video footage and receiving advice from the medical team.

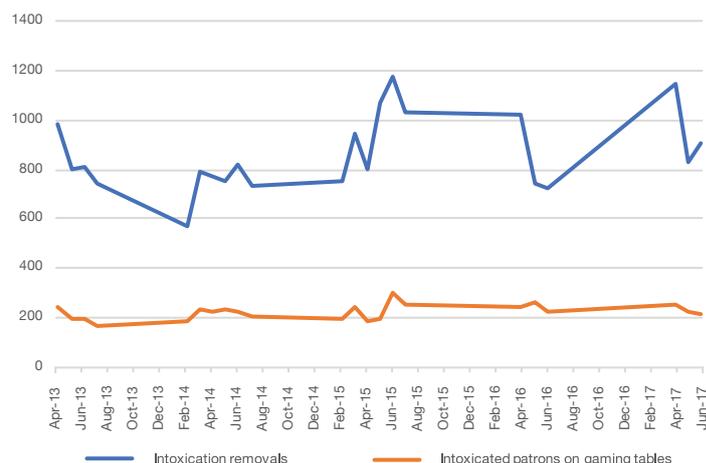
## Interaction with patrons

Crown Melbourne stated that it has adopted a “soft” proactive approach in interacting with patrons in relation to the responsible service of alcohol. An RSA officer is assigned to a particular venue and works with the security staff, venue manager and venue staff to ensure the responsible service of alcohol. RSA officers engage with patrons early and offer water and food to patrons. Where there is a large group, the RSA officers will identify a person to speak with on behalf of the group and to assist in managing the group and to ensure that there is responsible alcohol consumption. The RSA officers observe patrons and will seek to identify early any potential signs of intoxication. Where a person may be engaging in concerning behaviour the RSA officer may speak with the patron, and with venue staff, and where necessary will work with security staff to remove any intoxicated person. Crown Melbourne management stated that they are cognisant of the importance of early interaction about responsible alcohol consumption with patrons to reduce the incidents of intoxication and the behaviour associated with intoxicated persons.

Crown Melbourne records significant data regarding its RSA interactions with patrons. This data is regularly analysed and reported to the senior executives and considered at the RSA steering committee meeting. The statistical reporting includes data pertaining to alcohol sales and removal of intoxicated persons such as: the number of alcoholic drink sales by day, the number of intoxicated patrons removed (including assisted removals) each day, the number of intoxication removals by venue, the number of intoxicated patrons by table gaming pit (including main floor pits and private gaming rooms).

Statistics indicate that while the number of intoxicated persons removed fluctuates over time (possibly due to the occurrence of major events), the number of intoxicated patrons identified on gaming tables is more constant.

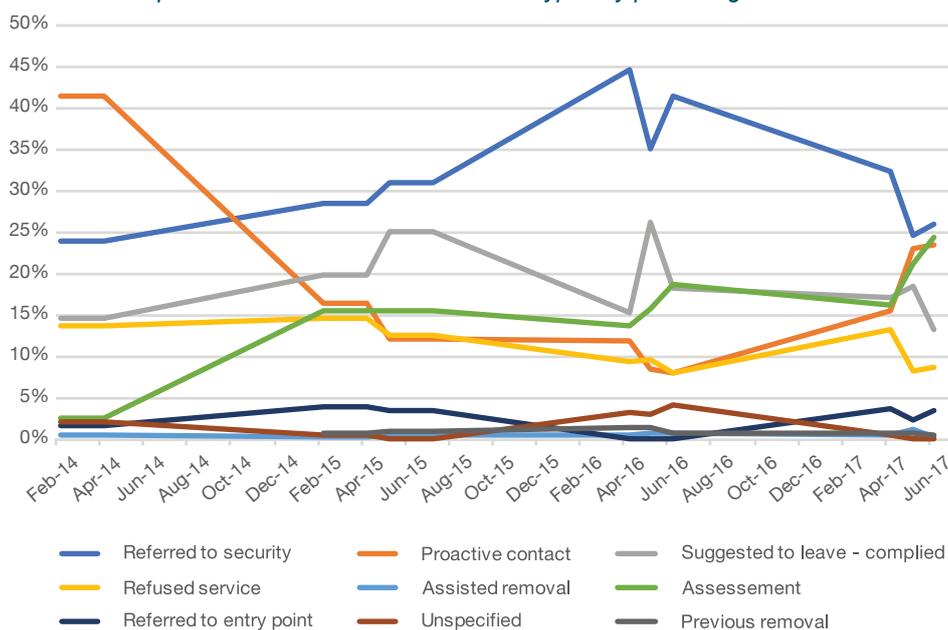
Chart 17: Number of intoxicated patrons removed from premises versus identified on gaming tables



Source: Crown

The statistical reporting data also includes RSA officer contact outcomes by contact type, with different sized patron groups and the location of the RSA officer contact. The RSA officer contact outcome types include assessment, proactive contact, refused service, suggested to leave—complied, referred to security, referred to entry point, previous removal and assisted removal. The RSA statistical data sampled by the Review Team is consistent with Crown Melbourne’s statements of a “soft” proactive approach in interacting with patrons early about the responsible service of alcohol. The data demonstrate regular pro-active contact and assessment by RSA officers and RSA officers determining to refuse service to patrons, requesting patrons to leave or referring patrons to security to be removed. Only a very small number of patrons are removed with the assistance of security.

Chart 18: Responsible Service of Alcohol contact types by percentage



Source: Crown Melbourne

The most common types of RSA contacts were referral to security, pro-active contact, suggested to leave—complied, and assessment (which increased over time).

### Training

Crown College provides approved training in the responsible service of alcohol for relevant staff. The RSA officers undertake training in the responsible service of alcohol training and undertake RSA refresher training every 12 months. Food and beverage staff who serve alcohol undertake the mandatory VCGLR training and the applicable refresher training every two years. Other staff also undertake RSA training. Crown Melbourne states this additional education builds a strong culture of RSA awareness and understanding, which assist in supporting the business to achieve RSA compliance. For example, dealers complete the online course “Provide RSA SITHFAB002” as a unit of competency in their initial training and RGLOs and gaming floor management complete a four hour facilitator led training session in RSA. Security staff undertake RSA training and refresher training.

### Other RSA Measures

Crown Melbourne has a range of other strategies as part of its approach to the responsible service of alcohol, including:

- Event procedures.** When a person wishes to book an event at the Melbourne Casino, venues ask a range of questions the person must answer to assist Crown Melbourne in managing the booking. A number of these questions are related to assessing the potential risks associated with the booking and for Crown Melbourne to implement strategies to reduce the risks of intoxication and associated unacceptable behaviour. Crown Melbourne may impose certain restrictions on the booking or require additional screening requirements for the event. For example, the casino operator may impose ID scanners and bag checking as part of the conditions of a booking for a university student function. It is common practice that an RSA officer will attend a pre-shift briefing attended by all staff working at an event. After a significant booked event has been held, there is a general review taking into account RSA issues.

- **Breathalyser machines:** The installation of breathalyser machines in strategic locations to enable customers to check their blood alcohol concentration before driving.
- **Promotion:** RSA messages are displayed throughout the Melbourne Casino Complex. These messages are regularly changed. Crown Melbourne uses the RSA advertising provided by the City of Melbourne reinforcing the message of patrons staying in control.
- **Security staff:** Security staff are present on the perimeter of the casino complex premises in peak periods and are present at the main entrances to the gaming floor at all times. The security staff are responsible for ensuring no persons who appear intoxicated or are engaging in unacceptable behaviour are given entry to the premises or to the main gaming floor. *The ratio of security staff is in accordance with the endorsed ratio conditions in the relevant liquor licence.*
- **No shots policy:** All licensees are required to adhere to the “no shots after 1am policy” implemented by the RSA Steering Committee.
- **Victoria Police liaison:** Crown meets regularly with a senior officer from the local Victoria Police station to discuss matters, including matters related to the responsible service of alcohol.
- **Alerts:** Alerts can be activated by dealers where a dealer is concerned that a person is intoxicated. The alert activates RSA procedures to be implemented.
- **Staff Performance:** Bar staff and RSA officers have performance assessments where adhering to RSA obligations is mandatorily assessed.
- Crown Melbourne is a member of the Melbourne Licensees’ Forum.

### Complimentary drinks

Crown Melbourne offers complimentary alcoholic drinks to loyalty program members. The level of complimentary drinks service is dependent on a range of factors including

the gambling area, a daily limit policy and level of loyalty program membership held by the patron. In the premium areas where there is a higher level of complimentary service, hosts monitor the consumption of alcohol by patrons and liaise with patrons about their level of consumption where the circumstances indicate it may become a problem. In other areas of the casino patrons are subject to RSA assessments by food and beverage attendants prior to service.

### Gambling whilst intoxicated

It is an offence for the casino operator to knowingly allow an intoxicated person to gamble or bet in the casino.

Crown Melbourne states that staff intervened in 15,785 cases between 1 January 2013 and 30 September 2017 where patrons were potentially gambling while intoxicated. Crown Melbourne states that patrons assessed as intoxicated are removed from the gaming floor.

Crown Melbourne provides alcoholic drinks on the main gaming floor from bars and a trolley service. The Crown Melbourne board papers in February 2017 note that drink trolleys were introduced to the gaming floor daily during peak trading periods with discounts applying to some items to guests actively playing gaming machines. Crown Melbourne advised that one RSA officer oversees six drink trolleys, and security staff also monitor the drink trolley service. There are limits on drink purchases and the most common purchases from the trolleys are water and soft drinks. Discussions were held with Crown Melbourne about the protocols in place for the trolley service and the VCGLR is satisfied these are appropriate.

### RSA Budget

Crown Melbourne’s budget expended between \$785,000 and \$995,000 in the financial years from 2013 to 2017 in relation to RSA. This RSA expenditure included wages for RSA officers, equipment costs (e.g. phones and breathalysers), and all RSA staff training costs. However, this RSA expenditure does not include the costs of ID scanners, security staff costs or management costs associated with RSA issues.

## Compliance

The Review Team met with Victoria Police, who did not report any concerns in relation to the conduct of Crown Melbourne and its adherence to the legislative requirements regarding the responsible service of alcohol. Overall Victoria Police consider that Crown Melbourne effectively managed its liquor licensing responsibilities during the Review Period. The VCGLR notes the declining number of prosecutions for drunkenness at or around the Melbourne Casino between 2013 and 2017:

*Table 11: Prosecutions for drunkenness 2013–17*

Year	2013	2014	2015	2016	2017
Prosecutions for drunkenness	88	69	47	38	23

Source: Victoria Police

Victoria Police has a number of units that have a role in monitoring compliance with the Liquor Control Reform Act, including the police located at the nearby police station, the My City program (formerly Safe Streets) which operates patrols on Friday and Saturday nights in Melbourne city and the Divisional Licensing Unit. The My City policing model allocates nine police officers to patrol the Melbourne Casino Complex and its vicinity every Friday and Saturday night, including late at night.

In July 2017, Victoria Police issued Crown with two infringements relating to supplying intoxicated persons in bars located on the main casino floor, resulting in two demerit points. If, in respect of a liquor licence, five demerit points are incurred in a three-year period, the VCGLR must suspend the licence for 24 hours.

The two infringement notices were reported to the Crown Melbourne Compliance Committee in November 2017. The minutes noted some disappointment as management regarded staff as having conducted themselves in accordance with the processes in place and exercised responsible service of alcohol principles. The Compliance Committee recommended that management review its processes, continue dialogue with police to ensure consistency with police expectations and reinforce the RSA practices across the Melbourne property.

The VCGLR observes that the occasional issue of an infringement notice is not necessarily indicative that there is not generally good practice in place. The VCGLR notes that adherence by Crown to internal processes and polices may not always be sufficient to comply with the relevant regulatory requirements and ongoing monitoring and review would assist in enhancing regulatory compliance.

## Finding

Given the number of licensed venues at the Melbourne Casino complex and the volume of people passing through it on a daily basis, responsible service of alcohol is a key area of risk for Crown.

Overall, the VCGLR is satisfied that Crown Melbourne has an effective proactive and integrated strategic approach to managing its RSA obligations. Crown Melbourne has endorsed a proactive strategy with a significant focus on harm minimisation for its patrons. Crown Melbourne has implemented a wide range of measures, including: employing a substantial number of dedicated RSA staffing resources who are deployed at peak periods in critical areas across the casino; RSA officers working closely with the security staff and RSA trained food and beverage and gaming staff; delivering RSA training for a large proportion of operational and management staff, and various other RSA procedures (e.g. event booking).

The VCGLR considers that the combination of RSA measures, in conjunction with policies to proactively engage with patrons about RSA issues at an early stage and to take early action to address any RSA concerns is an effective strategy. Further, the VCGLR is satisfied that the critical role of management in actively supporting and monitoring the RSA strategy, aided by regular sophisticated RSA reporting to senior management and regular meetings at various management levels within Crown Melbourne assists in driving compliance with RSA obligations with a focus on harm minimisation.

The VCGLR, along with Victoria Police, will continue to monitor Crown Melbourne's compliance with the Liquor Control Reform Act to minimise harm to patrons at its licensed venues.

## Money laundering

Money laundering is activity that involves hiding, disguising or legitimising the true origin and ownership of money used in or derived from committing crimes (CDPP 2018). It is utilised by organised crime to make the proceeds of crime appear legitimate and to avoid paying tax (AUSTRAC 2018). The gambling industry is targeted by criminals seeking to launder illicit funds. Australia devotes substantial resources through the Australian Transaction Reports and Analysis Centre (AUSTRAC), Australian Federal Police (AFP) and Australian Criminal Intelligence Commission (ACIC) to combat money laundering.

AUSTRAC is the specialist agency responsible for gathering financial intelligence and has regulatory responsibility for anti-money laundering and counter-terror financing in Australia. The regulatory framework is governed by the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (AML/CTF Act), the *Anti-Money Laundering and Counter-Terrorism Rules Instrument 2007* (No.1) (AML/CTF Rules) and the *Financial Transactions Reports Act 1988* (FTR Act).

AUSTRAC regulates more than 14,000 businesses including from major banks and casinos to single-operator businesses in the financial services, remittance and gambling sectors. AUSTRAC has regular engagement with the major reporting entities and also works with the whole gambling industry to assist in improving their understanding of the money laundering and terrorism financing risks they face, and how they can manage and mitigate them to meet their obligations. In 2016–17, AUSTRAC received over 112 million reports from industry, including suspicious matter reports, threshold transaction reports and international funds transfer instruction reports (AUSTRAC 2017a).

AUSTRAC's regulatory supervision strategy has evolved and is moving towards an intelligence led approach to regulation. AUSTRAC also seeks to work collaboratively with industry and uses a range of approaches to improve industry knowledge and capability to comply with the AML/CTF Act.

ACIC was formed on 1 July 2016, from the merger of the Australian Crime Commission and the CrimTrac agency. As Australia's national crime intelligence agency

with intelligence, research, investigative and information delivery functions, ACIC works with law enforcement partners to stop criminals exploiting emerging opportunities and perceived gaps in law enforcement information. ACIC actively gathers evidence and intelligence to address transnational serious organised crime activities impacting adversely on the national interests of Australia and the countries of overseas partners, including money laundering activities.

The Australian Federal Police (AFP) is a federal law enforcement agency and has a role in counter terrorism and national security and investigates organised crime, including money laundering offences under the Criminal Code.

For the purposes of this review the VCGLR liaised with AUSTRAC, ACIC and the AFP, and received information from Crown Melbourne regarding its compliance with the applicable AML/CTF obligations. The Review Team reviewed various documentation provided by Crown Melbourne including compliance committee updates, internal Crown Melbourne AML/CTF documentation and correspondence between AUSTRAC and Crown Melbourne.

Under the AML/CTF legislation Crown Melbourne is required to provide the following reports to AUSTRAC:

- suspicious matter reports
- threshold transaction reports
- international funds transfer instruction reports, and
- AML/CTF compliance reports.

The obligations of businesses to provide these reports are set out in the AML/CTF Act, and AML/CTF Rules, and are described in detail in the AUSTRAC Compliance Guide.

Under the AML/CTF Act, Crown Melbourne also has obligations to implement an anti-money laundering and counter terrorism financing program and undertake ongoing customer due diligence.

AUSTRAC has developed specific industry guidance and undertaken specific industry initiatives to enhance gambling

industry awareness of AML/CTF obligations. For example, on 16 November 2016, AUSTRAC published an update to the Compliance Guide including “Scenarios of common international funds transfers conducted by casino licence holders”. This guidance provides six examples of common types of international funds transfers conducted by licensed casinos that are required to be reported to AUSTRAC (AUSTRAC 2017b). Scenario 6 outlines the obligations of an Australian casino operator which has a 100 per cent owned and controlled subsidiary company located in Australia with an Australian bank account, which has been approved by the state casino regulator (as is the case with Crown Melbourne). It notes that where a customer instructs the Australian casino operator to transfer AUD\$150,000 from the bank account of the subsidiary company into the customer’s overseas bank account, the Australian casino is required to report an outgoing international funds transfer instruction under a designated remittance arrangement under the AML/CTF Act (AUSTRAC 2017b).

There is also AUSTRAC guidance to making threshold transaction reports.

AUSTRAC undertakes individual compliance assessments of various businesses and will routinely make findings on non-compliance and/or recommendations to the business to ensure ongoing enhancements to the capabilities of the business to meet its AML/CTF Act obligations. Ordinarily, recommendations include enhancements to the business not specifically required in the AML/CTF Act and Rules.

## Casino compliance regarding AML/CTF

Crown Melbourne has a specific corporate policy in relation to its obligations under the AML/CTF legislation and has implemented various measures to adhere to the AML/CTF legislation.

Crown Melbourne has developed and updated its AML/CTF program, established reporting arrangements with AUSTRAC to provide the required reports, implemented customer due diligence procedures, undertaken staff training and undertaken internal audits in relation to compliance with AML/CTF obligations. Crown Melbourne also regularly engages with AUSTRAC. Crown Melbourne’s internal compliance systems monitor its compliance with AML/CTF responsibilities. Crown Melbourne has an AML/CTF committee led by the Chief Legal Officer Australian

Resorts and comprised of a number of senior management staff. The AML/CTF Committee does not have a charter, but discusses and reviews a range of matters including the AML/CTF Program, staff training, AML/CTF risk assessment, AUSTRAC assessments and non-compliance issues. The committee meets monthly, when required.

In late 2017, Crown Resorts created a new group general manager position responsible for anti-money laundering. This role was created to manage the anti-money laundering portfolio due to its growing scale and importance.

The VCGLR identified that, in the Review Period, AUSTRAC undertook two compliance reviews in relation to Crown Melbourne.

The first review was undertaken in 2014. AUSTRAC assessed Crown Melbourne’s compliance with its reporting, transaction monitoring, enhanced customer due diligence and independent review obligations. After reviewing documentation and meeting with Crown Melbourne, AUSTRAC did not identify any significant deficiencies in the program. AUSTRAC made a number of recommendations to Crown Melbourne to enhance its compliance systems and controls to assist in better mitigating money laundering and terrorism financing risk in the future.

The Review Team’s work identified, in documents obtained from Crown Melbourne, that in 2017 Crown Melbourne self-reported to AUSTRAC the late lodgement of a group of international funds transfer instruction reports and the cause. AUSTRAC acknowledged the non-compliance and self-reporting by Crown Melbourne.

### Junkets

The VCGLR, other regulators and law enforcement agencies are aware of the significant potential risks of money laundering through casinos, particularly through junket operations. See, for example, the cases of Mr Minh Phat Truong and Hongjie Ma described in the information box on page 136.

The risk of money laundering through junkets was discussed in the report of the 2016 periodic review of Sydney’s Star Casino by the Independent Liquor and Gaming Authority (Horton 2016). In the report, it was noted that the AFP had advised that junkets present an

opportunity for the introduction of tainted funds at various entry points, including the junket participants, the junket operators and a source in Australia. It also noted that a great deal of tainted cash, that criminal groups will seek to sanitize, is thought to come from southern China.

Junket operations in Australian casinos are vulnerable to exploitation by organised crime to launder money to facilitate the concealment of criminal wealth. Junket operations are also vulnerable to persons seeking to circumvent other countries' capital flight restrictions. Junket operations are vulnerable due to a range of factors, including the arrangements in place between junket operators, junket players and the casinos, and the relatively limited information available regarding the financial transactions involving the junket players and the source and distribution of the junket players' funds.

In 2016–17, AUSTRAC undertook a casino junkets campaign to develop more detailed understanding of how junkets work in Australia. AUSTRAC engaged all casinos and conducted assessments of the major casinos' application of their AML/CTF obligations relating to junket operations (AUSTRAC 2017a). AUSTRAC also engaged with state casino regulators. AUSTRAC prepared a report taking into account this information regarding how junkets operate, identified AML/CTF concerns and risks and considered potential regulatory amendments to address these concerns.

As part of the casino junkets campaign, AUSTRAC assessed Crown Melbourne's AML/CTF program, on-going customer due diligence and reporting obligations. The assessment identified several required actions to address areas of concern and outlined a number of recommendations to strengthen Crown Melbourne's AML/CTF program. AUSTRAC has an ongoing dialogue with Crown Melbourne to ensure its compliance with its AML/CTF obligations.

Crown Melbourne supplied the VCGLR with AUSTRAC correspondence which worked through areas of concern and areas for improvement.

The areas included Crown Melbourne's jurisdictional risk assessment for nationals from other countries, the transaction monitoring program and the role of behavioural observation, and clarification of the separate Know Your Customer processes.

The areas also included enhancements to Crown Melbourne's AML/CTF program in relation to reporting allegations and staff awareness training.

AUSTRAC also identified circumstances which may warrant a suspicious matter report.

Crown Melbourne has demonstrated its willingness to act on the findings. It told the VCGLR that it has implemented some changes, and is in communication with AUSTRAC about addressing the other matters.

Money laundering by organised crime is complex and sophisticated, often involving overseas participants, and requires both domestic and international law enforcement agencies and regulators to work co-operatively to effectively respond to and detect and effectively prosecute such criminal activities.

State-based regulatory requirements for junkets form a part of the overall broad regulatory framework to minimise the risk of money laundering. In addition, documentation compiled by Crown Melbourne to meet State regulatory requirements may be of assistance to Federal law enforcement agencies in effectively detecting and prosecuting criminals engaged in money laundering activities at the Melbourne Casino. Consequently, the VCGLR considers that compliance by Crown Melbourne with State regulatory requirements regarding junket gaming activity is important in ensuring the operation of the casino remains free from criminal influence or exploitation.

Relevantly, in December 2017, the VCGLR took disciplinary action against Crown Melbourne for non-compliance with junket related internal controls. The VCGLR fined Crown Melbourne \$150,000 for failure, in 13 instances, to properly document junket arrangements (including as to relevant individuals' identities and relevant amounts).

The accuracy and reliability of internal Crown Melbourne junket documentation is critical not only to ensuring that gaming and betting is conducted honestly but also the functions of other law enforcement agencies in their efforts to investigate and prosecute persons who seek to exploit junkets for criminal purposes. Strict adherence to AML/CTF obligations and robust internal controls under the State regulatory framework can assist in reducing the risk of money laundering activity.

# Money laundering case studies

## Case study—Mr Minh Phat Truong

Between January 2012 and March 2013, the AFP conducted Operation Volante into an international drug importation, money laundering and drug trafficking syndicate. As a result of the criminal investigation Mr Minh Phat Truong, a Victorian greengrocer, was convicted and sentenced on 15 March 2016 in the Victorian County Court for the following money laundering offences under the Criminal Code:

- One count of dealing with money or other property that was, and that he believed to be, the proceeds of crime and at the time of dealing the value of the money or property was \$50,000 or more contrary to subsection 400.5(1) of the *Criminal Code* (Cth)
- Three counts of dealing with money or other property that was, and that he believed to be, the proceeds of crime and at the time of dealing the value of the money or property was \$100,000 or more contrary to subsection 400.4(1) of the *Criminal Code* (Cth)

These offences occurred in the period between March 2012 and May 2012. On appeal, on 21 September 2016, the Victorian Court of Appeal imposed a total effective sentence of six years imprisonment with a non-parole period of four years.

Mr Truong assisted Mr Lieu (an Australian principal in a criminal syndicate) to remit proceeds of drug trafficking from Australia to Hong Kong by laundering the money offshore through Crown casino.

Mr Truong arranged for his business associate, who also worked at Crown casino as an authorised representative of an Indonesian based junket operator, to deposit money (in the form of cash or gaming chips) at the casino into the junket account, and he also arranged for the overseas telegraphic transfer of the funds deposited into the junket operator's account. Mr Truong was instrumental in proposing and devising the money laundering scheme through the casino, amounting to some \$696,500.

Mr Truong's cousin, Suky Lieu was responsible for importing heroin from Vietnam and trafficking methamphetamine and methoxymethamphetamine in Victoria and NSW. A significant part of Mr Lieu's drug trafficking business was co-ordinated and carried out in conjunction with Hong Kong members of a wider drug syndicate. By arrangement with Hong Kong based associates, Mr Lieu was able to access supplies of drugs that were imported and warehoused in Sydney. As and when drugs were available in Sydney and required, Mr Lieu and his Hong Kong associates would make arrangements for subordinates to meet in Sydney so that drugs could be handed over for intended transportation back to Melbourne and subsequent distribution and sale through Mr Lieu's own network.

On 26 June 2015, Mr Lieu was sentenced to 25 years imprisonment with a non-parole period of 18 years in relation to his drug importation, drug trafficking and money laundering offending.

Source Commonwealth DPP website—see

[cdpp.gov.au/case-reports/minh-phat-truong](http://cdpp.gov.au/case-reports/minh-phat-truong)

Also see *Truong v The Queen* [2016] VSCA 228 (21 September 2016)

**Case study—****Hongjie Ma (Ma v Commissioner of the Australian Federal Police [2016] VSC 553 (16.9.16))**

Hongjie Ma is the wife of Dan Bai Shun Jin (Jin). The Supreme Court noted that the US IRS and Australia Federal Police suspected that Mr Jin was likely to be involved in large scale illegal casino based money laundering activity in Australia, the US, Macau and Singapore. In October 2013, the Commissioner of the AFP served notice of an application for a restraining order, over a Californian property solely owned by Ms Ma and a number of other properties, under the Proceeds of Crime Act 2002 (Cth). Ms Ma unsuccessfully applied to the Victorian Supreme Court to revoke this restraining order. The AFP suspected the funds used to purchase the property were the proceeds of crime. The Court was satisfied that the evidence did establish reasonable grounds for the suspicion. The evidence before the Supreme Court included:

- In September 2009, when the Californian property was purchased \$1.32 million was transferred by Mr Jin from Crown casino to a Bank of America account held by Ms Ma and Mr Jin and these funds contributed to the purchase of the Californian property.
- Crown Casino recorded that, since January 2010, Mr Jin's total buy ins were AU\$141 million. That buy in figure did not include Mr Jin's deposit account with Crown that he used by transfers both in and out, which were reported by Crown to AUSTRAC. Mr Jin's total turnover between 2005 and 2013 was AU\$855 million.
- Investigations and affidavits filed, show Mr Jin gambled huge sums of money that cannot be reconciled with his known legally obtained income.
- Mr Jin has multiple identity documents. The AFP stated that Mr Jin who, is a dual Australian/Chinese citizen has had, and has used multiple identity documents, including six Australian passports.

The VCGLR observes that to assist in mitigating the risks associated with junkets, the current internal control statements for junkets could be strengthened with the inclusion of more robust controls in relation to the identification of individual junket players and their associated gaming transactions when participating in junkets.

## Conclusion

Agencies consulted indicate that Crown Melbourne is generally compliant with its AML/CTF obligations and will respond to criminal investigation inquiries. Agencies have ongoing regular liaison arrangements with Crown Melbourne and anticipate this will continue in the future. AUSTRAC has advised that it will continue to actively collaborate with Crown Melbourne to ensure its ongoing compliance with the AML/CTF regulatory framework and to ensure the continuous enhancement to the quality of AML/CTF reporting and commitment to AML/CTF by Crown Melbourne.

The VCGLR observes that compliance with the AML/CTF regulatory framework by Crown Melbourne requires vigilance, adequate staff training and appropriate staffing resources, given the high volume of financial transactions and the nature of those transactions at the casino.

There is scope for additional training of relevant casino staff to increase staff awareness of the applicable reporting obligations and the behavioural activity indicative of money laundering. Training in behavioural activity would enhance Crown's reporting to AUSTRAC and thereby assist the law enforcement agencies' efforts.

The VCGLR observes that it would be beneficial if Crown Melbourne identified opportunities for regulators and law enforcement agencies to assist in delivering enhanced AML/CTF training for casino staff.

### Recommendation 17

The VCGLR recommends that, by 1 July 2019, Crown undertake a robust review (with external assistance) of relevant internal control statements, including input from AUSTRAC, to ensure that anti-money laundering risks are appropriately addressed.

## Other relevant regulators and the casino

### WorkSafe and workplace safety

WorkSafe Victoria (WorkSafe) is the Victorian regulatory agency responsible for the oversight of workplace health and safety laws and the management of workers' compensation claims. Crown Melbourne, as an employer, has legal responsibility to ensure the health and safety of its employees. As an approved self-insurer, Crown Melbourne is also responsible for managing workers' compensation claims made by its employees in accordance with the relevant legislation.

The applicable Victorian legislation includes:

- *Occupational Health and Safety Act 2004*
- *Accident Compensation Act 1985*
- *Workplace Injury Rehabilitation and Compensation Act 2013*
- *Equipment (Public Safety) Act 1994*

On 31 January 2018, the VCGLR met with representatives of WorkSafe. WorkSafe confirmed that Crown Melbourne is an approved self-insurer under Part 8 of the Workplace Injury Rehabilitation and Compensation Act 2013 (WIRCA). The WIRCA sets out the requirements of self-insurance in Victoria, including the "fit and proper" standards that must be satisfied by existing self-insurers as well as applicants seeking self-insurer status. Self-insured employers are issued approvals of three, four or six years depending on their status and overall performance.

Crown Melbourne's current self-insurance approval is in force until 9 December 2018. WorkSafe is currently conducting a review of Crown Melbourne's occupational health and safety performance as part of its assessment of Crown Melbourne's application to renew its current self-insurance approval. As part of the review, recommendations have been made in relation to Crown Melbourne's property at Heatherton; Crown Melbourne is currently addressing the recommendations.

WorkSafe advises that, during the period of its current approval, Crown Melbourne has met the required compliance requirements under the WIRCA as they relate to self-insurance, including maintaining a bank guarantee in respect of its assessed liabilities and providing quarterly reporting on all workers compensation claims. WorkSafe is aware of issues in relation to table gaming which have and are being addressed by Crown Melbourne. Crown Melbourne's response has included the commissioning of ergonomic assessments.

On 3 March 2015, WorkSafe issued a letter of caution to Crown Resorts for failing to notify WorkSafe within 28 days of its acquisition of Betfair, a failure which breached sections 384(2)(e) and s384(f) of the WIRCA. The purpose of the disciplinary action was to protect workers at Betfair, who have a right to know that they are covered by Crown for the purposes of workers' compensation.

Overall, WorkSafe considers Crown Melbourne to be a good performer in relation to meeting Victoria's self-insurance requirements, with reducing claim numbers and no major safety issues. As part of this, Crown Melbourne recently launched its new safety strategy. Crown Melbourne has also been open in relation to providing information to WorkSafe as and when requested.

### Fire safety

The Building Inspection and Compliance Unit of the Metropolitan Fire and Emergency Services Board (MFB) ensures the safety of the public within buildings located within the metropolitan fire district.

The relevant fire safety standards are put in place by Part 12 of the Building Interim Regulations 2017, made under the *Building Act 1983*. The Regulations set out the requirements upon building owners to ensure the maintenance of all essential safety measures within their property, including those in relation to fire safety.

Consultation with MFB indicates that they have received no reports in respect of Crown Melbourne being non-compliant with relevant regulations.

MFB also advised that the number of call-outs to the casino precinct is not disproportionate to its size and patronage. A significant number of the call-outs are false alarms caused by, among other things, accidental damage to sprinkler heads or incorrect pressure in fire suppression water pipes. Actual fire events range from ignitions in waste bins to ignitions in restaurant kitchens.

MFB also attends medical emergencies.

MFB reported that a good relationship exists between the two organisations and that Crown Melbourne always provides relevant staff to meet firefighting personnel in the event of an emergency.

## City of Melbourne and Department of Health and Human Services—Tobacco

The *Tobacco Act 1987 (Tobacco Act)* regulates smoking in Victoria. The City of Melbourne is generally responsible for monitoring compliance with the Tobacco Act, although the Department of Health and Human Services is responsible for the exemptions granted under the Tobacco Act.

The Tobacco Act provides an exemption to the enclosed workplace smoking ban for declared smoking areas of a casino. Through a *Notice of revocation and declaration of declared smoking areas under the Tobacco Act*, the casino operator has an exemption from smoking bans for certain declared smoking areas (high roller rooms).

The City of Melbourne reported there have been no issues of concern in relation to smoking related offences at the casino. The Department of Health and Human Services indicated that the declared smoking areas were concordant with those identified on the floor plans reflected in the Notice.

# Part 4—Credibility of casino operations

## The public interest test explained

This part of the report deals with the matter raised by section 25(1)(d) of the Casino Control Act—whether or not it is in the public interest that the casino licence should continue in force.

As noted at the start of Part 1 (Introductory), the expression “public interest” has a specifically defined meaning in section 3(1) of the Casino Control Act:

*public interest or interest of the public* means public interest or interest of the public (except in section 74) having regard to the creation and maintenance of public confidence and trust in the credibility, integrity and stability of casino operations.

This public interest forms the basis on which a casino licence might be cancelled or suspended—see paragraph (e) of the definition of grounds for disciplinary action in section 20(1), and it also forms a basis for the appointment of a statutory manager when a licence has been cancelled, suspended or surrendered—see section 22.

This public interest must be established when giving a notice requiring the cancellation of a contract relating to controlled matter—see section 32. The same interest forms one of the bases for directing a person to apply for a special employee’s licence—see section 40.

Accordingly, the question asked by this fourth limb of the periodic review requirement is whether or not the casino

operator has maintained public confidence and trust in the credibility, integrity and stability of the casino operations authorised by the licence (hence, the title of this part).

This Part explores the question by detailing the nature of the casino game offering (the various games and how they are played), how the casino is supervised, new developments in games and the different markets for the Melbourne Casino, and by explaining the connection with the regulatory tools available to the VCGLR.

The VCGLR can directly influence the credibility of casino operations through the approval processes for casino game rules, internal controls and game equipment, and through compliance audits facilitated through its powers of inspection.

## The casino game offering

### Overview

Crown Melbourne offers traditional table games, fully and semi-automated table games and gaming machines. The regulatory regime allows it to have open up to 540 tables (including 100 exclusively for variants of poker), to operate up to 1,550 automated table games terminals and up to 2,628 gaming machines.

The mathematics of all casino games (including games on gaming machines) are structured so that, in the long run, the house wins more than it loses. The structural aspect of winning is called the house edge.

Every proposed gambling product whether it is a game, a game variation, a side-wager, or a jackpot must be submitted by Crown to the VCGLR for approval. In its application to the VCGLR, Crown must state the theoretical house edge of each product and submit mathematical evidence of house edge calculations. The VCGLR verifies the house edge independently, using accredited testing facilities as part of its assessment process.

## Table games

Crown's table game staples are Roulette, Blackjack, Baccarat and Sic-Bo—and these are offered at traditional gaming tables and on terminals as semi-automated and fully-automated table games.

In addition, Crown continues to explore new gambling opportunities by introducing new games, refining rules to existing games and introducing side-wagers and jackpots.

## Automated table games

Over the past two decades, fully and semi-automated versions of table games have been developed. They offer a lower cost form of traditional gaming and accordingly enable players to participate in table games at lower minimum bet levels than traditional tables.

Currently, Crown is allowed 250 fully automated table game terminals (and has installed this number) and 1,300 semi-automated table game terminals (of which 414 are installed).

**Semi-automated tables games** differ from traditional gaming tables by utilising electronic interfaces between players and games. Games are conducted by actual dealers, with roulette dealers using a physical roulette wheel and blackjack dealers using physical cards, while the taking of the wagers and the settling of the results is managed through touchscreen terminals to which the game is live streamed.

**Fully-automated table games** extend the concept by having a computer deal the game, driven by a random number generator. An on-screen virtual dealer emulates the actions of an actual dealer and the conduct of the game is delivered to patrons via automated transaction station.

Patrons place wagers using touch screens, and observe computer generated games located on the automated transaction stations.

Fully automated table games were approved for use in the casino on the condition that harm minimisation and player protection features such as player information displays, access to player activity statements showing play history, and time and loss setting facilities are available to patrons. These facilities are provided through Crown's player loyalty system.

Terminals may be located close to the dealer or virtual dealer or remotely, elsewhere in the casino. A player may access multiple games on a single terminal, but may not play games concurrently.

## Gaming machines

The current gaming machines are almost unrecognisable from the mechanical slot machines originating in the 1880s except for the impression of spinning reels. With the original slot machines, the cabinet and the game were one indivisible unit. In modern electronic machine gaming, a particular gaming machine will be configured with software to deliver one or more individual games. Changing the software changes the game.

The original slot machines allowed one spin per coin, and paid out after each spin. With modern electronic gaming, the loading of funds is separated from the element of gambling through the concept of tokenisation. Gaming machine transactions are denominated in credits, which can be tokenised in a wide range from one cent through to \$1, while the value shown on the machine's credit meter is determined by what has been loaded through the insertion of cash or tickets. Wins are credited to the machine's meter, and the player chooses when to redeem the credits for cash or tickets.

Players have choices as to the number of credits they will gamble and the number of lines or reels they will gamble them on. The greater either number is, the more intense the play and, all other things being equal, the more quickly a certain amount of money will be spent.

Gaming machine games are approved with a fixed rate of return to player (the expected value of prizes paid divided by the amount gambled) which can be no lower

## Table games

The most popular table games in the Melbourne Casino are Baccarat, Roulette, Blackjack and Sic-Bo. This box summarises the rules and explains the concept of house edge, or statistical gross profit margin of the games.

### Baccarat

Baccarat is played with four to eight decks of 52 cards loaded into a card shoe. It is the most popular game for high rollers, due to its low house edge.

In the traditional form of Baccarat, three bets are available: the “Player” (which pays even money), the “Banker” (which pays 19-to-20) and the “Tie” (which pays 8-to-1).

Initially, four cards are dealt: two to the Player hand and two to the Banker hand. A point count is calculated in which values over 10 are disregarded (add a 5 and a 7 to score 2, a King and a 9 to score 9). Depending on the initial point score, the table of play in the rules will require one or more additional cards to be dealt. The winning hand is the one closest to a point count of 9.

The house edge for Baccarat played in this way with a six-deck shoe is 1.06 per cent for Banker wagers, 1.24 per cent for Player wagers and 14.32 per cent for Tie wagers.

Part of the theatre of Baccarat is the “squeeze” game, where a player is allowed to turn the cards over. While it has no impact on the outcome, this often involves great ritual.

### Roulette

Roulette, featuring a spinning wheel with 37 or 38 squares on the rim (one or two green zeros, and red and black squares numbered from 1 to 36) has been a casino staple since the mid 19th century in Europe and the United States. The game is popular because it is easy to learn and play.

Players may bet on a single number, various groupings of numbers, the colours red or black, whether the number is odd or even, or if the numbers are high (19–36) or low (1–18). A single number pays 35-to-1; odd/even, red/black and high/low pay even money.

Crown offers single zero roulette and double zero roulette. The game can be played across all formats; traditional table games, semi-automated and fully automated.

The house edge for single zero roulette is 2.70 per cent and for double zero roulette, it is 5.26 per cent.

### Blackjack

Blackjack is played with between four and eight decks of 52 cards. It is the most popular of casino games on the main floor.

The objective of the game is to beat the dealer in one of the following ways: get a blackjack (21 points) on the player's first two cards without the dealer scoring a blackjack; reach a final score higher than the dealer without exceeding 21; or let the dealer draw additional cards until it busts (exceeds 21).

The player's option of drawing cards introduces an element of control to which skill can be applied, through card-counting. Casinos discourage card counting, including through the use of continuously shuffling card shoes.

Depending on the game variation, the house edge for Blackjack ranges between 0.5 per cent and 3 per cent.

### **Sic-Bo**

Sic Bo is a fast-paced game played with three dice. Wagers are placed on the combination of numbers revealed on the upside of the dice after they have been tumbled.

There are 216 possible outcomes and the game offers 31 separate bets on a table top display. All winning wagers are illuminated on the display.

Returns to players reflect the probability of the outcomes, payout odds range from even money to 180 to one.

The house edge for Sic Bo ranges from 2.78 per cent to 16.2 per cent.

### **House Edge**

House edge is the mathematical advantage that a casino game gives the operator over the players. This advantage results in an assured percentage return to the casino over time.

All games offered by the casino operator depend on the inherent house advantage to remain commercially viable.

The reverse of house edge is the theoretical return to player; added together the house edge and the return to player equals 100 per cent.

In the game of single zero Roulette there are 37 possible outcomes (36 numbers and one zero), the operator characteristically pays out 35-to-1 for a successful wager on a single number.

The mathematical expression of the house advantage is:

$$\left(\frac{1}{37} \times 35 - (37 - 1)\right) / 37 = 2.7 \text{ per cent}$$

The theoretical return to player for single zero roulette is 97.3 per cent; that is, 100 per cent less 2.7 per cent.

The return to player is not a guaranteed return for every bet; it is a long-term predictor, and short term volatility may deplete a player's funds more quickly than anticipated.

than 87 per cent. Without a game having a theoretical return to player, it is not possible to test it for fairness and randomness.

The house edge on a gaming machine game is the reverse of the return to players—for a 90 per cent return game, the house edge is 10 per cent.

Crown Melbourne has the option to operate up to 1,000 gaming machines in unrestricted mode, where limits otherwise applying to the rate of play, to continuous gaming, the amount of money which can be loaded and the maximum bet do not apply.

These machines may only operate in unrestricted mode in specified areas and when a YourPlay card is inserted.

## Product innovation

Crown Melbourne, in common with casino operators throughout Australia, introduces table games and formats and new gaming machine games and cabinets to compete with its peers, to manage costs and to develop new audiences.

The emergence of automated table games over the past decade is a key response to cost drivers. It is cost effective to offer automated table games at lower minimum bet levels than their traditional counterparts, thereby providing an entry level product.

Crown has identified the “millennial” cohort as not being particularly attracted to traditional gaming machine games, and has noted the option of introducing elements of skill into the gaming experience. Crown is not only looking to the incumbent game developers, but has entered into a joint venture with Chill Gaming for the development of these products.

Relevantly, eSports have been identified as a possible way for casinos to enter the millennial market. These are contests in a virtual fantasy world between two teams. Using games such as DOTA (Defence of the Ancients), CS:GO (Counter Strike: Global Offensive), Starcraft, Overwatch and League of Legends, among others, one team seeks to overcome the other. Industry data suggests that by the end of 2018, global eSport revenue will exceed \$1 billion (Christou 2018).

During the Review Period, Crown applied for and acquired approval for 39 new table games, game variations, side bets and jackpots. Market take-up dictates whether new products remain on the gaming floor.

Some of the new products were developed in-house and others, such as Mississippi Stud Poker, were created by external game developers.

Games developed in-house include Poker War (where players need to attain a higher ranked card than the dealer), Nutz (a Yahtzee-style dice game), Lucky Roll (where players predict the outcome of a roll of five dice), Dice Duel (where players bet on which of two differently coloured dice will have the higher value), S7REAK (where players bet on the run of colours drawn over seven cards), and Poker Bo (where players bet on the prediction that the deal of five cards face up will result in a specific poker hand).

Side wagers are optional wagers based on the outcome of a source game. They have no effect on the outcome of the game. On some games, the player placing a side wager need not bet on the source game. In the Review Period, Crown received approval for 17 side-wagers.

An example of a side-wager that may be played with or independently of the source game is the wager known as Perfect Pairs. Perfect Pairs is available on selected Blackjack and Baccarat tables, with the proposition being whether the first two cards dealt are exactly alike (including colour and suit), differ only in suit, or differ in suit and colour only. Successful wagers are paid in accordance with a pay-table and payouts range from 5 to 1 for a mixed pair to 30 to 1 for a perfect pair.

In the Review Period, Crown Melbourne received approval for four new table games jackpot products.

Jackpots may be progressive jackpots where every participant contributes to the jackpot pool or jackpots funded by Crown Melbourne. A longstanding example of both is the Caribbean Stud progressive jackpot in which all tables can participate. Players separately wager that they will be dealt a Royal Flush or Straight Flush. The prize is determined by the size of a jackpot pool. The jackpot pool is initially seeded by the operator and then incremented each time a bet is made. A participating player with a Royal Flush wins the whole pool, while a player with a Straight Flush takes 10 per cent of the pool.

## Complaints

Crown Melbourne provided information regarding complaints it received from patrons. The information suggested that an average of 35 gaming machine complaints and an average of 17 table gaming complaints were made per month during the Review Period.

The nature of complaints ranged from dispute resolution, games rules complaints, gaming machine malfunctions and machine payouts to ambient cleanliness and customer services. Review of a sample of Crown's complaints records found their content to be unremarkable.

The VCGLR notes that a patron complaint to Crown on 20 April 2017 related to Crown Melbourne's use between 27 March 2017 and 21 April 2017 of a gaming machine type and games which had been varied on 17 electronic gaming machines. The VCGLR received a complaint about the same matter on 24 April 2017 and this was investigated. The investigation led to disciplinary action and, as disclosed in Part 2, a fine of \$300,000 and a letter of censure.

## Games, Internal Controls and other approvals

The Casino Control Act establishes a number of approval processes regarding the operation of the casino. The approval processes allow an element of regulatory oversight and assurance, and provide certainty about what can and cannot be done in a casino.

The VCGLR approves casino layout (section 59 of the Casino Control Act).

The VCGLR approves the games that may be played at the casino and the rules for those games (section 60 of the Casino Control Act). Game rules specify the contract between the casino operator and the players. The scope of the VCGLR's approvals includes the initial rules for games, for side wagers, for jackpots and for variations to any of these.

The VCGLR approves gaming equipment (other than gaming machines) for use in the casino (section 62 of the

Casino Control Act). Equipment and games for gaming machine play are subject to VCGLR approval under the Gambling Regulation Act.

The VCGLR approves the system of internal controls, and administrative and accounting procedures (section 121 of the Casino Control Act).

When considering applications, the VCGLR has regard to the objects set out in section 140 of the Casino Control Act to maintain and administer systems for the licensing, supervision and control of casinos, for the purpose of:

- ensuring that the management and operation of the casino remains free from criminal influence or exploitation
- ensuring that gaming and betting in the casino is conducted honestly, and
- fostering responsible gambling in the casino in order to minimise harm caused by problem gambling and accommodate those who gamble without harming themselves or others.

The rules of the games must be published on the casino operator's website and must be available for inspection in the casino at the time the game is conducted or played.

The system of internal controls and administrative and accounting procedures includes a broad range of subject matter relating to casino operations, relating to 23 areas set out in section 122 of the Casino Control Act. For example, accounting procedures, the system of organising personnel and chain of command authority, the procedures for the conduct and playing of games, procedures for counting and recording of revenue, procedures for the cashing of cheques and recording of transactions by cheque, junket and premium player arrangements, and procedures governing the utilisation of security personnel within the casino.

In the past, the system of internal controls was contained in a substantial prescriptive internal control manual. In the early 2000s, consistent with risk based regulatory oversight, the process was changed so that approved internal controls and administrative and accounting procedures are now set out in an overarching series of internal control statements. The internal control statements

are supported by standard operating procedures and work place instructions. As at 31 March 2018, there were 16 internal control statements that have been approved by the VCGLR.

The internal control statements set out principles and minimum standards and controls for specific areas of the casino operation. The internal control statements also include a risk assessment matrix which describes each risk to the casino operator relevant to the particular area of operation. A risk rating is assigned to each area of operation. For example, the internal control statement for Table Games Operations identifies risks such as patron scams, employee scams and theft of cash from a table or buy-in facility. Each internal control statement also has an initial risk rating using the principles and generic guidelines on risk management set out in ISO AS/NZS 31000:2009. The initial risk rating is determined upon the likelihood of the event occurring and the impact of the occurrence (the absence of any controls). The initial risk rating is the product of the likelihood and impact. For example, there is a high initial risk rating for patron scams in relation to table games operations.

Each internal control statement is supported by standard operating procedures, also sometimes described as work place instructions. The standard operating procedures set out in prescriptive detail the actual procedures to be followed by the casino. However, in relation to table games there may be two standard operating procedures applicable. For example, there is a generic standard operating procedure for all table games as well as a standard operating procedure for each individual game, taking into account the unique features of each game. Prior to 2014, the VCGLR also reviewed and approved the standard operating procedures, and any amendments, prior to their implementation. Currently, however the standard operating procedures are prepared by Crown Melbourne and a copy is provided to the VCGLR for its information.

The VCGLR is responsible for monitoring the implementation by Crown Melbourne of all internal control statements. The VCGLR undertakes regular audits and can take disciplinary action for failures to implement the approved system of internal controls.

In December 2017, the VCGLR took disciplinary action after finding that Crown Melbourne had failed, in some

instances, to implement the internal control statement for Junket and Premium Players and imposed a fine of \$150,000. The failures involved failing to properly document junket arrangements, including failing to name junket program players and an operator, failing to document front money and failing to accurately record the authorised Crown representative.

Similarly, in April 2018, the VCGLR took disciplinary action after finding that, for a period of 26 days, Crown Melbourne had used a gaming machine type and games which had been varied, as part of a trial, on 17 electronic gaming machines, without the required approval of the VCGLR. Crown Melbourne was fined \$300,000 and, in accordance with an accompanying letter of censure, will present an updated compliance framework and will engage with VCGLR staff on the need for revisions to approved internal controls to prevent a recurrence.

Failures in the application of internal controls are relevant to the credibility of gaming operations and therefore to considerations of the public interest. In particular, non-compliance with the requirements for operational gaming (such as to ensure gaming machines comply with relevant approvals) affects public confidence.

These disciplinary actions are outlined in Part 2 (see pages 72–74).

Internal control statements may be amended from time to time, as the Commission sees fit. The VCGLR reviewed a sample of amendments to internal control statements proposed by Crown Melbourne during the Review Period. A number of the proposed amendments were relatively straightforward as they transitioned to a simplified model of internal control statement. However, in some samples, Crown Melbourne did not clearly identify in its submissions the proposed changes to the internal control statements and the applications were not supported by a written statement explaining the nature and purpose of the changes. In some instances, Crown Melbourne focussed on notifying the VCGLR of proposed changes to its operations or installing gaming equipment but did not always address the applicable regulatory framework.

The approach of lodging documentation with the VCGLR without supporting information which addresses the relevant regulatory approvals, or clearly identifies the proposed changes or an explanation of the purpose and circumstances of the proposed changes, results in delays in the process whilst the VCGLR analyses the documentation and requests Crown Melbourne to provide further relevant information.

In 2017, the VCGLR addressed with Crown the quality of submissions in relation to proposed amendments to internal control statements. The VCGLR expressed concerns that the submissions received from Crown Melbourne to amend the internal control statements are not fit for purpose because they lack detail and fail to provide details of the required internal controls that underpins the operations of Crown Melbourne and the regulatory submissions. The VCGLR requested that Crown Melbourne include a gap analysis of changes made from the current internal control statements which identified all changes to the internal control statement and an explanation of substantive changes, including proposed removals of key controls and significant amendment to existing controls. The VCGLR offered to meet with Crown Melbourne staff to ensure that the contents of a proposed internal control statement submission meets the VCGLR expectations prior to Crown Melbourne forwarding a submission.

Crown Melbourne responded, acknowledging the restated expectations regarding the nature of submissions. Crown Melbourne also welcomed the opportunity to engage with the VCGLR on a submission.

The VCGLR observes that Crown Melbourne is responsible for ensuring that any proposed changes to its operations are authorised by the relevant internal control statements approved by the VCGLR and that any new games or equipment are approved under the legislative framework.

The VCGLR is aware of the community's expectations that gambling products be delivered in a safe and responsible way, and notes that this is reflected in the objectives in section 140 of the Casino Control Act. A natural extension of this is for Crown to embed consideration of responsible gambling in all its business processes.

Particular consideration was given to this when dealing with applications for approval of chip dispensing machines and of concurrent gaming on SATGs.

Chip dispensing machines effectively automate work done by dealers in dispensing chips to players. Concurrent gaming is a SATG feature that allows a player to play more than one game simultaneously on one terminal. In assessing both these approval applications the VCGLR considered responsible gambling and minimising the potential harms associated with these applications.

In relation to concurrent gaming, the VCGLR determined, after a trial period, that it could not be satisfied that allowing concurrent gaming was consistent with the Casino Control Act object to foster responsible gambling and therefore withdrew its approval of concurrent gaming.

In relation to the chip dispensing machine, the VCGLR consulted with the VRGF. The VCGLR considered a range of matters and decided to give approval to the equipment subject to various conditions related to fostering responsible gambling.

The VCGLR would be assisted in the future, in considering Crown Melbourne approval or amendment applications under the Casino Control Act, if Crown Melbourne prepares succinct submissions regarding proposed changes to the casino operations or new games or equipment which fully address the applicable regulatory framework. Crown Melbourne submissions should ideally document the proposed changes and, the reasons for the proposed changes, discuss the potential risks associated with the changes and how they will be mitigated, and identify and detail the consequential proposed amendments to the relevant internal control statements or approvals for the game, the game rules or gaming equipment.

In addition, in order to embed the issue of responsible gambling in all change processes in the Melbourne Casino, the VCGLR considers it essential that submissions discuss the potential harms related to the proposal and identify strategies that would mitigate the potential harms associated with the application.

By way of comparison, another of the VCGLR's regulated entities, Tabcorp, has recognised responsible gambling as an issue and included in its responsible gambling code of conduct that, prior to the introduction of new relevant wagering products or services, including those which make use of emerging technology, it will assess their likely impact on gambling behaviours in accordance with its commitment to responsible gambling.

### Recommendation 18

The VCGLR recommends, in all future submissions by Crown Melbourne to the VCGLR for approvals under the Casino Control Act or Gambling Regulation Act, that Crown document:

- the purpose
- obligations under relevant provisions of legislation, the Transaction Documents, and existing approvals
- what changes the grant of the approval would make to products, rules and procedures, etc
- risks associated with the approval and how they will be treated
- how responsible gambling considerations have been taken into account in the process and the measures Crown will implement to mitigate the risk of gambling related harm, and
- which areas of Crown will be responsible for managing implementation.

## Supervision

### Traditional table games

Supervision of table gaming ensures that casino gaming is conducted honestly. Gaming table personnel comprise the physical supervisory component and cameras comprise the remote supervisory component of table gaming supervision. In addition, dealers and area managers are regularly entering data into Crown's electronic casino management system enabling the tracking of table activity in real time. In combination, the conduct of gaming can be

monitored for compliance with games rules and approved procedures to ensure that opportunities for fraudulent activity are diminished.

The physical supervision of table gaming has changed substantially since the temporary casino commenced operations in 1994. Then, it was a Pit-oriented system, where dealers were overseen by a hierarchy of pit bosses and game supervisors. The current physical supervision of table gaming is a risk-based regime guided by a matrix devised by the casino operator. Risk assessment includes assessments of dealer skill levels and experience, table density, minimum bet and customer expectations, among other considerations.

The practical impact is that a person performing a supervisory role on the main floor will now be supervising up to 16 tables, unless there are high limit games being played.

Physical supervision is augmented by camera surveillance.

Every gaming table is captured by a dedicated fixed camera and an on-table camera. In addition, pan, tilt and zoom cameras at various locations around the casino complete camera coverage of gaming table activities.

Each camera system has a specific function.

The dedicated camera records table activity continuously even if the table is closed. (This helps maintain table security and can detect such activity as theft from the chip float and provide verification of drop box collection.)

The on-table system provides immediate playback and is used primarily to resolve disputes such as incorrect payouts, disputed bet amounts and other conduct of gaming disputes.

Pan tilt and zoom cameras give coverage of larger areas of the casino floor and can be controlled by surveillance room operators. These cameras are useful for coverage of undesirable behaviour by individuals or groups, to maintain surveillance of a specific individual or in emergency situations.

Compliance with game procedures is essential to the integrity of gaming and surveillance operators conduct scheduled and ad hoc reviews of table game operations and dealer performance. These reviews identify irregularities and weaknesses in dealer performance and instances of cheating. Exception reports on dealer behaviour or other issues may prompt ad hoc reviews or increased surveillance of a particular area.

Crown Melbourne also tracks player activity through data systems and analyst reports and maintains gaming integrity using technologies such as Angel Eye, an electronic security system that scans codes on playing cards to prevent mistakes and foreign cards being introduced.

Analysis of table action complements table gaming supervision. Where it becomes apparent that action on a table is outside predetermined parameters, analysts examine the conduct of the game, betting patterns and dealer patron interaction. Analysis may lead to closer scrutiny of the conduct of the game and may reveal whether the game is being conducted in breach of rules and procedures or whether unexpected table losses are due to the short-term volatility of gaming probability.

## Automated table games and gaming machines

The Casino Control Act provides for an electronic monitoring system, to be approved by the VCGLR subject to its adopted design and function standards (which are published on the VCGLR website).

All automated table games terminals and gaming machines in the Melbourne Casino are connected to the electronic monitoring system. These devices must be enrolled in the system before they will operate.

The gaming machine identification process includes elements such as game type, game software and location and whether that location enables the game to be played in unrestricted mode. (The criteria for operating in unrestricted mode are managed through the electronic monitoring system.)

The electronic monitoring system records play activity on each device (thereby allowing return to player and compliance with rules to be monitored) as well as events such as whether a gaming machine cabinet has been opened and whether the main security components have been accessed. The records are independently made on a system separate from the devices.

In addition to the electronic monitoring system, supervision is complemented by camera placement and the presence of gaming machine attendants.

## Domestic, interstate and international business

### Nature of domestic business

The Australian domestic casino market is both mature and highly competitive. All operators seek to capture more of the market through, among other things, loyalty programs and varied product offerings. Casino operators also embed sales teams in various domestic jurisdictions.

Crown cites more sophisticated loyalty programs as a key marketing issue as well as significant asset investment and the willingness of some operators to buy business with non-commercial offers.

Crown provides various environments for its patrons' use. The main gaming floor includes spaces such as the Sports Bar, the Maple Room and Teak Room to cater to particular patron interests.

Crown has achieved revenue growth in its domestic table games operations, while gaming machine performance has been flat (consistent with the experience in hotel and club venues).

### Junket and premium player programs

Junkets and individual premium player programs comprise the high end of casino business and account for a substantial proportion of Crown Melbourne's gaming revenue. Generically known as high rollers, junket and premium player accounted for roughly one third of Crown Melbourne's revenue in the Review Period.

Under the Casino Control Act, only people who are not domiciled in Victoria can play on a commission-based arrangement at the Melbourne Casino. Players are required to put up an operator-specified sum of front-money to qualify to participate in commission-based play, which is primarily international business.

Attracting high roller action is an expensive exercise for casino operators world-wide. Private jet transportation,

complimentary accommodation and rebates or commissions based on gambling activity are examples of the enticements available to high rollers.

The cost of these overheads must be met from the house edge on the table games. In recognition of that cost, jurisdictions with significant commission-based play commonly levy a lower tax rate than for general gaming. Significantly, the fine resulting margins on high rollers' games of choice (primarily baccarat), combined with high minimum bets, contribute to significant short-term volatility of outcomes for commission-based play.

These factors place a natural cap on the level of commissions and inducements which casino operators will offer over the medium term.

Junkets are businesses that act as intermediaries between players and casinos. Junket operators bring client business to casinos in exchange for agreed commissions. Typical functions of the junket operator are to arrange players' travel and accommodation (which may include arranging for the casino operator to provide the accommodation and travel) and provide an agent to escort the players at the casino. The junket operator or agent will arrange the buy-in (including on credit) and dispense casino chips to the junket players. At the conclusion of the junket, the operator or agent will settle with the casino operator and the players, which may include a sharing of the commission.

Individual premium player programs involve commission and complimentary arrangements directly between high rollers and casino operators.

Crown Melbourne explained that, depending on the program, commissions will relate to turnover or to revenue (the players' net loss to the house) and that the levels of commission will increase with volume. Similarly, the value of complimentary travel and accommodation will increase with volume. An inspection of Crown's rate cards noted sophistication in the grading of commission rates for volume and incentives for on-time settlement of junkets.

### Provision of credit

Casino operators consider the ability to extend credit a core requirement in the delivery of a casino. A traditional

and key form of credit is a cheque cashing facility, under which the casino operator does not present the cheque until a specified time after the player (or junket) has left the casino.

Credit risk is wholly carried by the casino operator, with the level of risk being approved in accordance with an approval matrix. For example, a \$1 million line of credit may require the approval of one or more senior executives before the facility is made available.

Once a facility is established, the patron (or junket operator) will be issued with chips or chip purchase vouchers.

Crown's internal control statement and standard operating procedures stipulate that procedures for patrons' credit worthiness will ensure the application and documentation of effective processes and procedures for assessing the identity and creditworthiness of applicants for cheque cashing and other credit facilities.

Definitions of the term creditworthiness vary. However, the key element is an assessment of an individual's likelihood of meeting his or her debt obligations. Crown relies on searches of various databases including World Check, SAI Global, Wealth X and C6 to verify the creditworthiness of its patrons.

## Collection of debts

In some instances, patrons will not settle their debts at the time of settlement and, where this involves players from other countries, formal collection methods may be ineffective even where the player has the capacity to settle.

While outstanding international debt obligations might be difficult to enforce, meeting these obligations is central to high rollers' reputes and, in turn, their ability to participate in programs in other casinos.

Crown has some long-dated receivables and these were the subject of particular attention in the review. The advice to the VCGLR is that Crown's valuation of the receivables is in accordance with applicable accounting standards.

## Security and surveillance

Security and surveillance are key elements underpinning the integrity and credibility of casino operations. They are the main areas involved in achieving compliance with Crown Melbourne's obligations to prevent excluded patrons and minors from entering the Melbourne Casino. These areas are also involved in detecting and deterring a range of criminal offences under gambling legislation, including indecent or violent behaviour, use of devices or other items to cheat, and forgery of casino chips.

Increasingly, security and surveillance is addressing issues such as terrorism and cyberthreats in addition to more traditional issues. Security and Surveillance operations also contribute to Crown Melbourne's compliance with obligations to other government agencies including Victoria Police, AUSTRAC and other state and federal agencies, in areas such as money laundering and other law enforcement issues.

## Changes in the review period

During the period 2013–17, Crown Melbourne instigated key changes in security and surveillance. In February 2015, originally separate surveillance and security units merged (following a successful submission to the VCGLR).

The merger followed a structural review of Crown across its properties in Melbourne and Perth and the identification of like operations which could be merged. Reporting lines now feed through a head of security and a head of surveillance to the General Manager Security and Surveillance.

In addition, Crown Melbourne has:

- rebuilt and refurbished its surveillance capacity, with separate rooms for gaming and complex-wide security, allowing for redundancy and a forward-thinking view of potential threats
- established a senior operations manager position (February 2016) responsible for overseeing contractor positions
- conducted trials of new security and surveillance technologies such as facial recognition and video analytics

- initiated post shift de-briefing sessions with internal and contract security staff, and
- strengthened its analytical capability.

Operational expenditure (including labour) for security increased during the Review Period from \$24.6 million in 2012–13 to \$26.7 million in 2016–17. Surveillance operational expenditure also increased from \$3.8 million in 2012–13 to \$6.1 million in 2016–17.

Security priorities for Crown Melbourne over the next five years include:

- patron and staff safety
- property protection, and
- continuing to monitor the responsible service of alcohol.

Crown Melbourne undertook two reviews of internal security staff numbers during the Review Period which resulted in an increase of two full-time security positions in 2016. Between 2013 and 2017, Crown has employed an increasing number of part-time surveillance staff in a more flexible work environment. At the same time, the overall allocation of full-time-equivalent security staff has declined from 345 in 2013 to 321 in 2017.

## Security

Crown Melbourne has a flexible staffing model that allows it to respond to demand with sufficient numbers of security personnel—for example, increasing security staff to manage flow-on patronage from external marquee events such as the AFL Grand Final or the VRC Spring Racing Carnival. To achieve this, Crown retains the services of two external security companies to supplement the numbers of its own employed security staff.

Significantly, Crown delivers common training to its employed and contract-sourced staff, to give assurance as to the level and quality of response to security incidents.

Contract security staff work primarily on the doors at the complex entry, along the riverside promenade, in retail

areas, the food court and the nightclubs, while employed staff focus on security for the hotels and the gaming floors.

Perimeter security is supported by x-ray mail inspections, ID scanners and other digital technologies. Perimeter surveillance is maintained with surveillance cameras, video analytics and biometrics technologies.

Security staff have body-worn cameras, and digital voice recorders which are used to assist in, and support, the integrity and analysis of incident responses.

Crown Melbourne uses a range of systems to record and analyse incidents. Security and surveillance incidents are logged daily on an electronic system. Crown employs dedicated security investigators and analysts.

Crown Melbourne significantly reviewed training and procedures as a result of a major security incident in 2011 when a patron was removed by casino security guards from the complex and died in hospital four days later. It has:

- introduced the Security and Services Operational Manual, including highlighting the risk factors associated with positional asphyxia when dealing with intoxicated patrons, and patrons with certain at-risk physical characteristics
- conducted training in the use of other assisted removal tactical options
- introduced enhanced training in communications
- continued regular refresher training in areas such as assisted removals, tactical options, adaptive communication and first aid, and
- conducted debriefs and weekly footage reviews of all assisted removals.

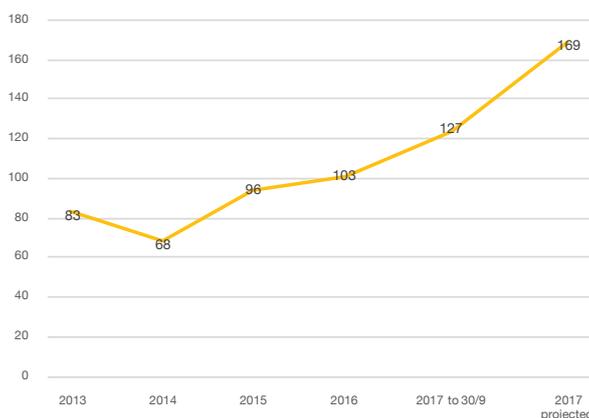
A coronial inquest in 2014 found the changes implemented by Crown after the 2011 incident to be satisfactory in relation to training and security incident management.

As per the Security Operations Standard Operating Procedures, casino staff notify Victoria Police in any case where a person has been detained.

Crown Security Services holds regular liaison meetings with Victoria Police to discuss arrests, criminal incidents, investigations and security policies. Casino operator records indicate that during the Review Period it met with representatives from Victoria Police and the Australian Federal Police once a month in most months between February 2013 and May 2016, and quarterly between June 2016 and June 2017. The VCGLR was also invited to attend these meetings from April 2016 onwards.

Patron complaints about security staff in the Review Period recorded by Crown Melbourne increased from 83 in 2013 to 127 in January-September 2017.

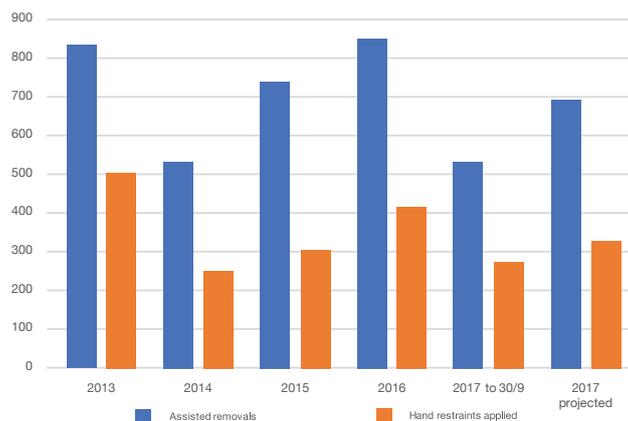
*Chart 19: Patron complaints about security staff*



Source: Crown

Assisted removals from the premises have varied during the Review Period, as have the proportion of hand restraints applied during removals:

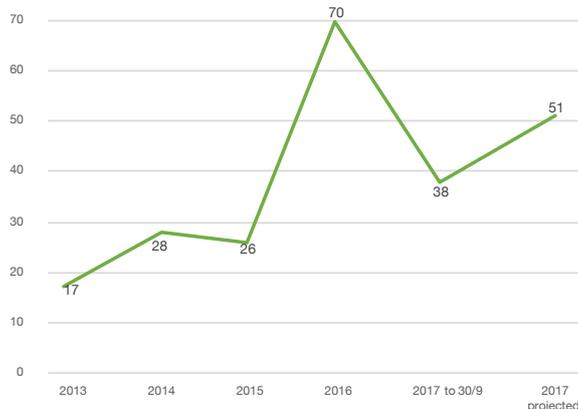
*Chart 20: Assisted removals from the premises*



Source: Crown

Injuries to security staff resulting from assisted removals have generally increased during the Review Period from 17 in 2013 to 51 in 2017, with a spike of 70 in 2016:

*Chart 21: Injuries to security staff resulting from assisted removals*



Source: Crown

## Oversight and review

The Crown Melbourne Compliance Committee provides oversight of key security and surveillance matters, including money laundering, counter-terrorism, serious incidents (such as drug activity and deaths on the premises), assault, theft and the detection of minors in the casino.

Crown Melbourne employs external consulting groups to review external processes and major security incidents. Crown Melbourne also conducts benchmarking with other local and international casinos, as well as attending conferences on safety, security and surveillance.

Between 2014 and 2016, Crown engaged an external agency to develop a framework for cybersecurity monitoring after the identification of a potential vulnerability. Cyber risk is now identified as part of Crown Resorts' risk profile with the implementation of a cyber security program between 2017 and 2019.

Crown Melbourne has instigated a range of changes since 2013 to respond to potential terrorist risks, including surveillance and various technologies. Over the next five years Crown Melbourne plans to conduct an annual review of their anti-terrorism response plan and exercises with Victoria Police.

The VCGLR is satisfied that Crown Melbourne is meeting its security and surveillance obligations and working proactively to anticipate future threats.

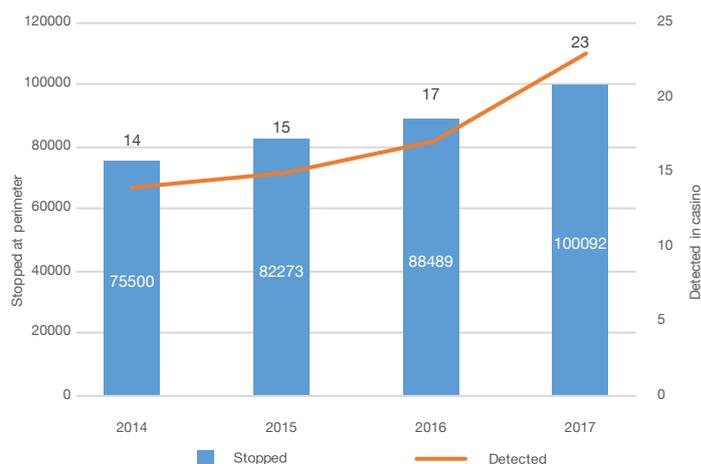
## Minors in the casino

It is an offence by the casino operator if a minor enters the casino (section 10.7.6(3) Gambling Regulation Act). In the period of the review, approximately 8,900 minors per month were detected and turned away at the casino perimeter.

The VCGLR undertook disciplinary action in relation to minors in the casino in five instances, imposing fines ranging between \$10,000 and \$35,000 and issuing a letter of censure (detailed in Part 2). The VCGLR also received a report of another alleged minor in the casino but did not take any action due to insufficient evidence regarding the age of the alleged minor.

As a result of several disciplinary actions on minors detected in the casino, on 22 April 2014 the VCGLR directed under section 128 of the Casino Control Act that Crown Melbourne provide quarterly reports from 1 March 2014 regarding the number of minors stopped at casino entry points, details of the entry points where minors were stopped and the number of minors who entered the casino and were detected on the gaming floor. The VCGLR has subsequently received regular quarterly reports from Crown Melbourne. The reports indicate that a substantial number of minors are refused entry at the casino entry points and only a very small number of minors have been detected in the casino. For example, in September 2016, Crown Melbourne reports that 10,134 minors were stopped at the casino entrance and two minors were detected on the casino floor.

*Chart 22: Number of minors turned away versus detected in casino 2014–2017*



Source: Crown

The VCGLR has concerns about the adequacy of the perimeter control at the casino, which is discussed in Part 3. However, in respect of minors, the VCGLR is satisfied that Crown Melbourne has been vigilant in identifying minors to prevent them from entering the gaming areas of the casino.

## Exclusion orders

The Casino Control Act gives the Chief Commissioner of Police, Crown Melbourne and the VCGLR the power to exclude persons from entering or remaining in the casino by making an exclusion order. An exclusion order is a legal order prohibiting a patron from entering the casino or casino complex. It remains in force until it is revoked.

This section deals with exclusion orders that protect the integrity of the casino environment. Exclusion orders that pertain to responsible gambling are discussed in Part 3.

The origin of exclusion orders dates back to 1960 in Nevada when the gaming regulator asked casino operators to keep identified persons of “notorious or unsavoury reputation” from being present in the Nevada casinos (Schwartz 2003). This concept has developed over time, with casino legislation now commonly including exclusion order powers conferred on casino operators to preclude undesirable persons from entering or remaining in the casino.

### Police exclusion orders

Section 74 of the Casino Control Act allows the Chief Commissioner of Police to prohibit a person from entering or remaining in the Melbourne Casino or Melbourne Casino Complex. These orders are for an indefinite period unless revoked by the Chief Commissioner. There are two types of police exclusion orders, orders made by the Victorian Chief Commissioner of Police, and orders made by interstate Police Commissioners.

As at 23 February 2018, 596 people were subject to a Chief Commissioner exclusion order (including interstate Police Commissioner exclusion orders). Victoria Police advised that the criteria considered by the Chief

Commissioner for excluding someone from the Melbourne Casino Complex are:

- **Criminal history**—if the person has a criminal history and there is other evidence or intelligence in relation to criminality that suggests the person warrants exclusion
- **Disruption**—if the person is suspected of using the facilities of the casino for an unlawful purpose such as, but not limited to, cheating, money laundering, criminal association, or supply or use of prohibited drugs
- **Integrity of gaming**—if the person is suspected or convicted of an offence that would significantly impact on the integrity of gaming operations, and
- **Enforcement**—if the person is the subject of a court order or other judicial process not to enter or attend a licensed premises or the casino.

A person may apply to the Supreme Court to review a decision by the Chief Commissioner to make an exclusion order. In 2014, the Casino Control Act was amended in relation to the matters the court must consider in deciding the method to hear and determine the review application. The court must now consider the nature of the information relied upon to make the exclusion order, and it has a number of options for hearing the matter in a way that can protect information sensitive to a police investigation.

Victoria Police advises Crown Melbourne, the VCGLR, all interstate police forces, the ACIC, and the Australian Federal Police, of all exclusion orders made by the Chief Commissioner. Victoria Police also places exclusions on the Law Enforcement Assistance Program (LEAP) database, which is accessed by operational police. A list of all Chief Commissioner exclusions is maintained and updated by the Information Collection and Liaison Unit of Victoria Police.

A person who is subject to an exclusion order may apply to the Chief Commissioner for the revocation of the exclusion order. Chief Commissioner exclusion orders and interstate exclusion orders cannot be revoked by the VCGLR or Crown Melbourne.

**List of excluded persons**—In accordance with the Casino Control Act Crown Melbourne is required to provide a list each day to the VCGLR of all excluded persons. The VCGLR is also notified daily by Crown Melbourne of any new exclusion orders.

### Breaches of exclusion orders

Section 77 of the Casino Control Act provides that it is an offence for an excluded person to enter or remain in the casino. Section 78AA of the Casino Control Act provides that the person for the time being in charge of the casino, an agent of the casino operator or a casino employee, who reasonably believes that a person is the subject of a Chief Commissioner Exclusion Order or an interstate exclusion order is in the casino must notify a police officer as soon as practicable. Similarly, under section 78, the casino operator is required to notify the VCGLR if an excluded person has been detected in the casino.

During the Review Period, Crown Melbourne's policy for preventing excluded persons entering the casino complex relied on casino staff recognising that an excluded person had entered the casino complex premises, and reporting them to casino security personnel to be removed. This strategy relies on security and surveillance staff, and all other casino staff being able to identify an excluded person, essentially from memory. Crown Melbourne has adopted this approach for many years.

The VCGLR is concerned about the ability of excluded persons to enter the Melbourne Casino due to the number and size of entrances. Perimeter control is discussed in the responsible gambling section in Part 3 (see page 78), which discusses early signs that facial recognition technology may be improving perimeter control. The VCGLR will continue to monitor Crown's deployment of facial recognition technology and, in particular, its capacity to effectively prevent the entry of excluded patrons.

Over the period 1 January 2013 to 30 September 2017, Crown security and surveillance department records indicate that 7,246 excluded persons (including voluntarily excluded persons) were detected in the casino. Of those detected, 423 excluded persons were recorded as being detected in the Mahogany Room, Teak Room and private gaming suites.

During the Review Period Victoria Police recorded a small number of breaches and processed offences of Chief Commissioner exclusion orders:

*Table 12: Number of breaches and processed offences of Chief Commissioner exclusion orders 2013–17*

Year	2013	2014	2015	2016	2017
Number of breaches	3	7	13	24	10
Number of offences processed	3	5	2	6	6

Source: Victoria Police

### Casino-initiated exclusion orders

Under section 72(1) of the Casino Control Act, the casino operator may make exclusion orders. The VCGLR may also make exclusion orders under this section, but does not do so as a matter of practice.

A person who is the subject of a casino-initiated exclusion order is excluded from the casino (but not from the Melbourne Casino Complex). The exclusion order remains in effect until the exclusion order is revoked by Crown Melbourne. As a general practice, Crown includes a revocation date for these exclusion orders, usually five years from the date of the exclusion order, although it can be for a lesser period such as one year. In rare instances, Crown Melbourne makes an exclusion order for an indefinite period.

As at 23 February 2018, there were 182 current Crown-initiated exclusion orders. These exclusion orders were made because of unacceptable conduct by a patron or former staff member, such as chip theft, alleged theft, collusion, property damage and fraud. Crown Melbourne issues exclusion orders when a person's behaviour impacts on gaming integrity within licensed gaming areas. Most of Crown's current exclusion orders have been made from 2013 onwards.

A person may apply to Crown Melbourne for an exclusion order to be revoked earlier than the nominated revocation date or where there is an indefinite exclusion order in place. In the Review Period, based on Crown records, no involuntary exclusion orders were revoked.

## Withdrawal of licence

At common law, the casino operator holds the right, as occupier, to withdraw a person's common law licence to enter or remain at the casino or the casino complex. This is known as a withdrawal of licence (WOL). Section 70 of the Casino Control Act provides that a person (other than a police officer or a VCGLR inspector) remains in a casino only by the licence of the casino operator. While the reference in section 70 applies only to the licensed casino area, Crown Melbourne's practice is to apply withdrawal of licence to the whole of the casino complex.

Crown Melbourne's policy states that WOLs will be issued to patrons who display unacceptable behaviour, where there is an unacceptable risk to other patrons or business operations, or to ex-staff where deemed appropriate. Unacceptable behaviour refers to a wide range of conduct including theft, begging, employee abuse, card counting, soliciting, loyalty program abuse, loan sharking, spitting, criminal damage, drug offences and violent behaviour.

As a matter of practice, Crown Melbourne issues WOLs to persons who have been charged with serious criminal offences such as rape, theft, recklessly dealing in monies, threats to kill, drug trafficking and money laundering.

Crown Melbourne has also issued "Welfare WOLs" in some instances. These are discussed in Part 3—Responsible Gambling.

### Persons of Interest Committee

A decision to issue a WOL may be made by authorised staff or the Persons of Interest Committee (the POI Committee). The POI Committee meets regularly

and comprises senior casino operator staff including representatives from compliance, legal, table games, security, responsible gaming and surveillance departments within the casino.

A person can apply in writing to Crown Melbourne to revoke the WOL and the POI Committee will consider the revocation application. Applications for revocation of a casino-initiated exclusion order are also considered by the POI Committee.

The VCGLR concurs that in appropriate cases, for example where a person has engaged in significant unacceptable conduct in the casino or is the subject of serious criminal charges, Crown Melbourne should act to prohibit a person from entering the casino. However, the VCGLR considers that in such cases an exclusion order should be made, rather than a WOL, under the statutory scheme that was established to prevent undesirable persons from entering or remaining in the casino. The VCGLR is notified of these persons so there is regulatory oversight and an enforcement role. In addition, the person has the right to apply for an independent review of the decision to make the exclusion order. There is no independent review function or monitoring role when Crown Melbourne issues a WOL. It is always open to Crown Melbourne to also issue a WOL in relation to the entire casino complex, in addition to an exclusion order.

As noted above, the VCGLR remains concerned about the ability of excluded patrons to enter the Melbourne Casino due to the number and size of entrances. Perimeter control was discussed in Part 3—Responsible Gambling.

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### Recommendation 19

The VCGLR recommends that, by 1 July 2019, Crown Melbourne implement a policy to make an exclusion order under section 72 of the Casino Control Act in appropriate cases where a person has engaged in significant unacceptable conduct in the casino or is the subject of serious criminal charges.

# Appendix 1

## Public submission summary

On 1 August 2017, the VCGLR invited public submissions to be considered as part of the review. In response, the VCGLR received five written and three verbal submissions, not including the submission by Crown Melbourne.

### The Victorian Inter-church Gambling Taskforce

The **Victorian Inter-Church Gambling Taskforce** (the Taskforce) submissions addressed three main areas:

- **Crown Melbourne's conduct in relation to its responsible gambling performance.** The Taskforce submitted that there is a lack of transparency in relation to Crown Melbourne's performance in meeting its responsible gambling obligations. It is therefore impossible to assess Crown Melbourne's performance against other casinos worldwide. In particular, there is little data released publicly regarding Crown Melbourne's responsible gambling performance. For example, the number of persons accessing the RGSC and referrals to other support services. The Taskforce also submitted that Crown Melbourne should offer a third-party exclusion program, as it already does at the Crown Perth casino. The Taskforce also recommended the reviews Crown already does of its responsible gambling measures should be made public. Finally, the Taskforce submitted that Crown Melbourne could improve its performance in detecting persons displaying observable signs of being harmed by their gambling and to intervene and offer assistance.
- **Crown Melbourne's conduct in relation to criminal activities at Melbourne Casino.** The Taskforce expressed concern regarding Crown Melbourne's performance in detecting criminal activity, including money laundering. The Taskforce submits that the VCGLR should require the installation of more surveillance equipment and for Crown Melbourne to exclude any person where there is a reasonable suspicion they are engaged in serious crime, unless instructed otherwise by law enforcement authorities.
- **Crown Melbourne's Policy on Anti-Bribery and Corruption.** The Taskforce expressed concern that the policy allows bribes to be paid under the facilitation payment defence of the Australian Criminal Code in exceptional circumstances with the approval of Crown Melbourne's general Counsel. It is suggested there should be investigation into whether any bribes have been paid under this policy. The Taskforce submits that Crown Melbourne should adopt a policy of not paying any bribes in any circumstances, in line with a growing proportion of ASX 100 companies and the anti-bribery laws of the United Kingdom. It also urged the VCGLR to investigate if Crown had breached UK law by paying any bribes under its policy.

## Financial Counselling Australia

The Financial Counselling Australia (the FCA) submissions focussed on the conduct of Crown Melbourne in relation to problem gamblers and provided a lead case study. The FCA submissions referred to the following matters:

- Crown Melbourne is failing to provide safe and responsible gambling.
- The lead case study demonstrates multiple failures by Crown Melbourne in relation to responsible gambling, in particular failure to proactively restrict or assist persons who are gambling harmfully. Crown Melbourne allowed the person to gamble despite being aware that the person was the subject of a voluntary exclusion order at Crown Melbourne's sister property in Perth, Crown Melbourne did not implement proper perimeter control of its high roller rooms, Crown Melbourne staff did not adequately identify observable signs of problem gambling and intervene to assist. The observable signs displayed included multiple trips to an ATM, combined with gambling for long periods each day over an extended period. In addition, the FCA noted the lack of intervention when the person was consuming drugs on the casino premises and the lack of assistance when security identified the person sleeping (drug affected) in the car park on the casino premises, prior to the person attempting self-harm.
- That measures adopted by Crown Melbourne are insufficient and do not discharge Crown Melbourne's obligations.
- The casino's voluntary opt in pre-commitment has very low take-up and is the least effective measure to control spending. There also multiple minimal efforts to set either time or monetary limits (YourPlay, Play Safe).
- Loyalty program information is proactively provided. The loyalty program should not be available as it is not consistent with the provision of responsible gambling as it rewards losses. Alternatively, those earning the most loyalty points should put Crown Melbourne on notice there may be a serious problem and increase its duty to act.
- The voluntary exclusion program for Melbourne Casino should also incorporate voluntary exclusions from the Perth casino and its other businesses, and ideally all other Australian casinos.
- The efficacy of the chaplaincy support service as a harm prevention measure should be assessed based on evidence.
- The obligations of Crown Melbourne in respect of responsible gambling should be codified in legislation, like the legislative framework for the responsible service of alcohol, rather than a voluntary code.
- Whether Crown Melbourne effectively prevents loan sharking activity at the Melbourne Casino or if Crown Melbourne turns a "blind-eye" to loan sharks in the Melbourne Casino.
- The Casino Control Act prohibits the casino operator extending of any form of credit to Australian patrons (section 68). The VCGLR should investigate two case studies of Crown Melbourne providing credit to persons.
- Crown makes it unnecessarily difficult for someone to self-exclude. The process requires the person to come into the Casino at least twice in person, once to obtain the forms, and then again to complete the process and be photographed. When someone with a gambling addiction is trying not to gamble, it is perverse to make the person come into a gambling venue multiple times. It is less arduous to obtain a passport than to self-exclude. A passport application can be done remotely—although it too relies on photographic images for identity verification.

## Victorian Arabic Social Services

The **Victorian Arabic Social Services** (VASS) submission highlighted the impact of gambling for persons from Arabic speaking backgrounds and described the significant impact of gambling behaviours on members of the community. VASS made a number of recommendations related to responsible gambling in the casino such as implementing measures to assist members of the Arabic speaking community (e.g. signage, support staff and services, information brochures, voluntary exclusion process, research), removal of the smoking ban exemption and greater monitoring of criminal activities at the casino.

## The Alliance for Gambling Reform

The **Alliance for Gambling Reform** (the Alliance) supported the submission made by the Taskforce. In addition, the Alliance highlighted the recent changes in leadership of Crown Resorts Ltd (Crown Resorts), the criminal proceedings against staff in China and the recent substantial change in the strategic direction of Crown Resorts. The Alliance submitted that in light of these recent events, the VCGLR should assess the suitability of Mr Packer to retain “unfettered control” of Crown Resorts and imposing a cap on any individual shareholder in the licence holder which could be implemented over a transitional period. The Alliance also recorded its concern regarding the political affiliations of Crown Resorts, including political donations made by Crown associates and hiring former political figures, such as former federal Minister Stephen Conroy and former Prime Ministerial Chief of Staff Peta Credlin. The Alliance submitted that a new licence condition should be imposed to prevent Crown or its associates from making political donations to registered Australian political parties and to prevent Crown or its associates from hiring former members of Parliament in any capacity for at least 2 years after their retirement from Parliament.

## Tony Robinson

**Mr Tony Robinson**, a former Minister for Gaming, made an oral submission for the purposes of the review. Mr Robinson submitted that Crown Melbourne’s Responsible Gambling Code of Conduct is inadequate in a number of respects. He also submitted Crown Melbourne conducts its business based on inappropriate values, and values profitability above other its other responsibilities, such as upholding the integrity of gaming. Mr Robinson also raised issues regarding the suitability of two associates. As a result of receiving subsequent advice, Mr Robinson narrowed his concern to one associate.

## Ethnic Communities Council of Victoria

The **Ethnic Communities Council of Victoria** (ECCV) made an oral submission. Representatives of different ethnic communities from across Melbourne provided examples of the impact of problem gambling at the casino in their communities and the reluctance of problem gamblers to disclose their gambling behaviour. The representatives also described:

- the activities of loan sharking on the casino gaming floor
- the volume of promotional and marketing materials associated with Crown Reward membership

- the limitations on the effectiveness of the voluntary exclusion program due to the volume of persons now the subject of these orders
- the ineffectiveness of the casino's perimeter controls
- the casino environment being inducive to continuous gambling without a break, and
- the lack of take up of the YourPlay scheme.

The representatives made various suggestions to address matters related to responsible gambling including:

- Crown Melbourne effectively addressing loan sharking activities at the casino
- increased supervision of table games by senior staff to assist in identifying and intervening where a person is displaying signs of distress related to gambling
- centralised voluntary exclusion system—where a person can be excluded from multiple gambling venues by completing one voluntary exclusion process
- reduce the barriers for persons seeking to revoke a voluntary exclusion order (e.g. the need for a medical report)
- review and reduce marketing activities to Crown Rewards members
- better identification controls, and
- measures to address the extended time spent by some gamblers gambling in the casino.

## Australian-Vietnamese Women's Association

The **Australian-Vietnamese Women's Association** (AVWA) provided an oral submission to the review. The AVWA addressed the following key areas in their submission:

- The impact of the Melbourne Casino on the Vietnamese community. The AVWA submitted that the Melbourne Casino had had a negative impact on the Vietnamese community. This was due to the prevalence of gambling in Vietnamese culture, and the post-traumatic stress disorder (PTSD) experienced by many Vietnamese refugees and passed on to the second generation. These two factors made the Vietnamese community particularly vulnerable to gambling. The preference among Vietnamese gamblers for table games rather than gaming machines meant that the casino was the primary venue causing harm to the community (as the only venue in Victoria licensed to operate table games). The AVWA recommended that research be undertaken regarding the proportion of Vietnamese people gambling at the casino and the extent of their gambling losses.
- The impact of the Melbourne Casino on Vietnamese women. The AVWA submitted that since the opening of the Melbourne Casino in 1994, there had been an increase in the incarceration of Vietnamese women, many relating to gambling debts, mainly at the Melbourne Casino. The AVWA expressed concern regarding friendly staff and loan sharks at the casino who preyed on patrons with low self-esteem, resulting in Vietnamese women having large gambling debts that they were unable to repay.

- Gambling prevention programs. The AVWA outlined the activities they had conducted in gambling prevention, including group work, performance, arts and sports-related activities. The AVWA suggested that the casino could contribute funding for PTSD research and the promotion of healthy lifestyles.
- Language obstacles to accessing responsible gambling services. The AVWA expressed concern that responsible gambling signs at the casino were only in English, making them inaccessible to large proportions of the Vietnamese community. According to the last census approximately 49 per cent of Vietnamese women had little or no English language skills. This was particularly an issue for older members of the community where three quarters did not speak English.
- General concerns regarding the operation of the Melbourne Casino. The AVWA noted concerns regarding criminal activity at the casino, continuous gambling and voluntarily excluded persons still being allowed to gamble if they had large sums of money.

## Victorian Responsible Gambling Foundation

The **Victorian Responsible Gambling Foundation** (VRGF), while not formally making a public submission, was consulted by the VCGLR at the commencement of the review process and, as needed, in its course.

In general terms, the VRGF recommended that the review consider harm minimisation in broad terms but with a particular focus on the extent and success of responsible gambling by Crown Melbourne, and consideration of any products or practices that may be undermining responsible gambling.

The VRGF described the nature of the harms experienced by gamblers and noted that the casino provides a wide variety of gambling and most of its products are those which have high associations of use by gamblers experiencing harm. This means that the percentage of people using these products, who fall into the at risk of problem gambling and problem gambling categories, is far higher than their percentage in the general population. According to the VRGF's analysis, the Melbourne Casino is one of the top gambling locations for 45 per cent of those experiencing medium levels of gambling related harm and 29 per cent of those experiencing low levels of gambling related harm.

Consultation with VRGF primarily focused on identifying a substantial number of issues for further inquiry in relation to Crown Melbourne's responsible gambling activities, rather than the VRGF making specific observations or recommendations in relation to Crown Melbourne's harm minimisation measures.

# Appendix 2

## Tax regime

Tax type	Rate
Gaming machines	31.57 per cent of gross gaming revenue.
Table games	21.25 per cent of gross gaming revenue.
Commission-based players	Nine per cent of gross gaming revenue, with a minimum of \$10 million to be paid in each year.
Annual tax guarantee from new gaming product	Minimum of \$35 million per annum (guaranteed sum) on revenue generated from new gaming product installed over the six financial years commencing on and from 1 July 2015.
Contingent Payments	Additional sums will be paid to the State, on 1 September 2022 if the compound annual growth rate of normalised gaming revenue over the period from 2013–14 to 2021–22 exceeds four per cent, then Crown Melbourne will pay \$100 million. If the compound annual growth rate over the period from 2013–14 to 2021–22 exceeds 4.7 per cent, then Crown Melbourne will pay a further additional sum of \$100 million.
Super tax	<p>An additional tax on general gaming gross gaming revenue when it exceeds current base of \$956.9 million.</p> <p>The base amount is adjusted by CPI annually.</p> <p>The total amount of super tax paid in 2016–17 was \$7.9 million.</p>
Community Benefit Levy	One per cent of gross gaming revenue on both commission-based players and general gaming revenues.

# Appendix 3

## List of associates

The VCGLR has identified, as at 30 June 2018, the following 12 entities and 23 individuals as associates of Crown Melbourne Limited under the Casino Control Act. Each has been approved by the VCGLR.

### Entities

Name	Relationship to Crown Melbourne Limited
Crown Resorts Limited	Ultimate holding company of Crown Melbourne Limited
Crown Entertainment Group Holdings Pty Ltd	Parent company of Crown Melbourne Limited and a wholly owned subsidiary of Crown Resorts Limited
Consolidated Press Holdings Pty Ltd	Companies controlled by Mr James Packer
Conpress Holdings Pty Ltd	
Consolidated Press Financial Services Pty Ltd	
CPH Crown Holdings Pty Ltd	
CPH Gaming I Pty Ltd	
CPH Gaming II Pty Ltd	
CPH Gaming III Pty Ltd	
CPH Gaming IVA Pty Ltd	
CPH Gaming IVB Pty Ltd	
Bareage Pty Ltd	

## Individuals

Name	Relationship to Crown Melbourne Limited
James Douglas Packer	Majority shareholder Crown Resorts Limited
John Henry Alexander	Executive Chairman Crown Resorts Limited, Chairman Crown Melbourne Limited and Crown Perth
Kenneth McRae Barton	Chief Financial Officer, Crown Resorts Limited; Director, Crown Entertainment Group Holdings Pty Ltd; Director, Crown Melbourne Limited
Andrew Carr	Company Secretary, Crown Melbourne Limited
Helen Anne Coonan	Non-executive independent director, Crown Resorts Limited
Peter Angelo Crinis	Chief Operating Officer–Hotels and Food and Beverage, Crown Melbourne Limited
Rowena Danziger	Non-executive independent director, Crown Melbourne Limited
Catherine Elizabeth Davies	Company Secretary, Consolidated Press Holdings Pty Ltd and CPH Crown Holdings Pty Ltd
Andrew Demetriou	Non-executive independent director, Crown Resorts Limited
Geoffrey James Dixon	Non-executive independent director, Crown Resorts Limited
Barry John Felstead	Chief Executive Officer–Australian Resorts, Crown Resorts Limited, Director, Crown Melbourne Limited
Sarah Jane Halton	Non-executive independent director, Crown Resorts Limited <i>(commencement awaits regulatory approvals outside Victoria)</i>
John Stephen Horvath	Non-executive independent director, Crown Resorts Limited Director, Crown Melbourne Limited
Guy Jalland	Non-executive non-independent director, Crown Resorts Limited; Chief Executive Officer, Consolidated Press Holdings Pty Ltd
Michael Roy Johnston	Non-executive non-independent director, Crown Resorts Limited
Antonia Korsanos	Non-executive independent director, Crown Resorts Limited <i>(commencement awaits regulatory approvals outside Victoria)</i>

Name	Relationship to Crown Melbourne Limited
Mary Manos	General Counsel and Company Secretary, Crown Resorts Limited; Company Secretary, Crown Melbourne Limited
Harold Charles Mitchell	Non-executive independent director, Crown Resorts Limited
Alan Frank McGregor	Chief Financial Officer–Australian Resorts, Crown Resorts Limited
William Todd Nisbet	Executive Vice President–Strategy and Development, Crown Resorts Limited
Andre Mung Dick Ong	Group Chief Information Officer, Crown Resorts Limited
Joshua Robert Preston	Chief Legal Officer–Australian Resorts, Crown Resorts Limited; Company Secretary, Crown Melbourne Limited
Xavier Bernard Walsh	Chief Operating Officer, Crown Melbourne Limited

# Appendix 4

## Summary of the responsible gambling legal framework applicable to the casino operator

Casino Control Act 1991	
Area	Obligation
Staff Training	Any person employed by the casino operator and who performs any function as a special employee in relation to gaming machines must complete an approved Responsible Service of Gaming course and a refresher course every three years (s.58A).
Inducements	The casino operator must not induce patrons to enter the casino (s.64).
Credit	With the exception of a cheque cashing facility (under which the casino operator undertakes not to present a cheque for an agreed period (for domestic players up to 5 days and for international patrons up to 20 days), the casino operator must not extend credit to any person except a commission-based player not ordinarily resident in Australia (s. 68).
Code of Conduct	The casino operator must implement a Responsible Gambling Code of Conduct that has been approved by the Commission (s.69).
Voluntary exclusion orders	The casino operator may issue a voluntary exclusion order at the request of a person and must provide a written copy of the voluntary exclusion order to the person (s.72).  Casino operator must notify the VCGLR if a voluntarily excluded person is in the casino (s.78).
Advertising material	The casino operator must not knowingly send or direct by any means advertising or other promotional material to a person who is the subject of an exclusion order or an interstate exclusion order (s.78A).
Forfeiture of winnings	The casino operator must pay any winnings forfeited by an excluded person to the VCGLR (see s.78B), and paid by the VCGLR to the Community Support Fund. Disputes as to the amount of winnings forfeited must be investigated and determined by an Inspector.
Cash facilities	The casino operator must not provide or allow any other person to provide cash facilities for more than \$200 in any one transaction on any debit or credit card (cash advance from a credit account) within 50 metres of any casino entrance (s.81AA).

<b>Casino Control Act 1991</b>	
<b>Area</b>	<b>Obligation</b>
ATMs	The casino operator must not provide or allow another person to provide an ATM or alternative cash facility in the casino or in an area less than 50 metres walking distance from an entrance to the casino (s.81AAA).
Payment of winnings	The casino operator must pay winnings exceeding \$2,000 from a gaming machine by cheque (s.81AAB), unless the gaming machine is operated in a specified area with the consent of the VCGLR.
Cashing cheques	The casino operator must not give, or allow another person to give, a person cash or gaming tokens in exchange for a cheque drawn on an account of the casino operator that would enable that person to play a gaming machine in the casino (s.81AAB).
Intoxicated persons	The casino operator must not knowingly allow a person who is intoxicated to game or bet in the casino (s.81AAC).
Availability of game rules	The game rules must be published on the casino operator's website and must be available for inspection in the casino at the time the game is conducted or played (s.60).  The game must be played in accordance with the approved rules (s.60).
Signage regarding game rules, odds and wagers	The casino operator must display signage advising patrons where they can inspect the game rules, the mode of payment of winnings and the odds of winning and the minimum and maximum wagers to the game (s.66).
Changes to the minimum wager	The casino operator must not change a minimum wager in respect of a table game to a higher minimum wager unless a sign indicating the new minimum wager is displayed at the table at least 20 minutes before the increase in the minimum wager (s.66).
Gaming machine restrictions	Gaming machines (not in the specified area) must: <ul style="list-style-type: none"> <li>• Not accept notes larger than \$50</li> <li>• Enable each spin to be initiated only by a single activation by the player</li> <li>• Have a spin rate for the game which is not less than 2.14 seconds (s.62AB, s.62AC).</li> </ul>
Casino staff cannot gamble at casino	A special employee (including managers, dealers, security and others) at the casino must not gamble or bet in the casino (s.37 and s79).

<b>Gambling Regulation Act 2003</b>	
<b>Area</b>	<b>Obligation</b>
Advertising	The casino operator must not publish any gaming machine advertisements outside the casino (s. 3.5.34AA).

<b>Gambling Regulation Act 2003</b>	
<b>Area</b>	<b>Obligation</b>
Loyalty scheme	<p>The casino operator must not allow a person to participate in the loyalty scheme unless they are given prescribed information regarding the pre-commitment system and the person agrees to receive player activity statements (s. 3.5.36) (The prescribed information is set out in r.29 of SR 172/2014).</p> <p>At least once a year the casino operator must provide each participant in a loyalty scheme with a player activity statement with the prescribed information (s. 3.5.37). (The prescribed information is set out in r.30 of SR 172/2014).</p> <p>A casino operator must not conduct a loyalty scheme in the casino that allows a player to accumulate loyalty or reward points from playing gaming machines other than by using a player card, or allows a player to track their play on a gaming machine other than by using a player card or involves the use of specified player account equipment. (s. 3.5.36D).</p> <p>If a participant in a loyalty scheme has elected to collect their player activity statement from the casino and the participant does not collect the player activity statement within three months after the day on which notice of the availability is sent to the participant, the loyalty scheme provider must remove the participant from the scheme (s. 3.5.38).</p> <p>If a participant does not collect the player activity statement within one month after the day on which the notice of the availability is sent to the participant, the loyalty scheme provider must suspend the participant from the scheme (s. 3.5.38).</p> <p>At least once a year, a loyalty scheme provider must send each participant in the scheme a notice informing the participant of their right to cease participating in the scheme. The loyalty scheme provider must remove a participant from the scheme if the participant informs that loyalty scheme provider that they wish to cease participating in the scheme (s. 3.5.39).</p> <p>If a person has been suspended or removed from a loyalty scheme, the loyalty scheme provider must not knowingly send or direct by any means advertising or other promotional material relating to gaming to the person (s. 3.5.40).</p>
Excluded person	<p>A loyalty scheme provider must not knowingly allow an excluded person to participate in a loyalty scheme at the casino (s. 3.5.36C).</p> <p>A loyalty scheme provider must remove a person from the loyalty scheme if the person becomes an excluded person (s. 3.5.36C).</p>
YourPlay Pre-commitment equipment to be installed	<p>On and after 1 December 2015 the casino operator must not allow gaming to commence on a gaming machine unless certificates have been signed certifying that a pre-commitment system has been installed (s. 3.8A.7).</p> <p>On and after 1 December 2015 the casino operator must ensure that player account equipment* operating in the casino meets the prescribed requirements and complies with the standards (s. 3.8A.9) and is installed in the prescribed manner, quantity and location (s. 3.8A.10).</p> <p>Player account equipment includes card encoder, card reader, interactive displays screen, keypad, kiosk and any other equipment prescribed (see s. 3.8A.1).</p>

<b>Gambling Regulation Act 2003</b>	
<b>Area</b>	<b>Obligation</b>
YourPlay Player cards	On and after 1 December 2015 the casino operator must ensure that the player cards comply with regulations and standards (s. 3.8A.11).
Functioning player account equipment and connection to YourPlay pre-commitment system	On and after 1 December 2015 the casino operator must ensure that the player account equipment installed in the casino is functioning in the manner in which it is designed and programmed to function in or on gaming machines. (s. 3.8A.12).
YourPlay Pre-commitment limit setting	On and after 1 December 2015 the casino operator must ensure that any gaming machine is capable of applying a time limit or net loss limit under the set pre-commitment system and not under any other system (s. 3.8A.12 and s. 3.8A.13).
Minors	No minors must enter the casino (s. 10.7.6(3)).

<b>Gambling Regulations 2015 (note this replaced the 2005 Regulations)</b>	
<b>Area</b>	<b>Obligation</b>
Time	The casino operator must ensure gaming machines display the time of day (r.19).
Lighting in the casino	The casino operator must ensure that lighting meets the prescribed lighting requirements (r.8).
Player Information	The casino operator must ensure that specific player information (i.e. responsible gambling messages) is available to patrons in the form of posters, brochures and talkers (r.12, r.13, r.14).
Game information	The casino operator must not permit gaming on a gaming machine that is not able to display game information at the instruction of a player (r.20).
Non gaming areas	The casino operator must designate parts of the casino with seating for the comfort and convenience of gaming machine players (r.8; r.9).
Windows	The casino operator must comply with requirements for windows in the casino (r.10).

<b>Gambling Regulation (Pre-commitment and Loyalty Scheme) Regulations 2014 SR 172/2014</b>	
<b>Area</b>	<b>Obligation</b>
Card readers	<p>Casino operator must ensure one card reader for each gaming machine and prescribes the location of the card reader on each machine (r.6).</p> <p>Casino operator must ensure that the card is visible to, and easily accessible by a person sitting at or standing in front of the gaming machine (r. 6).</p>

<b>Gambling Regulation (Pre-commitment and Loyalty Scheme) Regulations 2014 SR 172/2014</b>	
<b>Area</b>	<b>Obligation</b>
Interactive display screens	Casino operator must ensure one interactive display screen for each gaming machine in the casino and the prescribed location of the screen (r.7).
Kiosks	Casino operator must ensure one kiosk in the casino and the prescribed location of the kiosk (r.8). Casino operator must comply with the features for a kiosk set out in r.8.
YourPlay equipment, Player service point and provision of assistance	<p>Casino operator must have one card encoder, card reader and keypads at a player service point, (r.9). Casino operator must set aside a place for providing assistance to users of the pre-commitment system (r.10).</p> <p>At all times gaming machines area available the casino operator must ensure an employee is available to assist a person at a player service point to do a range of things specified in r.17 (r.10). A casino operator must on request assist a person to do a range of specified things including assisting a person to obtain a casual player card or registered player card, use a kiosk, set time or net loss limits or change limits for YourPlay (r.17).</p>
Player card appearance	There are specifications for the appearance of player cards depending on whether the player card is made available or distributed where there is a loyalty scheme conducted, a venue card or not (see r.11A, B, C and D).
Registered player cards	The casino operator must issue on request a registered player card to a person for whom a registered player account is established. (r.12). The registered player card must have the unique identification number recorded on it and the casino operator must not charge a fee for issuing or re-issuing a registered player card (r.12).
Casual player cards	<p>The casino operator must ensure (at all times when gaming machines are available for gaming):</p> <ul style="list-style-type: none"> <li>• at least 100 casual player cards are available from each player service point, the cashier area in the casino, and from other places as otherwise specified by the VCGLR; and</li> <li>• the total number of casual player cards available is equal to or more than the number of electronic gaming machines in the casino; and</li> <li>• the cards are easily visible and readily accessible to players; and</li> <li>• any specified information accompanies or is displayed with the casual cards (r.13).</li> </ul>
Information brochures	The casino operator must ensure (at all times when gaming machines are available for gaming) that pre-commitment information brochures are available at specified locations and the total number of brochures is equal to or more than the number of electronic gaming machines in the casino (r.14).

<b>Gambling Regulation (Pre-commitment and Loyalty Scheme) Regulations 2014 SR 172/2014</b>	
<b>Area</b>	<b>Obligation</b>
Must not discourage hinder or obstruct in relation to YourPlay scheme	<p>The casino operator must not discourage, hinder or obstruct a person from doing a range of things in relation to the YourPlay pre-commitment scheme.</p> <p>The casino operator must not encourage or induce a person to increase a time limit or net loss limit that a person has set.</p> <p>The casino operator must not give preference to, or treat more favourable, persons using casual cards over persons using registered cards.</p> <p>The casino operator must not encourage or induce a person to obtain a casual player card rather than a registered player card.</p> <p>The casino operator must not draw attention to a person because that person is using or has used the pre-commitment system.</p> <p>The casino operator must not require a person to participate in a loyalty scheme in order to use or access the pre-commitment system (r.18).</p>
Loyalty scheme—accumulation of gaming points	<p>A loyalty scheme provider must not provide a loyalty scheme that allows a participant to accumulate gaming points for play that:</p> <ul style="list-style-type: none"> <li>• Occurs whilst a time or net loss limit set by the player is met or exceeded; or</li> <li>• is not tracked by the pre-commitment scheme because: the player has incorrectly entered the PIN on three occasions; the period to enter the PIN after inserting their card has elapsed; or the period of time for which the player can refrain from playing, before play will cease to be tracked, has elapsed (R.20)</li> </ul> <p>A loyalty scheme provider must not provide a loyalty scheme unless on each occasion that the scheme ceases to accumulate gaming points a message is displayed on the gaming machine stating that the player has ceased to accumulate points and explains the cessation of play (r.20A).</p>
Redeeming points	The casino operator must not allow a person to participate in a loyalty scheme that redeems gaming points for a bonus, benefit or thing of greater monetary value than would be awarded for redemption of the same amount of non-gaming points (r.27).
YourPlay information has priority	An interactive display screen that is installed on a gaming machine in the casino must prioritise the display of YourPlay information ahead of electronic loyalty information and must not be displayed at the same time (r.21).

<b>Gambling Regulation (Pre-commitment and Loyalty Scheme) Regulations 2014 SR 172/2014</b>	
<b>Area</b>	<b>Obligation</b>
Equal access to equipment by loyalty scheme participants and YourPlay players	<p>Kiosks in the casino must display, when not in use, a screen that satisfies the requirement that a user can access the YourPlay website and the electronic loyalty information is no more prominent in size than the information displayed in relation to YourPlay.</p> <p>The kiosks must not be configured or programmed so that it can only be used by participants in the loyalty scheme.</p> <p>Player account equipment installed in the casino must not be located, programmed, configured or installed in a location or manner that result in loyalty scheme participants being able to access the equipment to the exclusion of person not in the loyalty scheme; or more quickly or more easily than the equipment is to be accessed by persons who are not participants of the loyalty scheme (r.22).</p>
YourPlay logo	The casino must display on the website the YourPlay logo in specified places and size (r.22A). The YourPlay logo is included in loyalty applications forms (r.22B and r.22C). Loyalty scheme application forms must include specified YourPlay information (r.22D).
Loyalty scheme— Information requirements	<p>The casino operator must, before issuing a loyalty player card to a loyalty scheme participant, inform the loyalty scheme participant that the loyalty player card:</p> <ul style="list-style-type: none"> <li>• can be linked to registered player account or can be used as a casual player card; and</li> <li>• can be used to set a time limit, a net loss limit or track their gaming machine play under the pre-commitment scheme.</li> </ul> <p>The casino operator must, before issuing a loyalty player card to a loyalty scheme participant, ask the loyalty scheme participant whether they wish to use the loyalty player card to set a time limit or net loss limit or track their gaming machine play under the pre-commitment scheme (r.28).</p>

<b>Ministerial Direction—Responsible Gambling Code of Conduct</b>	
<b>Area</b>	<b>Obligation</b>
Code Understandable	The Responsible Gambling Code of Conduct must be in writing and written in a manner that will enable to be readily understood by customers. It must be written in plain English (s. 2.2).
Code available	The Responsible Gambling Code of Conduct must require that the Code of Conduct is available to customers (and specify how this will occur) and on the casino operator website (s. 3).

<b>Ministerial Direction – Responsible Gambling Code of Conduct</b>	
<b>Area</b>	<b>Obligation</b>
Responsible Gambling Message	The Responsible Gambling Code of Conduct must include a responsible gambling message that identifies the casino operator's commitment to responsible gambling and require the display of responsible gambling messages where the casino operator conducts business so that it is clearly visible to customers (s. 4).
Responsible gambling information	The Responsible Gambling Code of Conduct must specify the information about responsible gambling that the casino operator will make available to customers. This must include information about: (a) how to gamble responsibly (b) how to make and keep a pre-commitment decision (c) the availability of gambling support services (d) restrictions that apply to the payment of winnings by cheque and the provision of credit or the lending of money for the purposes of gambling (e) voluntary exclusion programs. The Responsible Gambling Code of Conduct must state how this information will be made available (s. 5).
Gambling product information	The Responsible Gambling Code of Conduct must state how information about any relevant rules for gambling will be made available to customers. The Responsible Gambling Code of Conduct must specify how customers will be informed about accessing product information available on gaming machines (s. 6).
Customer loyalty scheme information	The Responsible Gambling Code of Conduct must specify: (a) that the casino operator will make appropriate information about the customer loyalty scheme available to participants (b) how that information will be provided. The Responsible Gambling Code of Conduct must identify how and when participating customers will be informed about any benefits they have accrued as part of the loyalty scheme. (s. 7).
Pre-commitment strategy	The Responsible Gambling Code of Conduct must specify what the casino operator will do to: (a) assist a customer to make a pre-commitment decision (b) support a customer who has made a pre-commitment decision (s. 8).
Interaction with customers	The Responsible Gambling Code of Conduct must require the casino operator to interact with customers to foster responsible gambling, and must identify how this will occur. In particular, the Responsible Gambling Code of Conduct must specify a process for interacting with those customers who: (a) have requested information about, or assistance with, a gambling problem or voluntary exclusion (b) are displaying indicators of distress that may be related to problem gambling. The Responsible Gambling Code of Conduct must require that interaction with customers occurs in a manner that respects the customer's right to privacy (s. 9).
Interaction with staff	The Responsible Gambling Code of Conduct must state whether a staff member is permitted to participate in gambling offered by the casino operator and, if so, when. The Responsible Gambling Code of Conduct must identify a process for providing information and assistance to a staff member who indicates that he or she has a gambling problem. The Responsible Gambling Code of Conduct must require that interaction with staff occurs in a manner that respects the staff member's right to privacy (s. 10).

<b>Ministerial Direction – Responsible Gambling Code of Conduct</b>	
<b>Area</b>	<b>Obligation</b>
Interaction with problem gambling support services	The Responsible Gambling Code of Conduct must require the casino operator to interact with problem gambling support services and specify the process for that contact and how frequently contact will occur (s. 11).
Customer complaints	The Responsible Gambling Code of Conduct must require the casino operator to implement and comply with a process for resolving complaints from customers about compliance with and the operation of the Responsible Gambling Code of Conduct. The complaint process must: (a) specify how a complaint can be made (b) specify the process for resolution of a complaint (c) provide for independent review of decisions made by the casino operator about customer complaints (d) specify how information about complaints will be collected and retained (e) enable the Commission to monitor compliance with the complaints process (s. 12).
Compliance with the prohibition on gambling by minors	The Responsible Gambling Code of Conduct must specify what steps the casino operator will take to ensure compliance with the law in relation to the prohibition on: (a) the sale of gambling products and services to minors (b) the entry of minors into areas where gambling is conducted (s. 13).
The gambling environment	The Responsible Gambling Code of Conduct must identify what the casino operator will do: (a) to discourage customers from engaging in extended and intensive gambling (b) where appropriate, to ensure customers are made aware of the passage of time (s. 14).
Financial Transactions	The Responsible Gambling Code of Conduct must specify: (a) the rules that apply to cashing customer cheques (b) how and when customers will be advised of those rules (c) the records that will be kept of cheques that have been cashed. The Responsible Gambling Code of Conduct must specify the options that are available to customers for the payment of winnings including payment by cheque (s. 15).
Responsible advertising and promotions	The Responsible Gambling Code of Conduct must specify that any advertising and promotions related to gambling undertaken by or on behalf of the relevant person will: (a) comply with the advertising code of ethics adopted by the Australian Association of National Advertisers (b) not be false, misleading or deceptive about odds, prizes or the chances of winning (c) have the consent of any person identified as winning a prize prior to publication (d) not be offensive or indecent in nature (e) not create an impression that gambling is a reasonable strategy for financial betterment (f) not promote the consumption of alcohol while purchasing gambling products. The Responsible Gambling Code of Conduct must specify the measures that the casino operator will adopt to ensure that advertising and promotions comply (s. 16).

# Appendix 5

## Responsible Gaming Support Centre activities

Nature of Service	Summary
3 <sup>rd</sup> Party Assistance / Inquiry	All persons requesting Responsible Gaming information on behalf of someone else
3 <sup>rd</sup> Party SE Inquiry	All persons requesting Self Exclusion information on behalf of someone else
Alert Notice Generated	Alert Notice has been generated and circulated to Casino staff
Breach of Self-Exclusion	Detected Self-Exclusion Breaches
Change of Address	Change of address updated in system
Chaplaincy	All interactions regarding the chaplaincy program
Counselling	Counselling session conducted
Counselling Information	Counselling information requested / provided
Counselling NO SHOW	Counselling appointment no show
Crown Rewards / Previous Exclusion	Patrons who indicated previous exclusion from other casinos when signing up as a new member through Crown Rewards
CrownBet	CrownBet enquiries
Domestic	Altercations between family members
Exclusion Order	Issued to patrons for breaches of SE Order
Exclusion Recommendation to SIU	A recommendation submitted to the Security Investigation Unit to issue an Exclusion Order
Gaming Equipment Damage	Incidents involving damage to Gaming Equipment
GM & FATG focus	Gaming machine and fully automated table games focus while canvassing the casino

Nature of Service	Summary
GRIP SE	Gambling Resumption Information Pack facilitated after successfully revoking self-exclusion
GRIP TO	Gambling Resumption Information pack facilitated after completion of the 90 day Time Out program
Illegal Act	Any action deemed to be illegal, e.g. theft, damage to property
Mental Health Information	Information provided regarding mental health
Missing Persons	A person reported as missing
Operational Overview	Miscellaneous information regarding the operations in the Responsible Gaming Support Centre
Other	These would include all entries that do not fit into any specified "Nature of Service" e.g. request to conduct a welfare check or monitor patron but the patron had already left the premises
Play Periods	All interactions with patrons regarding length of play, reminders to take breaks and enforced breaks
Play Safe Limit	A voluntary time and money limit setting program on FATGs for Crown Rewards customers
Remote Self Exclusion	A Self Exclusion that has been facilitated off-site
Report Writer Contact – RGP	Contacts between Responsible Gaming Psychologists and other counsellors
Request for Revocation	An official request to revoke Self Exclusions has been received
Revocation Application	Revocation Application form has been forwarded to the applicant
Revocation Approved	Revocation application approved by the Responsible Gaming Revocation Committee
Revocation Cancelled	Cancellation Revocation of Self Exclusions application due to 12 months no contact
Revocation Declined	Revocation application declined by the Responsible Gaming Revocation Committee
Revocation Follow Up	A follow up call made after 3 months of revoking Self Exclusion
Revocation Information	All contacts regarding Revocation not including the request, application, approved, pending, denied, cancelled, follow up and paperwork received
Revocation Paperwork Received	Revocation paperwork such as application or report that has been received
Revocation Pending Committee	Revocation application pending Committee meeting

Nature of Service	Summary
RGP 3 <sup>rd</sup> Party Telephone	Responsible Gaming Psychologists contacts with third parties
Seeking Financial Assistance / Advice	Interactions where a person has requested financial assistance or advice
Seeking other Assistance	Interactions where a person has requested assistance with a non-Responsible Gaming matter
Self-Exclusion	Self-Exclusion
Self-Exclusion Alleged Breach	Verbal information received about a person allegedly breaching their Self Exclusion Order
Self-Exclusion follow up	A follow up call made after three months of Self Exclusion
Self-Exclusion Information	All interactions regarding information relating to Self-Exclusion
Self-Harm / Suicide / Deceased	Interactions that involve self harm, suicide, or a deceased person
SYCO Report	Data report check
Time Out	Time out program
Time Out Breach	A person who has breached their Time Out agreement
Unattended Child	A child found unattended on Crown premises
Unpaid Parking	A person unable to pay for parking
VCGLR Appeal	An official appeal of Self Exclusion Order to the Victorian Commission for Gambling and Liquor Regulation
VCGLR Appeal declined	Appeal of Self-Exclusion Order to the Victorian Commission for Gambling and Liquor Regulation has been declined
VCGLR Appeal upheld	Appeal of Self-Exclusions Order to the Victorian Commission for Gambling Liquor Regulation has been successful
Welfare / Observable Signs	Welfare check / patrons displaying observable signs
WOL	Withdrawal of Licence – These include all breaches and enquiries by banned patrons who are not Self Excluded or Excluded
WOL recommendation to SIU	A recommendation submitted to the Security Investigation Unit to issue a Withdrawal of Licence

# Appendix 6

## Probity Report—Anne Dalton and Associates

### Anne Dalton & Associates

50/120 Collins Street Melbourne  
Postal Address: P O Box 318  
East Melbourne 3002  
ABN 87 097 262 596  
[anne@daltonandassoc.com](mailto:anne@daltonandassoc.com)  
M: 0417417647

26 June 2018

Ms Catherine Myers  
Chair, Sixth Casino Steering Committee  
Victorian Commission for Gambling and Liquor Regulation  
12 Shelley Street, Richmond  
Victoria 3121 Australia

By email

Dear Ms Myers

Probity Adviser's Report- **Sixth Casino Review**

The purpose of this Probity Report is to provide an overview of the probity tasks we have undertaken pursuant to our engagement in relation to the process of the Sixth Review of Licence to Crown Casino under the Casino Control Act 1991 (the Review).

#### **1 Background**

1.1 Anne Dalton & Associates were engaged in September 2017 to provide probity advisory services to this process. We are independent advisers and provide this report based on that independence.

## Sixth Casino Review Probity Report 26 June 2018

1.2 In September 2017<sup>1</sup> a Probity Governance Plan (Probity Plan) was put in place in the Review with respect to the probity obligations on the State participants in the Review and the tasks we were to perform pursuant to our engagement. The Probity Plan incorporated the relevant probity principles. This report is provided with respect to that Probity Plan.

### 2 Probity Plan and probity obligations

2.1 The Probity Plan details the Review process (including the legislative context) and the probity principles and obligations on State participants in the Review. In particular, clause 7 provides:

“This Probity Plan has been informed by the following principles:

- **fairness and impartiality:** members of the Review Team will conduct the Review with fairness and impartiality
- **accountability:** members of the Review Team will identify and document conflicts of interest and such conflicts will be managed appropriately
- **consistency and transparency:** processes implemented to conduct the Review will be consistent and transparent, and
- **security of confidential information:** confidential information will be identified and kept secure throughout the Review and after the Review.”

2.2 The objective of this probity review and report is to provide a conclusion, based on the work performed, as to anything which came to our attention to indicate that the probity principles were not adhered to as required. In doing so, we focused on activities in regard to the above obligations in the Probity Plan.

### 3 Probity framework

3.1 We note that this probity engagement and report have been undertaken against the framework of the Victorian government policy requirements in respect of the probity of government tendering, contracting and commercial activity<sup>2</sup> including more particularly:

- The VGPB Probity Policy; and
- VPS Code of Conduct and the Public Administration Act; and

<sup>1</sup> Finalized by ourselves 25 September 2017 and approved by the Steering Committee in December 2017.

<sup>2</sup> Noting that this is not such an activity but that the probity principles are relevant within the legislative context and Review activity.

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- Other VGPB policy requirements.

3.2 Adhering to these requirements also means meeting the requirements that all individuals in the Review:

- act impartially; and
- act with integrity, including avoiding real or apparent conflicts of interest.

### 4 Probity tasks undertaken

4.1 For this engagement, we undertook a range of probity tasks in order to provide the process with relevant and appropriate probity oversight and as sufficient in order to provide this report. In particular, we undertook the following tasks:

- (a) review of the draft Probity Plan and advice in relation to it;
- (b) review of the Conflict and confidentiality documentation and advice in relation to that documentation;
- (c) provision of probity briefing to Commission (including Steering Committee members)<sup>3</sup>;
- (d) attendance at Casino Licence team meeting and provision of probity briefing to team<sup>4</sup>;
- (e) review of office facilities including security of information processes and controls (and material to staff in relation to Review process);
- (f) provision of advice in relation to declared conflicts of interest;
- (g) review of progress of Review including meeting with Director<sup>5</sup>;
- (h) review of material on the operations of the Review, being by way of a verbal update from the Director on 8 May 2018 and the written update provided on 4 June 2018. Consideration and further queries were made in relation to the a few matters referred to in the Update. Those queries were satisfactorily responded to and no outstanding concerns or issues remain; and
- (i) provision of this Probity Report.

### 5 Observations and conclusions in relation to probity tasks undertaken

5.1 In undertaking the above tasks, and in coming to the conclusion we do, we had

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<sup>3</sup> 28 September 2017

<sup>4</sup> 12 October 2017

<sup>5</sup> 8 May 2018

## Sixth Casino Review Probity Report 26 June 2018

regard to the following facts, circumstances, observations, particulars and matters:

- As provided for in the Probity Plan, a register was maintained by the Project of the documentation with respect to confidentiality and related interests (conflicts of interest) by all staff and contractors on the project;
- Save for a few minor, remote perceived conflicts of interest of team members (which we advised on) they were non-material and we did not consider any probity risks arose from them. Any (negligible) risks were managed appropriately by the probity controls, including the probity briefings and the documentation signed by all relevant persons;
- In relation to security of information/confidentiality of information, we note a minor incident occurred with respect to some documentation, which after investigation determined that no breach of security of information in fact occurred. We are satisfied that the integrity of the process was not impacted by this incident;
- The Summary Update document provided to us on 4 June 2018 is a comprehensive document which details the process of the Review; and
- Further material provided to us confirmed that no probity issues or breaches occurred (other than the matters disclosed therein and referred to here). That statement is consistent with our reviews and observations.

### 6 Conclusion

- 6.1 As per our engagement, we are required to report on the adherence in the Review to the Probity Plan in place. This in turn is with respect to adherence to the probity principles.
- 6.2 On the basis of all of the above matters, being our attendances and document reviews, we have not been made aware of any probity issues which remain outstanding or unresolved that have the potential to constitute breaches of, or non-adherence to, the Probity Plan. Nothing has come to our attention to indicate that the probity requirements of the Probity Plan have not been met.

We would be pleased to discuss any issue arising from this report, if required.

Yours faithfully



Anne Dalton  
 Probity Practitioner  
**Anne Dalton & Associates**  
[anne@daltonandassoc.com](mailto:anne@daltonandassoc.com)

# Appendix 7

## List of stakeholders consulted

- Alliance for Gambling Reform
- Australian Securities and Investments Commission (ASIC)
- Australian Transaction Reports and Analysis Centre (AUSTRAC)
- Australian Criminal Intelligence Commission
- Australian Federal Police
- Australian Vietnamese Women's Association
- Brotherhood of St Laurence
- City of Melbourne
- Coroner's Court of Victoria
- Department of Health and Human Services
- Department of Justice—Office of Liquor, Gambling and Racing
- Ethnic Communities Council of Victoria
- Federation of Chinese Associations
- Financial Counselling Australia
- Free Yourself
- Metropolitan Fire and Emergency Services Board (MFB)
- New Zealand Department of Internal Affairs
- Salvation Army
- Victoria Police
- Victorian Arabic Social Services
- Victorian Inter-Church Gambling Taskforce
- Victorian Responsible Gambling Foundation
- WorkSafe Victoria

# Appendix 8

## Response from Crown Melbourne



2 July 2018

Ms Catherine Myers  
 Chief Executive Officer  
 Victorian Commission for Gambling and Liquor Regulation  
 Level 3, 12 Shelley Street  
 RICHMOND VIC 3121

### By email and mail

Dear Ms Myers

### Sixth Review of the Casino Operator and Licence

Thank you for your letter dated 28 June 2018, enclosing the final draft of the Commission's Report (**Report**) on the Sixth Review (**Review**) of the Casino Operator and Licence of Crown Melbourne Limited (**Crown**).

Crown would like to acknowledge the work of Commissioners, Commission staff and consultants in relation to the Review.

### Commission's conclusions

Crown welcomes the Commission's conclusions that:

- (a) Crown remains a suitable person to hold a casino licence;
- (b) Crown is complying with the *Casino Control Act 1991*, the *Casino (Management Agreement) Act 1993*, the *Gambling Regulation Act 2003* and the regulations made under those Acts;
- (c) Crown is also complying with:
  - (i) the Transaction Documents, and
  - (ii) any other agreements between Crown and the State, or a body representing the State, that impose obligations on Crown in relation to gaming, and
- (d) it is in the public interest that the casino licence should continue in force, having regard to the creation and maintenance of public confidence and trust in the credibility, integrity and stability of casino operations.

The Commission's conclusions reflect Crown's substantial investment in the Melbourne Casino complex and its operations. Crown has spent approximately \$447 million on upgrading and expanding the complex during the 5 year period of the Review (**Review Period**). More than 13,000 people are employed in the Melbourne Casino complex, making the complex the largest



single-site workplace in Victoria. The complex also houses over 1,600 hotel rooms with suites and luxury villas, spa facilities, swimming pools, high end retail outlets, signature restaurants, a convention centre and live entertainment venues. This is valuable tourism infrastructure for the City of Melbourne and the State of Victoria, attracting over 21 million visits each year, making the complex one of Australia's most visited tourist attractions.

Crown also delivers extensive training programs in its \$10 million purpose-built training facility and over 5,900 apprentices and trainees have graduated since the training facility opened.

During the Review Period, Crown has received many awards across all facets of its business including hotel operations, diversity, training, employment, indigenous training and employment, restaurants and luxury spas.

### **Commission's recommendations**

The Report contains 20 recommendations (**Recommendations**) concerning Crown's operations which Crown accepts, subject to the matters set out in the attached response to the individual Recommendations.

### **Basis for Commission's conclusions**

Crown also welcomes the stated basis of the Commission's conclusions, being:

- (a) Crown has a satisfactory corporate structure and is financially sound;
- (b) Crown's directors and executives have substantial experience in business and other matters, especially the management and operation of a casino;
- (c) no matters have emerged which would reflect negatively on Crown or its associates having regard to honesty, integrity or financial aspects;
- (d) Crown's ASX-listed parent company, Crown Resorts Limited, has adopted a conservative approach to capital management which will ensure that Crown's operations are not financially stressed by the finance required to complete Crown Sydney and the One Queensbridge development;
- (e) the Melbourne Casino complex has been maintained at the required international standard;
- (f) Crown has complied with its financial covenants over the Review Period; and
- (g) Crown has demonstrated over an extended period its ability to manage and effectively run a successful casino.

### **Responsible gaming**

Crown is proud of its responsible gaming program, including the operation of its Responsible Gaming Support Centre which operates 24 hours per day, seven days a week.

Crown has made improvements to its responsible gaming program during the course of the Review Period and will continue to make improvements in the future in accordance with Crown's response to the Commission's Recommendations.

Crown recognises the importance of responsible gaming measures to the future of the industry and is committed to further engagement with relevant stakeholders and development and



refinement of its responsible gaming program informed, as far as possible, by research and expert opinion.

### **Anti-Money Laundering (AML) / Counter Terrorism Financing (CTF)**

Crown has a strong history of compliance with its AML/CTF obligations and attends to its AML/CTF compliance with commitment and rigour. No adverse findings were made against Crown as a result of AUSTRAC assessments during the Review Period. Some areas for improvement were identified and have been addressed.

### **Corporate governance and risk management**

Crown strives to ensure that its corporate governance framework and risk management measures accord with best practice in the industry.

These are areas for continuous improvement for all major companies with extensive operations. The Commission observed Crown's commitment to such improvement and strengthening of its compliance function by the addition, during the Review Period, of executive capacity at the Crown group level across risk and audit, regulatory and AML/CTF compliance.

The quality of governance, risk management and compliance depends in significant measure on the executives and staff involved in day-to-day operations. In this regard, Crown notes the Commission's observations that:

- (a) Crown's business units are led by well qualified and competent personnel with relevant and extensive experience, ranging from 17 to 30 years, and with relevant formal qualifications;
- (b) some executives have had previous experience at other Crown casinos, Australian competitor casinos and international casinos; and
- (c) senior executives and management have on the whole demonstrated sound management ability, reflected by the ability of the staff below the executive and management level.

Crown also notes the positive assessment of its risk management framework by PricewaterhouseCoopers, who were retained to undertake an independent review for the Commission.

### **Compliance**

Crown endeavours at all times to comply fully with its legal and regulatory obligations and to operate in accordance with guidance provided by regulators.

When human errors occur, as they can in a business the size and complexity of Crown's, the response of Crown is to work hard to rectify any underlying issues and improve on relevant systems and operating procedures, where appropriate.

There have been three disciplinary matters in recent times. They involved:

- (a) operational issues with the replacement of Crown's pre-commitment system by the State-wide system, 'Your Play' in 2015, in connection with which there was extensive consultation at the time;



- (b) omission of information (which was otherwise recorded) from six forms relating to junket operations, illegible handwriting in six further forms and a failure by an employee to notify the Commission of a new junket operator in 2013. The Commission described the breaches as generally administrative in nature but considered them to be significant because of the importance of an audit trail for junket operations; and
- (c) a three week trial of 'blinking' plates on 17 of 2,628 gaming machines in 2017 without prior Commission approval. The Commission found that the decision not to seek prior approval was made by a small group of Crown staff who did not believe that approval was required. The Commission has previously approved the use of blanking plates on many other machines, and not just on a trial basis. Moreover, as the Commission noted, Crown acted quickly to cease the trial following a complaint and Crown has no history of disciplinary action being taken in relation to electronic gaming machines.

The blanking plate trial referred to above did not constitute improper manipulation of gaming machines of the kind alleged by Mr Andrew Wilkie, Member of the House of Representatives for Denison under Parliamentary Privilege in October 2017. Importantly, the blanking plates did not affect the return to player. Crown notes that a wide range of other allegations made by Mr Wilkie were investigated by the Commission and were found to be either misconceived or not substantiated.

Crown further notes the Commission's observation that the fines imposed in relation to these disciplinary matters and Crown's follow-up actions should deal with the regulatory breaches involved.

### **Conclusion**

Crown looks forward to working with the Commission and its staff to implement the Recommendations and to continue to enhance the operation of the Melbourne Casino in accordance with all regulatory requirements.

Yours sincerely

**John Alexander**  
Chairman  
Crown Melbourne Limited



### Crown's response to individual Recommendations

Recommendation Number	Commission's Recommendation	Crown's Response
<u>1</u>	<p><i>The VCGLR recommends that, by 1 January 2019, Crown develop, and submit to the VCGLR for approval, a change program to fully engage its independent directors in proactive strategic oversight of the operations of the Melbourne Casino. Particular consideration should be given to—</i></p> <ul style="list-style-type: none"> <li>• <i>formulating a charter for the Crown Melbourne board</i></li> <li>• <i>fully documenting, for visibility to the VCGLR, the reporting and decision-making relationships between all of the boards, committees and executive meetings with responsibility for, or oversight of, Melbourne Casino functions, and</i></li> <li>• <i>elevation of governance to the group board and committees.</i></li> </ul> <p><i>The submission should identify any changes to regulatory frameworks and how these will be addressed.</i></p>	<p>Recommendation accepted.</p> <p>Crown will, in conjunction with its parent company, review its governance framework, taking into account the matters recommended by the Commission for consideration. A new framework for reporting has already been designed and is being worked through. Crown will continue to review its corporate structure moving forward with any proposed changes brought to the attention of the Commission.</p> <p>We also note that the current Crown Melbourne Framework has been considered by the Commission in times past, with some of the current structures in place as a result of regulatory obligations.</p>
<u>2</u>	<p><i>The VCGLR recommends that, by 1 January 2019, Crown undertake a review of the required qualifications for committee chairs set out in the charters, and ensure that the appointees' actual qualifications match.</i></p>	<p>Recommendation accepted.</p>
<u>3</u>	<p><i>The VCGLR recommends that, by 1 July 2019, Crown assess the robustness and effectiveness of its risk framework and systems, including reporting lines in the chain of command, and upgrade them where required. This assessment should be assisted by external advice.</i></p>	<p>Recommendation accepted.</p> <p>It should be noted that the risk framework has already been reviewed and an enhanced framework is currently being implemented, which is supported by an IT based reporting, recording and management framework.</p> <p>Also, a Group General Manager – Risk and Audit was appointed in 2017 to oversee the group function of risk and audit. Additional resources have also been committed to support the enhanced framework.</p>
<u>4</u>	<p><i>The VCGLR recommends that, by 1 July 2019, Crown undertake a robust review of internal controls to ensure that Crown's regulatory and compliance department is aware of all projects and works in progress for which regulatory approvals might be relevant.</i></p>	<p>Recommendation accepted.</p> <p>In this respect, a new business-wide compliance framework has been designed and the roll out has commenced across the business. Further a new process has been implemented to address any proposed changes to the regulatory environment.</p>



<u>5</u>	<i>The VCGLR recommends that Crown convene annual roundtable sessions briefing key internal staff on the VCGLR's risk-based approach to regulation, with a particular focus on how that approach relies on the integrity of Crown's internal processes.</i>	Recommendation accepted.
<u>6</u>	<i>The VCGLR recommends that, by 1 January 2020, Crown Melbourne review its allocation of staffing resources to increase the number of work hours actually available to responsible gambling and intervention with patrons. This might be achieved by training more gambling staff to undertake assessments and then approach patrons identified as at risk, without the need to contact a RGLO. However, this will only be effective if those staff have sufficient time aside from their gambling duties.</i>	Recommendation accepted.  Crown has already commenced the process of employing an additional five Responsible Gaming staff members. Additionally, there will be a review of training for gaming and other related staff.
<u>7</u>	<i>The VCGLR further recommends that Crown Melbourne use observable signs in conjunction with other harm minimisation measures such as data analytics to identify patrons at risk of being harmed from gambling.</i>	Recommendation accepted.  A new data analytics trial has commenced in relation to carded players.
<u>8</u>	<i>The VCGLR recommends that Crown Melbourne proceed with development and implementation of comprehensive data analytics tools for all patrons, to proactively identify for intervention patrons at risk of harm from gambling. These tools would utilise both historical data (with parameters developed from the second player model), and real-time monitoring of play periods. Crown Melbourne should look to models in other jurisdictions, and consult with external data analytics experts, with a view to implementing world-class, proactive approaches with real-time (or near-real time) operational effectiveness. In particular—</i>  <i>(a) for carded play (that is, player activity which can be systematically tracked), Crown Melbourne will have in operation a comprehensive real-time player data analytics tool by 1 January 2020, and</i>  <i>(b) for uncarded play (that is, all other player activity), Crown Melbourne will, by 1 January 2019, commence a comprehensive study of all the practical options for a real time player data analytics tool, with a view to reporting in detail (including legal, technical and methodological issues) to the VCGLR by 1 January 2020 and the tool being in operation by 1 July 2022.</i>	Recommendation accepted.  As referenced above, Crown has commenced a data analytics trial in relation to carded players.  Further, work will be undertaken on systems to explore and implement real-time concepts by 1 January 2020.  Crown also supports reviewing the extent to which further data analytics tools might enhance the framework into the future. In this respect, the use and reliability of data from uncarded play is new ground for the land based gaming industry which is not yet supported by reliable research and evidence.  Crown will commit to carrying out a study of the options available and assess and analyse the research and expert evidence available with a view to exploring appropriate tools and options available to it for uncarded play.



<p><u>9</u></p>	<p>The VCGLR recommends that Crown Melbourne arrange, at its expense, for an independent assessment of the real-time player data analytics tool for carded play (see Recommendation 8(a)), to be completed 12 months after implementation of the tool. The independent assessment is to be undertaken by a person approved by the VCGLR, after consultation with Crown.</p>	<p>Recommendation accepted.</p>
<p><u>10</u></p>	<p>The VCGLR recommends that, by 1 July 2019, Crown Melbourne undertake a comprehensive review of its policy for the making and revocation of voluntary exclusion orders under section 72(2A) of the Casino Control Act. The comprehensive review should be undertaken in conjunction with the VCGLR, VRGF and other relevant external stakeholders. The review should be undertaken with a view to implementing policies that facilitate:</p> <ul style="list-style-type: none"> <li>• Crown Melbourne issuing short term exclusion orders for 3, 6, 12 or 24 months under section 72 of the Casino Control Act, considering the specific circumstances of the person and their preferred time period for exclusion, and conditional on the person undertaking to comply with the order and with other matters (such as obtaining treatment), and</li> <li>• Crown Melbourne reviewing voluntary exclusion orders which are more than 10 years old to consider whether the continued operation of these orders serves a useful purpose, with a view to retaining only those orders that are beneficial to the persons who are subject to them, and can be adequately enforced. The VCGLR further recommends that the review of such orders occurs in an orderly manner between 1 July 2019 and 30 June 2020.</li> </ul>	<p>Recommendation accepted.</p>
<p><u>11</u></p>	<p>The VCGLR recommends that, by 1 July 2019, Crown Melbourne develop and implement a policy and procedure to facilitate Crown Melbourne issuing involuntary exclusion orders under section 72(1) of the Casino Control Act at the request of family members and friends in appropriate cases. The policy and procedure should be developed in conjunction with the VCGLR, VRGF and other external stakeholders. Crown Melbourne should include information about this option in all its responsible gambling publications, website and regularly provide information to relevant</p>	<p>Recommendation accepted.</p>



	<i>stakeholders, such as Gambler's Help and other similar organisations, about this option.</i>	
<a href="#"><u>12</u></a>	<i>The VCGLR recommends that, by 1 July 2019, Crown Melbourne expand facial recognition technology to cameras on all entrances to the casino and that Crown Melbourne provide written updates on a quarterly basis on its effectiveness to the VCGLR.</i>	Recommendation accepted.  Crown notes that it has already expanded its facial recognition capabilities and proposes to continue to do so in FY20.
<a href="#"><u>13</u></a>	<i>The VCGLR recommends that, as part of developing a new responsible gambling strategy, by 1 July 2019, Crown Melbourne rebrand or refresh its responsible gambling messaging and publish new responsible gambling messages throughout the casino, in all Crown Melbourne publications, including online and social media platforms.</i>	Recommendation accepted.
<a href="#"><u>14</u></a>	<p><i>The VCGLR recommends that, by 1 July 2019, Crown Melbourne develop and implement a responsible gambling strategy focusing on the minimisation of gambling related harm to persons attending the casino. The strategy should address:</i></p> <ul style="list-style-type: none"> <li><i>• early proactive intervention initiatives</i></li> <li><i>• player data analytics</i></li> <li><i>• proactive engagement with pre-commitment</i></li> <li><i>• intervening with local players with continuous play based on shorter timeframes which are more reflective of responsible gambling</i></li> <li><i>• the role of all staff in minimising harm</i></li> <li><i>• the effective use and monitoring of exclusion orders</i></li> <li><i>• internal reporting arrangements</i></li> <li><i>• integrating responsible gambling into proposals for trialling or introduction of new products and equipment</i></li> <li><i>• performance measures to assess the performance of the RGLOs, RGSC and casino staff in relation to harm minimisation</i></li> <li><i>• the roles of the Crown Resorts Responsible Gambling Committee and the Responsible Gambling Management Committee in driving harm prevention strategies based on world's best practice</i></li> <li><i>• the objectives of the RGSC in relation</i></li> </ul>	Recommendation accepted.



	<p>to minimising harm to patrons, and</p> <ul style="list-style-type: none"> <li>the responsible service of gambling as a fundamental core business consideration when making strategic decisions regarding casino operations.</li> </ul>	
<a href="#">15</a>	<p>The VCGLR recommends that, within three months of implementing the new responsible gambling strategy (Recommendation 14), there is regular reporting to the Crown Resorts Responsible Gambling Committee for it to maintain oversight of Crown Melbourne's harm minimisation strategy for responsible gambling. Regular reports every two months should include numbers and types of interventions and other harm minimisation activities of RGSC and other staff, details of the number and nature of referrals to external service providers, exclusion orders, breaches, revocation and appeals, as well as results from player data analytics and other initiatives to minimise gambling related harm. These reports should also be made available to the VCGLR for monitoring purposes. (The VCGLR intends to share this information, as appropriate, with the VRGF).</p>	Recommendation accepted.
<a href="#">16</a>	<p>The VCGLR recommends that within three months of implementing the strategy, a charter is developed for the Crown Melbourne Responsible Gambling Management Committee (staff committee) which includes reference to the role and responsibility of driving a harm minimisation culture.</p>	Recommendation accepted.
<a href="#">17</a>	<p>The VCGLR recommends that, by 1 July 2019, Crown undertake a robust review (with external assistance) of relevant internal control statements, including input from AUSTRAC, to ensure that anti-money laundering risks are appropriately addressed.</p>	Recommendation accepted.
<a href="#">18</a>	<p>The VCGLR recommends, in all future submissions by Crown Melbourne to the VCGLR for approvals under the Casino Control Act or Gambling Regulation Act, that Crown document: 36</p> <ul style="list-style-type: none"> <li>the purpose</li> <li>obligations under relevant provisions of legislation, the Transaction Documents, and existing approvals</li> <li>what changes the grant of the approval would make to products, rules and procedures, etc 4</li> <li>risks associated with the approval</li> </ul>	Recommendation accepted.



	<p><i>and how they will be treated</i></p> <ul style="list-style-type: none"> <li>• <i>how responsible gambling considerations have been taken into account in the process and the measures Crown will implement to mitigate the risk of gambling related harm, and 8</i></li> <li>• <i>which areas of Crown will be responsible for managing implementation.</i></li> </ul>	
<a href="#"><u>19</u></a>	<p><i>The VCGLR recommends that, by 1 July 2019, Crown Melbourne implement a policy to make an exclusion order under section 72 of the 12 Casino Control Act in appropriate cases where a person has engaged in significant unacceptable conduct in the casino or is the subject of serious criminal charges.</i></p>	<p>Recommendation accepted.</p> <p>Crown notes that it has had a policy in place to issue Exclusion Orders for unacceptable behaviour for over ten years and does issue Exclusion Orders for this purpose in appropriate circumstances. Crown also notes that it issues withdrawal of licence notices to persons in appropriate circumstances, as it is entitled to do as a common law right, as those notices cover broader areas of the Crown property than the more limited area covered by Exclusion Orders.</p>
<a href="#"><u>20</u></a>	<p><i>The VCGLR recommends that, between November 2019 and March 2020, VCGLR Commissioners and directors of the Crown Resorts board meet to review the implementation of the recommendations set out in this report.</i></p>	<p>Recommendation accepted..</p>

# Appendix 9

## Transaction Documents with active obligations

- Casino Licence (19 November 1993)
- Management Agreement (incorporating the Tenth Deed of Variation—3 September 2014)
- Casino Agreement (incorporating the Eleventh Variation Agreement—22 October 2007)
- Site Lease (Melbourne Casino Site) and Deed of Variation (10 August 2010)
- Deed of Undertaking and Guarantee (30 June 1999)
  - Deed of Amendment and Release of Guarantee (5 February 2007)
  - Deed of Amendment, Accession and Release (22 October 2007)
- Fixed and Floating Charge (19 November 1993)
  - State Charge Variation Deed (30 June 1999)
  - Second State Charge Variation Deed (22 October 2007)

# Appendix 10

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*Commissioners in office as at 30 June 2018*

Mr Ross Kennedy PSM

Chairperson

Ms Helen Versey

Deputy Chairperson

Ms Deirdre O'Donnell PSM

Deputy Chairperson

Mr Des Powell AM

Commissioner

Dr Dina McMillan

Commissioner



Ms Catherine Myers

Chief Executive Officer

Victorian Commission for Gambling and Liquor Regulation

Victorian Commission for Gambling and Liquor Regulation  
Level 3, 12 Shelley Street  
Richmond Victoria 3121