

MR CHAPPELL: Professor Horvath, would you please identify yourself for the record?

PROFESSOR HORVATH: Professor John Stephen Horvath, Director of Crown Resorts Ltd.

MR CHAPPELL: Thank you. Mr Murphy?

MR MURPHY: Richard Murphy, Minter Ellison.

MR CHAPPELL: Mr Preston?

MR PRESTON: Josh Preston, Chief Legal Officer, Australian Resorts.

MR CHAPPELL: Ms Fitzpatrick?

MS FITZPATRICK: Alex Fitzpatrick, Director Licensing.

MR CHAPPELL: Ms Holmes?

MS HOLMES: Miriam Holmes from the VCGLR.

MR CHAPPELL: And I'm Robert Chappell. Now as I said before we put the recording on, we just want to have a bit of a conversation about issues that are of interest to us. We've spent the last six or seven months having presentations from Crown staff, going through minutes and documents and all sorts of things and that's given us somethings that we'd like to explore with you. The first one we'd like to start with is the board for Crown Melbourne Ltd which is the legal entity that holds the licence and to start - and which I understand you're a member of as well as being a member of the Crown Resorts Board.

PROFESSOR HORVATH: Yes.

MR CHAPPELL: So the 25 word or less version of what do you see is the role, purpose and function of that board?

PROFESSOR HORVATH: Of the Crown Melbourne Board? Well I've been on the Crown Melbourne Board from the time I started on the Crown Resorts Board and it does act in a functionally important way. The Resorts Board sets the overall strategy for the company and it doesn't delve to a large extent into some of the operational issues that the Crown Melbourne Board does. The Crown Melbourne Board has got two independent directors on it. It was Rowena Danziger until her retirement just recently and myself, and it looks at the issues more on an operational and a day to day basis, and then reports back up to the board. It's got the compliance issues which are important. It's got the Audit and Risk Committee which looks at those issues that are pertinent to Crown Melbourne and looks at the general operating issues around how Crown Melbourne operates and then reports back up to the board. Some of its functions are joint, such as OH&S. There's a single OH&S committee for the two sites and we sort of wear two hats when we're doing that. The Crown Melbourne OH&S functions are reported through that and then back up to the two boards and of course the responsible gaming issues which are very much on two sites but separate.

MR CHAPPELL: Yeah, all right.

PROFESSOR HORVATH: I think it actually works extremely well in that environment. They've got quite distinct roles. Crown Melbourne doesn't look at the

strategic question that Crown Resorts does. It operates within the strategic framework set out by the holding company.

MR CHAPPELL: Yeah.

PROFESSOR HORVATH: But just sort of to finish off, Robert, it holds very much a Melbourne view.

MS HOLMES: I just wanted to clarify, you said it had two independents until Ms Danziger resigned.

PROFESSOR HORVATH: Yeah.

MS HOLMES: I understood she'd resigned from Crown Resorts but I wasn't aware - - -

PROFESSOR HORVATH: Well she's staying on Crown Melbourne.

MS HOLMES: Okay, so she is staying on Crown Melbourne.

PROFESSOR HORVATH: She's an independent independent.

MS HOLMES: Okay. So it's still then just you and her?

PROFESSOR HORVATH: Yes.

MS HOLMES: And after Mr Gosper resigned in 2017 I believe, was there any discussion about another independent director being appointed?

PROFESSOR HORVATH: That is at the moment under discussion. We've got two new directors who the VCGLR have done it very promptly and given them the tick.

MS FITZPATRICK: That's my area.

PROFESSOR HORVATH: Alex, we're really thankful and proud of you. They are both extremely irritated that NSW has still not said yes. So we in fact have got three directors awaiting NSW's blessing, which is an absolute pain, Alex, so thank you for your help. So those discussions will be had when - we've got quite a few committees that need some more

independent - - -

MS HOLMES: Because you have quite a few committee responsibilities yourself?

PROFESSOR HORVATH: Yes, and I'm a glutton for punishment.

MS HOLMES: So you understand that Ms Holton and - - -

MR CHAPPELL: Ms Korsanos.

PROFESSOR HORVATH: Ms Korsanos.

MS HOLMES: It'll be one of them do you think or it may be somebody else, you're not sure?

PROFESSOR HORVATH: I don't know, we haven't had that discussion yet. We really don't know what their wishes and desires are. Part of the reason I'm on quite a few committees, I come from a background, my actual - the majority of my working life has been as a regulator. So I'm usually sitting on your side of the desk, and as such they've utilised my interest in the area.

MS HOLMES: Experience.

MR CHAPPELL: Just talking about - I accept what you say about it being a good Melbourne focus thing. Our observation of the formal record which is basically all we've been able to see, so that's why it's good to be able to talk to you about it is that the meetings seem to be quite short. The papers seem to be basically a version of the Crown Resorts papers that have been used on the same day and there's an element of scriptedness about it but you say that there's more to it - - -

PROFESSOR HORVATH: Yes, there is more to it than that. Now admittedly a lot of the material is covered in

Crown Resorts so it's not covered twice. When Kevan Gosper was chair and not on the Crown Board he got an independent, very lengthy briefing before the meeting. Now I agree with you perhaps that should have been documented because it doesn't reflect the reality.

MS HOLMES: So when I look at the minutes for the last six meetings, they're all 30 minutes or less at Crown Melbourne.

PROFESSOR HORVATH: Mm.

MS HOLMES: The minutes. So they're pretty short meetings and there doesn't appear to be many formal resolutions, other than what you would expect the Crown Melbourne Board to do, the annual types of resolutions regarding financial (indistinct), no AGM. There seems to be - and apart from capital resolutions which are relevant, which would have been discussed at a strategic level, I don't see a great deal of other resolutions on other topics with are Melbourne specific. Could you comment on that?

PROFESSOR HORVATH: Yeah, I suppose where a lot of the more Melbourne work issues are done were in compliance in OH&S, in responsible gaming, in the working committees. Maybe there should have been more and I'll take that as advice from you, they should be better reflected in the Crown Melbourne minutes.

MS HOLMES: I can see the compliance and audit minutes go to the board and you're on those I believe.

PROFESSOR HORVATH: Yeah. Responsible gaming does too.

MS HOLMES: I have - yeah, and that's I think as a result of the recommendation from last time.

PROFESSOR HORVATH: Yes, correct, yes.

MS HOLMES: But I don't see there's a great deal of discussion. They seem to be simply minuted as noted and nothing particularly in drawn out from them. I just wondered if you have a comment about that?

PROFESSOR HORVATH: I suspect that's more a style of record keeping than what we actually do.

MS HOLMES: Okay. But the duration of the minutes is accurate?

PROFESSOR HORVATH: Yes, the duration is accurate and I suspect that some of the things that could come out of there have been discussed at length at Resorts.

MR CHAPPELL: We had an exchange with Richard in the earlier interview about whether there was anything remarkable about in a large corporate group the subsidiary companies not having board meetings at all. It was around the fact that there's actually a compliance obligation that requires the maintenance of the board and those two particular board committees. Have you given any thought to whether it might just be simpler to have a longer Resorts meeting and have all the committees reporting into the board at the top level?

PROFESSOR HORVATH: That is an ongoing discussion, Robert, as to what is the most efficient way to run it. At the moment the overall feeling is that Melbourne is unique, it's the jewel in our crown. It really

sets a lot of the agendas for the other operations and therefore it should have its own board, be better minuted and that's probably responsible gaming is a great example of it. That the Perth operation around responsible gaming really matured out of the experience in Melbourne. So at the moment our inclination is, if anything, to beef up the Melbourne Board operation not the reverse.

MS HOLMES: How do you think it could be beefed up?

PROFESSOR HORVATH: I don't know. This is something that we are currently thinking about and talking about once we have new directors how we do that. But, you know, not just for the sake of form but for things that need to be covered.

MR CHAPPELL: Well I mean it's interesting to hear that because there's an impression you can form from looking at the papers that the thing is an exercise in (indistinct) and that's a logical step to go to from the licensing environment that you're in because those obligations were created in very different circumstances, where it was important to the VCGLR's predecessors that there be some particular governance for what was then the only gaming operation in the company and that was PBL, so - but it's - we take on board what you've said about that. I suppose one of the things that you might do then is to perhaps have a written charter for the Melbourne Board that sort of talks a bit more about the sort of stuff that it does because - - -

PROFESSOR HORVATH: Thank you. Take that on board.

MR CHAPPELL: - - - I don't think we've come across anything like that in the - in our review of the papers.

PROFESSOR HORVATH: No, I don't think there is.

MR CHAPPELL: The necessary formal legal documents at the end of - and to be fair, we've had a look at some Resorts papers and minutes and they're not on the discussion either.

PROFESSOR HORVATH: No.

MR CHAPPELL: Apart from the bits where Richard's present and they've all been redacted, so.

PROFESSOR HORVATH: Look, it's an interesting comment you make. It's - in my various lives and roles I've seen minutes that record every single word everybody's said and minutes that are unbelievably non-communicative. And I don't know the rights and wrongs of them but certainly I think that perhaps our minutes could be a little more informative.

MR CHAPPELL: We understand aspects of company secretarial practice where you want a set of minutes that you can show your bankers and your external parties that - where they can see all the stuff that they need to see and perhaps you don't necessarily need to air every feeling or opinion people had and we understand that, but of course when we come to do this we're looking for evidence of deliberation and what we see is a lot of noted, noted, noted, which could lead you to a conclusion that the management are driving the company and the board members are going along (indistinct words) - - -

PROFESSOR HORVATH: No, I think if you look at our independent directors they're a pretty robust and involved group of people.

MR CHAPPELL: Yeah.

PROFESSOR HORVATH: That's certainly - I can understand when - reading the minutes in my mind, there's not a lot of discussion in there. But there are, you know, issues that are robustly discussed and they could be perhaps minuted differently. I think we'll take that, you know, we'll take that on notice and you know have a discussion about it. Particularly as we've got two completely new directors, that may be something that they'd be interested in enforcing.

MR CHAPPELL: Yeah, and look we're asking questions here, we're not - - -

PROFESSOR HORVATH: Of course.

MR CHAPPELL: - - - the observations and opinions are going to be framed by others based on a whole lot of factors but having written - having spent 15 years or so writing board minutes myself over a time there's - there is a way of imbuing a flavour in them where you can read them a year later or two years later and bring back bits of where the discussion was going. Whether there was some tension or some competing views, and that's really a matter for the company obviously and I understand that there's a balancing act there, but it leads me then into a question of when things are discussed and issues are contested, either in the board or in these committees, if they're not fully explored in the

minutes, what's the way that the message is then communicated back outwards from the governance structure back into the business? And I'm thinking in particular in relation to the assessment of risk and the way risks are identified and treated within the company. Now we had a conversation with Barry about it this morning, clearly he's got to do all of this but from the independent directors' standpoint - - -

PROFESSOR HORVATH: Okay. Looking at risk, there's a couple of issues there. Firstly, in terms of matters being communicated to management and I'll compare two boards. The Crown Resorts Board has almost as many management sitting around the room and the table as there are directors. So the management is acutely and instantly involved of board deliberations. I compare it with my other life, I'm chief medical officer of Ramsay Healthcare International.

MR CHAPPELL: Yeah.

PROFESSOR HORVATH: And their board has no management, and I find it, as being one of the senior executives there, much harder to figure out what their thoughts are. You know, that sort of comes to us by osmosis from the CEO and in fact their recent board strategy day I did suggest that senior executives might be mute in the background. So it is interesting at Crown Resorts senior management are there. In my nearly 10 years on the board I think we've had one meeting where we've asked senior management to leave, and that was a staffing

issue.

MR CHAPPELL: Yeah.

PROFESSOR HORVATH: So they're well aware and across the tensions and the views et cetera. Around risk, both Crown Melbourne and Resorts have a risk structure with emerging risks are well defined going up through the risk committee and back up to the board, and you know independent directors are acutely aware of them. My only involvement, for example, at Crown Melbourne when there was a fire audit report. There was a comment around water pressures not being adequate for a high rise. Well both Kevan Gosper and I then actually with the fire department inspected all the water pumps. Now it turned out that there wasn't a problem, the actual pumps had been mislabelled. Now you know that was an acute intervention by two independent directors. Similarly on behalf of Crown Melbourne and the Resorts, I attended as an independent director of the National Security - the corporate security meeting at (indistinct) and there they raised issues around the physical security, around terrorist alert, around cyber security, both of which I brought back to management and the board. As a result of that we had a review of our bollards physical situation. Similarly, we had a discussion around cyber security, the difficulty with ensuring - this is ongoing. We've had a review by an external company of our cyber security. Their recommendations have now been put into place, so

there is quite an involvement by the company and its directors in the whole risk profile and what comes out of it. Similarly, we were concerned following the Wilke issue that we were alleged to have money laundering issues, so the Crown Compliance Committee and then the board had a formal presentation of what our AML - to the - what happens in the cage. So all the bits and pieces. So yes, there is quite a structure to it both going up and down and at a board level.

MR CHAPPELL: You mentioned the Wilke thing and we're aware that almost as soon as those allegations were made the company made an announcement I think it was even published and advertisements in the newspapers putting its view on the value of those allegations. Now I'm assuming that at the time the advertisement was placed it might not have been known what was happening with the particular matter that related to the gaming machine button patterns. Now I know that that matter is unresolved but it turns out that there was a matter that we were looking at at the time and that's been identified as being potentially disciplinable. Were you either at the time or afterwards involved in any discussion about the basis on which that - those statements were made?

PROFESSOR HORVATH: We were all immediately involved.

MR CHAPPELL: Yeah.

PROFESSOR HORVATH: Whenever an occurrence occurs the board is informed and involved. The Melbourne terrorist

issue, I think there was a board meeting within two or three hours.

MS HOLMES: So would that be - from my reading it looks like Crown Resorts Board is quite reactive, so there are teleconferences if there is an issue more so than the Crown Melbourne Board. Would you agree with that, that it's Crown Resorts Board, so the bigger board?

PROFESSOR HORVATH: Yes, for instant - - -

MS HOLMES: For any sorts of big issues?

PROFESSOR HORVATH: For instant big issues, there's a brand risk for the whole company.

MR MURPHY: And market disclosure obviously.

PROFESSOR HORVATH: Yeah, market disclosure.

MR MURPHY: (Indistinct words) listed entity so it's got to get on top of that and inform the market or otherwise be subject to corporate regulatory action.

MR CHAPPELL: Presumably if the board had been aware that there was an open investigation in relation to the button pattern matter, the terms of that particular statement might have been different?

MR MURPHY: Well the Wilke allegations were quite different. The Wilke allegations were around, you know, manipulation of gaming machine outcomes. That's what they were about.

MR CHAPPELL: Well one of them was actually the button panel matter that was under investigation by the VCGLR at the time.

MR MURPHY: So yeah, the form of the market announcement that

was made by Crown Resorts in response to that did say that Crown utterly rejected the allegations of improper manipulation of the machines. So, you know, it did deal with the substance of that thing rather than the technical debate about whether or not there was permission required in connection with the - you know, the changing of the gambling options available on particular machines. So yeah, clear distinction between the substance of - - -

MR CHAPPELL: And if the board had been aware that there was an investigation underway it would have made exactly the same statement as it did or - - -

MR MURPHY: Yeah.

PROFESSOR HORVATH: Yes, I think so.

MR CHAPPELL: Right, okay. I think I've got from you that in terms of what you see as these or what you've described as these high level risks and matters of significance that come to the board, the board is quite engaged and independent directors take a particular interest in them.

PROFESSOR HORVATH: Very much so.

MR CHAPPELL: In terms of the formal risk framework that the company's adopted and has published and reports that - in that - I think we had a bit of a laugh about the industry that has grown up around risk consulting and who knows, we might all need a job in three months' time, so it could be the place to be. Are you - sitting at the top of the company, you're not expected to be down there checking through the filing cabinets and inspecting the

accounts payable and all those sorts of things. We understand that you're expected to rely on the material that's presented to you. Are you comfortable with the level of assurance you get from the operation of those risk frameworks in general?

PROFESSOR HORVATH: Very much so to the point that when we are uncomfortable with the individual things we take action and, you know, the fire issue was one. Another one was, for example, there was a lot of debate some years ago around the safety of fireworks in the palladium.

MR CHAPPELL: Yeah.

PROFESSOR HORVATH: And we as a board were not comfortable that adequate measures were in place so all sorts of other surveillance on our part till we were comfortable. So high level risks get brought to us.

MR CHAPPELL: Yeah, and - - -

PROFESSOR HORVATH: And I think the structure of what we've got going through the risk committee is appropriate.

MR CHAPPELL: And you think history's borne out that the right ones are spotted - - -

PROFESSOR HORVATH: I believe so, yes, Robert. Yes, I believe so.

MR CHAPPELL: - - - for escalation. Right. You did mention the cyber security thing. One thing that we noted was that - we've seen two reports, one from Blue Sky International and one from CommSec.

PROFESSOR HORVATH: Yeah.

MR CHAPPELL: And as I recall the sequence the Blue Sky International one is about 2015 and the CommSec was about a year later, and the CommSec one was essentially commissioned as a second opinion on the matters raised by Blue Sky.

PROFESSOR HORVATH: No, it was more so an action out of the Blue Sky.

MR CHAPPELL: Right. Well one of the things that the Blue Sky report suggested was that it would be possible for an intruder to get inside a jackpot controller on the main floor of the casino. And as far as we were able to tell from looking at the documents, that report itself didn't come to the attention of a board level committee until early 2017. Would that square with your recollection of the sequence of events?

PROFESSOR HORVATH: I don't know, I'd have to take that on notice, Robert. That's too detailed for me to really comment about.

MR CHAPPELL: Yeah. Appreciating that it's a matter of detail and that management may have taken the view that the report was misconceived, is that the sort of thing that should have been raised as a potential issue earlier than say 18 months, two years after the - - -

PROFESSOR HORVATH: Can't comment because I don't actually have the detail in hand.

MR CHAPPELL: Well even hypothetically, I mean let's - I'm quite happy to accept that it probably isn't

possible to get inside a jackpot controller but the report said that it could be done. I know it's something for management.

PROFESSOR HORVATH: Yeah.

MR CHAPPELL: But in terms of time limits would you - - -

PROFESSOR HORVATH: Look, if management thought it was a real issue they would have brought it to our attention. They clearly didn't.

MR CHAPPELL: True. So at that point you're really in their hands?

PROFESSOR HORVATH: Yes.

MS HOLMES: And you're comfortable with that?

PROFESSOR HORVATH: Yes. I mean if I think of my nine years on the board I've got no reason to even suspect that we have been misled by management. It's a highly competent management. You know, we haven't had a stuff up.

MS HOLMES: Well some might say that the events that have happened in the last 18 months there may have been stuff ups, that you haven't been informed of all the risks of the operations.

MR MURPHY: Some may dispute that.

PROFESSOR HORVATH: I mean the board certainly is not - - -

MS HOLMES: Well some outsiders would make that observation that there hasn't really been - I'm not saying there has been but that they observe there have been major issues evolve regarding the operation of the company in the last nearly - - -

PROFESSOR HORVATH: Certainly not the view of the board, Miriam. You know, the view of the board is that we

are kept appropriately informed by management of the relevant risks.

MS HOLMES: So have there been any changes do you think as a result of events over the last period of time?

PROFESSOR HORVATH: What, sorry, I don't - in what sort - - -

MS HOLMES: Well for example with the outcome with the detention of staff, have there been any changes in approach to information brought to the board or - - -

PROFESSOR HORVATH: Not materially. I mean we were fully informed from the moment that the detentions occurred. We were fully informed before then of material risks, so no I don't think there has been a material change in how we operate.

MR CHAPPELL: I mean you have restructured that area, the team was disbanded and a new team has been put in place now and its organisational structure is quite different - - -

PROFESSOR HORVATH: Yes.

MR CHAPPELL: - - - with a dedicated compliance person in Hong Kong reporting into Melbourne not through the gaming line of command, so - - -

PROFESSOR HORVATH: Well clearly the ball game has changed and we've got to change with it.

MR CHAPPELL: So I mean - and you might just say that that's a safer way of doing business in China than the way you were doing it.

PROFESSOR HORVATH: Well it's a different way and in the current environment it's I think an appropriate way.

MR CHAPPELL: All right.

MS HOLMES: Can I just ask on the committees, they meet three times a year, that's the Compliance Committee and the Audit and Risk Committee for Melbourne?

PROFESSOR HORVATH: Yes.

MS HOLMES: Do think that's sufficient time, the three meetings a year? I mean they're roughly about 40, 45 minutes those meetings. Do you think you have sufficient time to discuss issues given the size of the - size of the business in Melbourne? I mean you get - - -

PROFESSOR HORVATH: I can't - I can comment on Compliance.

MS HOLMES: Sorry, Audit you've only just joined.

PROFESSOR HORVATH: Yeah, I've just joined.

MS HOLMES: I apologise.

PROFESSOR HORVATH: So I can't comment about that.

Compliance, I don't have a problem with three times a year, maybe four times a year, three times a year. If there are issues in-between then there are discussions with us so, no, I don't think it is a problem but, you know, whether we meet three or four times a year. You know, I'm not sure it would make a material difference.

MS HOLMES: What are the sort of robust discussions you've had in those meetings about - what sort - can you give me a topic because I can't see from the minutes that - - -

PROFESSOR HORVATH: Well the robust discussions around anything that effects the operation of the business. You know, we had for - and I've alluded

to it before. We've had robust discussions around fire safety which we regard as a very high priority for that Compliance Committee. You know, it would be an appalling outcome if we weren't 150 per cent compliant with all fire restrictions. And that's where coming back to the palladium, you know, we were not comfortable that we were only just meeting the fire requirements for shows in the palladium and we in fact put a number of restrictions for a while on what could occur in the palladium. And you know when you bring that up that actually occurred out of then, there was that disastrous occurrence overseas where fireworks at some public show and all sorts of people died, and we felt that we had - - -

MR CHAPPELL: Was that the one in Germany you're thinking of - - -

PROFESSOR HORVATH: I don't honestly remember, Robert, but it was overseas and it was the sort of fireworks that were from time to time in the palladium, and we as a committee were really concerned as to was our fire safety absolutely optimal. A second area that came out of that in fact was, was our fire evacuation which we do annually and I think 2 am on Good Friday or something.

MR CHAPPELL: When the casino's closed?

PROFESSOR HORVATH: Yeah, and two of our - I couldn't, I was overseas but two - Kevan and I think Rowena attended to see that this was not a paper exercise.

MR CHAPPELL: Look, I think some of these examples about

terrorism or counter terrorism activity and public safety in the palladium and so forth are great at demonstrating the willingness of the board to get involved with some of these risk issues. Are you able to draw that back into something that would actually focus on the gaming part of the business that we're responsible for?

PROFESSOR HORVATH: Mm.

MR CHAPPELL: Have there been any matters that have come up at audit or compliance where we can talk about a robust discussion on a gaming compliance issue or a gaming customer company interaction that was less than ideal?

PROFESSOR HORVATH: Certainly around - - -

MR PRESTON: If I can add one.

PROFESSOR HORVATH: Yeah.

MR PRESTON: The Mark Robley experience came up from a compliance perspective at the same time as a RSG perspective, which was the gentleman who was excluded in Perth and Melbourne, wasn't excluded, not excluded in Perth so that generated a lot of debate around the RSG but it was certainly brought back in terms of the compliance side of it, the Compliance Committee as I recall.

PROFESSOR HORVATH: And we had very early on while I was hesitating, I'm just trying to think of the detail, quite early on in my experience in the - prior to the previous review there was an issue around the card machines and the - in Baccarat.

MR CHAPPELL: The shoe?

PROFESSOR HORVATH: The shoe, thank you. And there were issues around the dealers not noticing when there was a card jam.

MR CHAPPELL: Right.

PROFESSOR HORVATH: And there'd been quite a degree of commentary around how we would deal with it and in fact the shoe was redesigned, it's placement was redesigned. Coming back to your question there, any time we get a notice from you around some activity that is being investigated, all of this comes to Compliance and discussed. So these aren't just for noting, all of them are carefully noted. Similarly, around OH&S if there are concerns from the unions about noise or issues they all come to Compliance Committee and looked at. And you know we take any actions by the VCGLR, you know, very seriously. You know, we got the reports of the joint inspections that you guys did with our staff and certain recommendations that came out of that. So every one of those notifications are a part of our deliberations.

MR CHAPPELL: Okay. I'd just like to explore with you a little bit about the dynamic of the main board meetings.

PROFESSOR HORVATH: Mm.

MR CHAPPELL: Just looking back to 2013 and coming forward to now, have you noted any change in the dynamic of the board in terms of the way things are discussed, the way issues are brought forward, the way strategy is set? Is it - I mean it wouldn't be

remarkable if there had been but it's really just a question in terms of how does it all fit together? You've had a couple of different chairs in that time, a little bit of turnover on the board. How does it work?

PROFESSOR HORVATH: Well the independent directors largely haven't changed.

MR CHAPPELL: Yeah.

PROFESSOR HORVATH: The independent directors have some very clear roles. They've got an obligation to the shareholders as a group and they also have an obligation to ensure that management actually complies with the strategy as set out. In that way I don't think things have changed, you know, in a dramatic way. We've had some changes in direction of where the company is going and they were discussed, you know, in a very clear and robust manner and decisions were made that we would go in a slightly different way but the fact that we've had changes in chairman haven't effected - haven't dramatically effected how the board operates, because the independents are in a majority. The major shareholders representatives are in a minority and I must say they behave in a very respectful manner to the independent directors.

MR CHAPPELL: That's really quite central to the thing we want to talk about. We're conscious that 47 per cent of the company is in James Packer's control, whether he's present or not and that on one view it must be in people's minds that if he was completely unhappy

with the way the company was being run he'd have the capacity to bring about major change at the top part of the board. I'm not suggesting that he would but that is a circumstance that's a bit different from if you're an independent director on a company that's got a broadly held register where the people that you're most worried are the fund managers and proxy advisors.

PROFESSOR HORVATH: We still worry greatly about the fund managers and the proxy advisors let me tell you.

MR CHAPPELL: Good, good, okay.

PROFESSOR HORVATH: You know, we've had one hit and we took that very seriously, and management and board worked very carefully not to get a second hit. It's not good for our brand.

MR CHAPPELL: No.

PROFESSOR HORVATH: One assumes what's good from - the independent directors' view is what's good for Mr Packer's 47 per cent has got to be good for the rest of the company, and we take that responsibility very seriously. Anything that is a related party transaction and there have been some, he and his nominees aren't in the room and there are committees appointed to deal with those matters, and we are entitled to and we do get absolutely independent legal and other advice for any such transaction.

MR CHAPPELL: And has that happened recently?

PROFESSOR HORVATH: Yeah.

MR CHAPPELL: I suppose in a way the related party

transactions are the easiest ones to handle because they're obvious and there's usually a pretty well worked path that you can go through to you find the right value.

PROFESSOR HORVATH: I mean - yes.

MR CHAPPELL: Yeah. In terms of the company's forward thinking style and I don't know whether you've seen them but I've seen a couple of media pieces quite recently that suggest that Crown Resorts has really become the new telecom. It's become a utility, you buy shares you'll get your whatever per cent and it's - and there aren't going to be any surprises here, it's just steady as you go, we'll build the Barangao and the outcomes are going to be quite predictable. Contrasted with what people might have been saying five or 10 years ago about this is a growth company, it's going to expand everywhere and do all sorts of things. Where do the ideas come from? Where does the initiative come from in identifying those opportunities?

PROFESSOR HORVATH: They come from all sorts of sources but they end up being debated at the board. I think our Alon project is a very good example.

MR CHAPPELL: I was interested in - I was going to ask you about that so please tell me - - -

PROFESSOR HORVATH: Well Alon was brought to us in fact by one of our staff. It was very thoroughly evaluated including I went over to have a look at the Alon project, and at the initial proposal it looked to be a good proposal, not a brilliant one, with a

good return. Two things happened; one, the development costs blew out or the potential development costs and from being a good proposal it became significantly a less good proposal. And because the complexities of the development - and I don't know whether you've actually seen the map of it. It's a great - it was a great piece of land.

MR CHAPPELL: Triangular more than square I think from - - -

PROFESSOR HORVATH: No, no, more rectangular. It was here next to Trump Towers which tried to be a casino and failed, so it turned into a hotel. Over here was Wynn, his latest one, so this would have been a beautiful proposal straight opposite the shopping mall. Two things happened; one, the proposal got grandiose so it was looking less profitable and secondly while we were getting round to doing it Wynn built much to our surprise very quickly an almost identical proposal on his golf course.

MR CHAPPELL: Right.

PROFESSOR HORVATH: Which made the whole project less attractive and we got out for a profit. Not a huge profit but, you know.

MR CHAPPELL: The reason that I wanted to ask about it was that - - -

PROFESSOR HORVATH: But that was - to get out of there was as a result largely of the independents saying to management we don't like it. Management were more - were quite happy with it, it was a great project for management. It wasn't for the board.

MR CHAPPELL: Okay. And I suppose to your credit you were

prepared to say we agreed to this but we've now decided to cut our losses?

PROFESSOR HORVATH: Yes, that was precisely the tenure of a number of board meetings.

MR CHAPPELL: The thing that peaked our curiosity about that, and I appreciate it's a long way from the roulette wheels down at Southbank, was that there'd been a lot of talk about strategic fit and the market that Crown was sitting in, and we were having trouble seeing how another Las Vegas trip destination casino was going to give you any synergies with the market that you were developing in Asia. Is it fair to say that the thing was - came to the board just on the basis that it was a good investment that you'd have some capacity to add value to or - - -

PROFESSOR HORVATH: No, I think it looked like a good investment at the time but also bearing in mind that our high roller, and this project was going to be, you know, a very high end market not your traditional low rent Vegas operation.

MR CHAPPELL: Circus.

PROFESSOR HORVATH: Yeah. Our very high end customers get bored easily and if we can - the more we can offer them in a packaged way the better the market.

MR CHAPPELL: So you would have looked at taking your best Asian customers into Vegas.

PROFESSOR HORVATH: Absolutely. That was the business model it was predicated on. And trying to get some of the high end American market into the Crown brand

and here because at the moment we get no American market.

MR CHAPPELL: Yeah.

MS HOLMES: So as I understand it now it's announced as to focus on the Australian resorts. So I'm just wondering Aspinalls, how does that fit in with that?

PROFESSOR HORVATH: Look, that's a Legacy investment basically. I can't tell you why it was originally (indistinct) and way before my time, and it's a very minor Legacy investment.

MS HOLMES: So going forward, where do you see Crown Melbourne going forward?

PROFESSOR HORVATH: Crown Melbourne remains our principal jewel in our crown. It's from a purely practical end, you know, it's - the vast majority of our impact. You know, it provides most of our dividend. We've spent a huge amount of money on this in the last 10 years, keeping it beautiful. In fact when I was down earlier this week I noticed we're again spending a fair amount of CapEx redoing the end suites because they just look a bit tired. We want to build Queensbridge because we think that will again add to this property another very high quality hotel. This is where our principal focus has been and continues to be to drive the business. People come to Melbourne, it's been where we've attracted. We will also attract them to Perth and to Sydney. The Sydney market's going to be very different, very much smaller footprint and I think

it will in fact - the business model there is predicated at taking a third of the Star's business. It'll have no walk-in.

MR CHAPPELL: The best third of their business.

PROFESSOR HORVATH: The best third of their business, and we hope that it'll again bring more business to Crown. We anticipate the Sydney business will - and that's our business model actually - will actually increase the Melbourne business. I think Melbourne property's fantastic.

MR CHAPPELL: So I think at the last annual meeting was it both the chairman and Mr Packer or just mainly Mr Packer made it clear that the international strategy was - had basically been put back in following the detention of staff in China and the focus was very much on Australia.

PROFESSOR HORVATH: Mm.

MR CHAPPELL: Once you've built Sydney that's going to exhaust the opportunities within Australia, so is the immediate thinking that it'll just be a conservative capital management strategy so that you don't have millions of dollars in your pocket wanting to go somewhere or - - -

PROFESSOR HORVATH: Look, I think that is - I can only talk for 2018. We made the decision that we had to sure up our balance sheet for Sydney.

MR CHAPPELL: Yes. Because you want to finish building that in a no stress way?

PROFESSOR HORVATH: Exactly right. We, you know, publically two meetings ago felt that the high - the very high

volume Chinese business was going to fund Sydney. After the Chinese issue our view as a board was that we'd taken a back hit in revenue. Now that hit is not as large as we anticipated I might add and the business is slowly recovering but the view was our balance sheet was then stressed. There was a lot of criticism about us getting out of Macau in the media. At the end of the day we made a very large profit but it does sure up our balance sheet so we can do Sydney without stress on the balance sheet, and that was the board's view.

MR CHAPPELL: So, you know, I hate to add to this but what I'm sensing from it is for the foreseeable future it'll be a very conservative approach to completing the Sydney project but if a really good opportunity came along it would be given a fair hearing.

PROFESSOR HORVATH: Absolutely. I mean we've got two projects that we want in a stress free way. To complete Sydney. Now Sydney's on budget, on time, thank goodness and Queensbridge, which we've committed to the Victorian government we'll do. Now that's taking a little longer because of - not of the hotel issue but of the complexity of the apartment market and how we do it. So those are our two current projects, which are quite big asks.

MR CHAPPELL: Yeah.

PROFESSOR HORVATH: At the same time Perth not because of China issue but because of the downturn in the Perth market is taking longer to recover, which put pressure on our balance sheet also. Now once Perth

- Perth always recovers but once Perth recovers and we're in a better position, something comes along.

MR CHAPPELL: Fair enough, no, thank you for that.

MS HOLMES: One of the things that Mr Packer mentioned at the AGM was transparency and that it was a matter he'd taken back to the board. Has that actually been discussed?

PROFESSOR HORVATH: Yes, not only - - -

MS HOLMES: Because we didn't see that in the minutes immediately after.

PROFESSOR HORVATH: It's again our minutes. We are - - -

MS HOLMES: Well that's why I'm raising it because it was quite a public statement about transparency in response to comments.

PROFESSOR HORVATH: We've already had, we've already had a meeting with Tim Costello and Stephen Mayne. I'm in fact coming down to Melbourne next Thursday to meet with Stephen and with Tim to walk around the property and further discuss with them issues that they regard important as transparency. Transparency's always sort of a two-edged sword around people's privacy and - but it's certainly something we are discussing and more important than discussing we're actually acting on it.

MS HOLMES: So in the sense of acting on it that's meeting Mr Mayne and Mr Costello?

PROFESSOR HORVATH: Yes, and seeing what their - what they regard as important in the area of transparency. They're the ones that raised the issue so we're in very active conversation with them as to what they

regard, and then clearly we need to come back to you as the regulator to say is this appropriate. So it's in the - it's in the action discussion phase.

MR CHAPPELL: Okay. Look, I actually thought that the board handled those things at the general meeting quite deftly, and it's only an observation. I think Crown is open to the comment that a policy of sticking by your rights to not tell anyone anything hasn't actually helped the brand very much, even though it's perfectly respectable and most people won't answer those questions so they don't have to disclose.

PROFESSOR HORVATH: And I think the situation - I think that corporate Australia, the game's changing and we need to be aware of it.

MR CHAPPELL: Thank you.

PROFESSOR HORVATH: I think one of the things as a company, we are open to as a listed company far greater scrutiny because of our major shareholder. He is - not because he's a major shareholder but he is a public - as his father was, a public interest figure, and it's something that the company's got to live with.

MR CHAPPELL: And journalists can say whatever they like today, so something completely contradictory next week and - - -

PROFESSOR HORVATH: Absolutely.

MR MURPHY: Correct.

MR CHAPPELL: As long as it sells a newspaper no one cares.

PROFESSOR HORVATH: I mean the media is not in any way restricted to the truth. Wearing one of my other hats recently I rang The Australian and said the material you wrote on private health insurance is totally incorrect, I said even if you add your figures up. And they said the most incredible, "We are not responsible for the accuracy or what's in our paper". Hello? Wow, I thought that was a good one.

MR MURPHY: Could I just also make the point on transparency. Obviously it's a very competitive industry so you know that's another of the considerations that needs to be brought into the equation.

MR CHAPPELL: But I mean you don't - I mean you don't seriously think the Star can't tell which part of your revenue's slot machines and which part of it's tables. I mean I think that was basically the disaggregation that - - -

MR MURPHY: Sure, if it's just that break down, sure.

MS HOLMES: I suppose the other issue is that given the nature of the industry there needs to be a lot more community interest in what it does and the level of regulation which many other entities don't have that same level - - -

MR MURPHY: That's true.

PROFESSOR HORVATH: Anyhow we're looking at it - - -

MS HOLMES: - - - of interest or regulation.

PROFESSOR HORVATH: - - - how to do it in a meaningful way.

MR MURPHY: That's right.

MR CHAPPELL: Yeah.

MS HOLMES: I just want to mention on the auditors and that was raised in the last review about the external auditors and the independence of the external auditors. We've noted that the fees appear to have gone up and we were just wondering, the CRL it now appears to be their (indistinct) fees for Ernst & Young are about 88 per cent and for CML about 19 per cent, which is an increase in the fifth review period. So their level of non-audible work appears to have increased and we're just wondering if you have any concern or thought about that, or if there's been any discussion about the level of work they're doing in addition, and whether they're in part auditing themselves.

PROFESSOR HORVATH: No, the board - I mean this is a regular annual general meeting issue and the board is - remains comfortable that they are appropriate in their audit functions and in the work they do for us. I mean we give them a lot of work because there's a lot of work in the business.

MS HOLMES: So there's a level of comfort with the board about their independence?

PROFESSOR HORVATH: Yes, there is.

MR MURPHY: And as a listed entity they're required to satisfy themselves about independence every 12 months.

MR CHAPPELL: Yes, yeah. And we've looked at that but I guess without dissecting it too much, we've looked at Skycity and we've looked at the Star and there the amount of non-audit work they give their external auditor is - significantly factors - significant

factors below it. Now we understand that the stuff that EY is doing in the non-audit department is the rocket science of tax management and so forth, and so if you've got expertise and knowledge and so forth in that you clearly don't want to throw that away, and we understand that Ernst & Young in one form or another have been involved with this property for the whole of its life.

PROFESSOR HORVATH: Correct.

MR CHAPPELL: But I mean it's almost to the point that you might even say well, you know, the audit fees are such a small component of it that they could live without those and someone else could be your external auditor and then the issue wouldn't arise. But that's clearly not an issue for the board is what you're saying.

PROFESSOR HORVATH: No. I mean the view of the board is that they're very comfortable.

MR CHAPPELL: Yeah.

MR PRESTON: I think, Robert, other large corporates have a not dissimilar relationship with (indistinct words) and there is the (indistinct) at times balance between audit and non-audit fees, I think in terms of (indistinct words) as the company's there. It's not entirely unusual.

PROFESSOR HORVATH: I would suspect in two years time our non-audit fees will go down because a lot of those have been associated with our international operations. Now there is less of those I suspect that some of those fees will decline. I'd hope so.

MR CHAPPELL: Chartered accountants have to buy Christmas presents too. I don't think we want to spend too much time with you talking about premium player business and junkets. We had a good conversation with Barry about that this morning. Are you much involved in the detail of that business?

PROFESSOR HORVATH: No.

MR CHAPPELL: Crown Melbourne, there's a Casino Act condition to retain the property as the dominant action based casino - - -

PROFESSOR HORVATH: Absolutely.

MR CHAPPELL: - - - in Australia. I take it that you're not anticipating any conflict with the development you're doing in Sydney about the need for it to be a dominant - - -

PROFESSOR HORVATH: We're very aware of that clause. If anything, we believe that Crown Sydney will enhance that. The footprint of the Sydney property is only about the size of the Mahogany Room.

MR CHAPPELL: Yeah. Although as - when I worked here 20 years ago someone pointed out that the Mahogany Room is larger than most other Australian casinos so it's all relative.

PROFESSOR HORVATH: It is all relative. You're absolutely right but no, as far as the board is concerned, they see that that market has been completely different.

MR CHAPPELL: Yeah.

MS HOLMES: In terms of the recent disciplinary action, did you have a view about that in relation to the

junkets? What were your understandings about that and was there any changes that you were aware from compliance perspective from the Compliance Committee?

PROFESSOR HORVATH: Which discipline - - -

MR CHAPPELL: The \$150,000 fine last December.

PROFESSOR HORVATH: I don't - - -

MR PRESTON: Yeah, there was some references in the compliance papers about an audit that was carried out by the VCGLR on the junket process. It has been around for a long period of time and it came to resolution in the last several months, and they were obliged to give a fine and that was issued against Crown Melbourne (indistinct words).

PROFESSOR HORVATH: Yes, I saw that. No, nothing material.

MR MURPHY: The record keeping requirements have been updated to meet the compliance (indistinct words) - - -

PROFESSOR HORVATH: All of those too. I mean any - this comes back, any time you bring something to our attention then that is worked through and appropriately instigated. You know, we are very conscious of the important you as a regulator play to actually keep our business appropriate and safe. You know, we don't want to do things that are inappropriate, unsafe. It's a brand risk and it's inappropriate. Now in a complex business such as ours, you know, from time to time something will happen that is either a technical breach or an oversight or human error, and you bring it to our notice, well we'll fix it. You know, we don't want to end up copping

the same sort of flack as the banks are copping now. You know, I think that's just such a sad way to end up.

MR CHAPPELL: Have you been surprised by it?

PROFESSOR HORVATH: Yeah, I have actually. You know, I was surprised by you know where the banks have ended up.

MR CHAPPELL: On the basis that you didn't think that they'd make those sorts of mistakes or that it wouldn't get the traction that it's - - -

PROFESSOR HORVATH: No, I would have thought that their compliance frameworks would have been stronger. Having come from most of my life in the public sector where compliance is life and death.

MR CHAPPELL: Yes.

PROFESSOR HORVATH: I assumed that the big banks would be more like the public sector.

MR CHAPPELL: And it seems that there's a bit more buccaneering going on there than we'd like to - - -

PROFESSOR HORVATH: Yeah.

MR CHAPPELL: Yeah.

PROFESSOR HORVATH: And I'm very pleased that I haven't seen any evidence of that in this. You know, I wouldn't still be here and then been a director with my background if I thought there was.

MR CHAPPELL: Okay. We might just turn to responsible gambling now and I know that's your principal area of interest for you. What is the - what do you reckon the future holds for the community's expectations of operators like Crown in terms of

responsible gambling?

PROFESSOR HORVATH: I think that it is changing expectations continuously and first of all we have been the leader in responsible gaming activities in this industry well before I came on board. When I was approached by the board to join and to raise what was already a very successful set of practices in the company, going back to about 1992, and I was approached to join the board in 2008 when I'd stepped down or 2009 when I stepped down from the Commonwealth full-time. And as you can imagine I actually stayed on half time as the deputy secretary. I had to get clearance from the minister and from the secretary to join the board. And I was approached to bring it to a board level the responsible gaming activities because the board and particularly the chair was of the view that this was so important that it ought to be a board related function. It reports to the board five or six times a year which is considerably more than any other committee and the comment Mr Packer made to me is that he does not want to be in the position to be making money from problem gamblers, and that our processes had to be robust to ensure that. I spent a fair bit of time actually looking at the processes and I must say they were really robust at that stage and they've continued to develop. I think the community as a whole expected that we as a company will take those measures we can to protect those patrons who come here to enjoy

themselves and get benefit from the facility's resources, and that's what our aim is.

MR CHAPPELL: What sort of measures would you use to demonstrate that?

PROFESSOR HORVATH: Well firstly the responsible gaming centre operates here 24/7. All of our staff are trained in issues relating to recognising the observable signs. One of the things we've undertaken more recently that we became aware that particularly Friday, Saturday nights late in the evening a large number of individuals appeared who already had enjoyed the night and were intoxicated, and were at risk. So we now have perimeter security and we exclude a significant number of people from entering the premises.

MR CHAPPELL: For liquor related - - -

PROFESSOR HORVATH: Yeah.

MR CHAPPELL: Yeah.

PROFESSOR HORVATH: Liquor and drugs. At the time our security was really good at picking drugs. They weren't particularly good at picking those people on the various amphetamine based drugs, so we organised for them to be trained by Epworth Emergency Department to recognise those people. We take part in a large number of international exercises. Sonja goes to all the appropriate meetings to bring back relevant stuff. We scour the literature at every meeting as to what is going on in the best practice in the world, where can we adopt things. You know, our latest trial of

timeout which we looked at was an alternative to people who didn't wish to self-exclude. Was there another way to give them a rest?

MR CHAPPELL: Can you just help me with the timeout thing.

What was it about a formal exclusion that was - that created the need for something else?

PROFESSOR HORVATH: There are a number of people who clearly would benefit from exclusion and we didn't want to be excluded. We just said no, thank you, I've read the paper, we've had the discussion, I don't want to exclude it. And so we had this discussion about the Responsible Gaming Committee. What were our alternatives here? That people we clearly did not think ought to be on the gaming floor but would not self-exclude and there are no other grounds to exclude them. So a concept of timeout was discussed as a trial, and - but no one was offered timeout unless they refused self-exclusion. So it wasn't a soft option to us.

MR CHAPPELL: Right.

PROFESSOR HORVATH: As it turned out self-exclusion hasn't suddenly dropped off. We haven't - not yet evaluated the trial, we're in the process of it. The numbers are relatively small.

MR CHAPPELL: So when we're talking about timeout it's three months?

PROFESSOR HORVATH: Three months.

MR CHAPPELL: Three months but it's still voluntary?

PROFESSOR HORVATH: Yes.

MR CHAPPELL: So it's really just another way of looking at

it. it's just a short term exclusion order?

PROFESSOR HORVATH: Could be. We could look at that one.

MR CHAPPELL: But it doesn't happen a criminal sanction
attached to it, is that the - - -

PROFESSOR HORVATH: No.

MR CHAPPELL: And you're in the process of evaluating that
still.

PROFESSOR HORVATH: Yeah.

MR CHAPPELL: So you don't know what the risk (indistinct)
rate would be or - - -

PROFESSOR HORVATH: No, don't know, early days.

MR CHAPPELL: Yeah.

MS HOLMES: We've looked at the minutes, and I apologise to go
back to them but that's the documentary material
we've got available. When I looked through,
because I was quite interested in the timeout trial
because it was one of the few initiatives that
seemed to have progressed in the last period, it
seemed on reading the records that the timeout
trial commenced in January 2017 but was first
brought before the committee in April 2017, where
you asked for the protocol for that trial which you
received at the June 2017 meeting. So I'm just a
bit - it seemed - my impression was that in fact
the management had developed this measure and
implemented and then brought it to the broader
Crown Resorts Committee to your attention, and then
you'd asked for the protocol. So I'm just a
bit - - -

PROFESSOR HORVATH: I suspect, I suspect you again have

brought up our very brief minutes. Whilst it's discussed it's not minuted, you know.

MS HOLMES: I was just intrigued why you'd get the protocol six months after, that's all.

PROFESSOR HORVATH: I don't remember. Clearly it was discussed. I'm sure we didn't see the physical protocol in writing until then but - - -

MS HOLMES: I just wondered, I was just looking at the sequence of events and how that evolved.

MR CHAPPELL: It gives the impression that the committee's not driving the process, the - - -

PROFESSOR HORVATH: No, that is incorrect. The committee drives the whole process. The committee drives all of these processes and I think you're highlighting that our minute taking doesn't reflect some of the things we do and I take that on notice. I mean - - -

MS HOLMES: So when - do you think that was the first time you saw the protocol for the June meeting?

PROFESSOR HORVATH: It's possible it's the first time we saw it in writing. I don't know. It is possible it is the first time that physically the protocol was tabled but it was certainly discussed and rolled out consensually.

MR CHAPPELL: Okay, well just getting back to things that would demonstrate the value of the process. We've spoken to Sonja and she's also indicated the availability performance indicator which is important, but in a way that's like saying we've got a fully staffed hospital here but not talking

about how many patients you have or whether the hospital makes them better or worse. So has there been consideration given to looking at some measures that would be focused, not just on the offer that's made but on outcomes that come from it? I know that these things are certainly not capable of being precise but have you thought of any measures or any (indistinct words) - - -

PROFESSOR HORVATH: Lots of discussion but we don't have a - I don't have a robust answer for you because look it's a difficult area. If you look at the literature and we spend a lot of time seeing what's out there. So much of it is anecdotal, so much of it is not terribly good literature. I don't have a robust measure that you're looking for to say this program is delivering what we believe. What we do, the processes, let me come back another way. Currently healthcare evaluation, you're absolutely right, is process reporting nationally; public and private. There is now this whole movement around outcome measures. The only is we don't know how to do it. You know, the health funds in the States are paying on outcomes. They are actually withholding 10 to 15 per cent of the fee so six months later if you're not limping after your hip replacement they give you the other 15 per cent. One of my roles as chief medical officer for Ramsay is trying to help them how we can develop outcome measures not process measures. At the moment at Crown we've got process measures, we don't have

outcome measures.

MS HOLMES: Just on that process measures, the reports that I see going to the committee are about exclusion order numbers, breach numbers, I think revocation numbers, web page visit numbers, there doesn't seem to have been any information put forward analysing the register which actually records the activities of the centre, what the centre's doing and the outcomes that they're recording that is happening there. But if I contrast that to the responsible service of alcohol, they are reporting on early interventions and the different types of intervention by the RSA officers. I'm just wondering has there been any thought about looking at the activities and how you're spending - what the staff are actually doing and where their efforts are being placed as - which seems to what's happening with the RSA, and then what the outcomes are from those activities?

MR PRESTON: (Indistinct words), RSA, yes, those statistics has - I mean there's been a range of RSG statistics provided, which include - there was a whole debate about what meant what were the different references but they don't go to the committee. The RSA don't go to any committee either.

MS HOLMES: They go to the steering - RSA Steering Committee.

MR PRESTON: Yeah, but we're talking about a sub-committee of the board here.

MS HOLMES: Yeah, I don't think there is an RSA board committee.

MR PRESTON: No, exactly. So it's not as if they're not
(indistinct) or otherwise because I don't know
whether John knows that - - -

MS HOLMES: Apologise. What I'm saying is - - -

PROFESSOR HORVATH: No, those statistics - - -

MS HOLMES: - - - there seems to be an analysis.

PROFESSOR HORVATH: - - - those statistics don't come to us.

MS HOLMES: No. Has there been any discussion about that
given that someone's obviously putting effort into
putting some analysis together for the RSA, which
clearly Crown takes very seriously, just as it does
with RSG.

PROFESSOR HORVATH: Well it goes to its oversight committee.

MS HOLMES: Well I haven't seen that so - - -

PROFESSOR HORVATH: No, well you wouldn't because it doesn't
come to a - it doesn't come to a board committee.

MS HOLMES: When we asked for the papers for the RSG
Management Committee for Melbourne, they said there
were no papers. So I don't want to get bogged down
in that issue but what I'm more interested in is do
you consider there to be value in you getting
information about what the centre's actually doing?

PROFESSOR HORVATH: Let me take that on notice. I mean look,
I know what it's doing because I visit it regularly
and I have discussions with Sonja and her staff and
I do the same in Perth. Now whether that should be
- and I meet with the psychologists and I meet with
the priest. Now whether that should be formalised
into a report, let me take that on notice, Miriam.
It's a good question.

MS HOLMES: I suppose the other side to that is the outcomes. So not only does it record the activities, it records the outcomes.

PROFESSOR HORVATH: Well it's still not an outcome because a real outcome is - and I don't know how to measure that, is that people who are seen by the centre what happens to them six or 12 or 24 months later, as a clinician I'd love to know. But then that really starts delving into privacy issues and do they then go if they feel that they're no longer welcome at Crown and they go to a pub. There's lot of issues there. But, you know, if there are outcome measures that are robust, I'd love to know about them.

MR CHAPPELL: Well I mean - - -

PROFESSOR HORVATH: As against process. But I agree with you the process - let me look at that whether we should have more process information.

MR CHAPPELL: I mean it is really hard to measure outcomes for problem gamblers unquestionably but something we'd like to move onto is just to talk about the model for the moment. I know if you go down there and you see what they're doing on a case by case basis it all looks great. But another way of looking at it is that you've got a model where people essentially self-identify. Not exclusively.

PROFESSOR HORVATH: No, a lot - for the exclusions, yeah, but a lot of the work of responsible gaming officers are work that's brought to them by the floor staff, cleaners, people who recognise distressed behaviour

and call them and there's an intervention.

MR CHAPPELL: Can you put a number on that?

PROFESSOR HORVATH: Can we put - - -

MR PRESTON: I can't, I can't - - -

MR CHAPPELL: Because I think we were struggling to see - - -

MS HOLMES: When we looked at the statistics most of the work appeared to be doing breach of exclusion orders or responding to requests for revocation information, when we analysed the register. That's where the primary work appeared to be the main two areas.

PROFESSOR HORVATH: Let us look at that.

MR CHAPPELL: Yeah. I suppose - if you'd just bear with me a moment. There's a narrative that you can say that the principal tool that you use when someone presents is the offer of exclusion which if they take up theoretically takes them off the property. But the perimeter is still pretty soft and if you want to come back in it's not that hard. Now there are some changes at the start of this year that might question that and the facial recognition deployment at the start of this year appears to have hardened the perimeter up a bit in terms of excluded persons and all sorts. But that might actually be the more severe cases, the people who have been in strife for a long time and they've finally got to the position of what the addicts about hitting rock bottom, and they recognise they need to do something about it or they have a crisis where it becomes very clear that they've got a problem. I guess the question is bearing in mind

that no one's resources are infinite, would it be a better use of the resources or have you asked yourself the question to use the expertise that's in the responsible gambling centre to directing within the organisation opportunities for earlier intervention with people or other measures that, for instance, instead of being on the property for 16 or 24 hours, there's an alert when the system says you've been around for eight or you've gone over some magic number on your turnover.

PROFESSOR HORVATH: Now the answer in this is two part. The obvious answer is yes. Now there is a statistic that we will have to dig out for you, Josh can dig it out, a significant part of their workload is in fact the non-exclusive at rock bottom. Because they work - they've got psychologists there, they've got a priest there, they work with the other agencies, Gamblers Health Victoria, and refer people. Now why you don't have that statistic I'm not sure but we will look at it Josh. There must be, you know, a workload statistic. So that is something that is a significant part of their workload. The exclusions are a part of it but not by any means the whole, and they are in fact a part of the preventative part of the exercise.

MR CHAPPELL: Okay. So you're saying you take the view that there is a proactive preventative dimension to the work of the centre?

PROFESSOR HORVATH: Yes.

MR CHAPPELL: Okay. And the player analytics would no doubt

feed into that?

PROFESSOR HORVATH: Yeah. They're at the moment under development as you know, under trial with you. We did the first part with the recommendations of the last review and now there's the second tranche that is being looked at. What are the identifiable signs? And it's just one off, it's not a silver bullet, it's not going to answer everything but it's just another tool in all of those observable signs. We still are of the view that our staff who are in contact with the players, who are well trained in the observable signs of distress, are the best trigger and the best preventative. But we're also looking at the data analytics. I mean if we can get a sensible algorithm or even artificial intelligence to tell us who is in trouble before they're in trouble, I mean that's the gold standard.

MR CHAPPELL: And you've actually got the hardware to do that, haven't you because - - -

PROFESSOR HORVATH: Well we're starting with it, yeah.

MR CHAPPELL: SYCO's there counting every - about 75 per cent of your players are card I think. So a significant part of - - -

PROFESSOR HORVATH: What percentage - - -

MR PRESTON: We've provided the detail. I can't - I can't recall - - -

PROFESSOR HORVATH: I don't remember the figure.

MR PRESTON: It depends on the time of day and main gaming floor premium, I can't recall the exact - - -

PROFESSOR HORVATH: Yeah, I can't give you a breakdown on figures but, you know, for our carded players we are working to try and develop an algorithm.

MR CHAPPELL: Have you been happy with the progress of that in terms of the time that it's taken?

PROFESSOR HORVATH: Yes. Look, it's difficult but I think we're getting there.

MR CHAPPELL: Because I think this was probably being talked about almost five years ago but - - -

PROFESSOR HORVATH: And we rolled the first one out in the timeframe that was required by the review. Now we need part two.

MS HOLMES: When I asked Ms Bauer about part two and had it been to the committee yet, that was in November, she said it had been presented to the VCGLR but at that point it hadn't been presented to the committee.

PROFESSOR HORVATH: Not the details of it, no.

MS HOLMES: Are you concerned about that? That it seemed - the impression was that management more was driving that - - -

PROFESSOR HORVATH: Well management is driving - - -

MS HOLMES: Rather than the committee.

PROFESSOR HORVATH: Well no, the committee's signed off on the concept but management's actually doing the work.

MS HOLMES: It was just - I was surprised, that's all, when she said we'd got the detail but it hadn't yet been presented.

PROFESSOR HORVATH: Not the detail, no.

MS HOLMES: So did you sign off on it after that then?

PROFESSOR HORVATH: No, we have - we've signed off on the concept, we haven't signed off on the outcome because there isn't one yet. I mean it's a work in progress that we're doing with you. The committee doesn't get into that degree of detail. I mean it's very technical for - I mean that's really a management role. I mean I'm always conscious that management has got to manage and do the work and the board and its committees are there for a strategic oversight, not to do the nuts and bolts. I think that when boards and committees get into nuts and bolts too much they actually interfere with the smooth progression of it. You know, I have a funny schizophrenic life, you know, half my life at Crown is keeping out of the nuts and bolts and the other half of my life is working the nuts and bolts and hoping the board keeps out of my way.

MR PRESTON: Just to answer your question, I think just for the record, as the guys will attest to there has been a long carefully planned approach working the VCGLR on the detail of the model, and indeed our analytics guy who I can't understand for the life of me when he talks about statistics is working with the VCGLR's analytics guy on a reasonably regular basis now. So that is a work in progress which has been working with the VCGLR for at least now several months of my tenure. So it's not as if it's sort of the final model that's been forced upon what we're going to do. The agreement was to work with the regulator to get to a model that

we're all satisfied. I understand that is model that is going to continue to evolve because we don't want to sit with one off the shelf, which was to your point about offering to make sure we can see what it looks like, report back and work with them - - -

PROFESSOR HORVATH: And fits with our business model and our time base. Because our client base is so different to say pubs and clubs. You know we're a destination so we are different.

MR CHAPPELL: Are you familiar with the automated risk monitoring system that's operating in Adelaide?

PROFESSOR HORVATH: Only peripheral, not in detail. I'm aware. Let's say it'd be safer to say I'm aware of it than I'm familiar.

MR CHAPPELL: What about pre-commitment. What do you think the role is for pre-commitment in - - -

PROFESSOR HORVATH: We have been sponsoring it since 1992. The Victorian model is to some extent based on what we had in place since then. I think it's one of our most valuable tools.

MR CHAPPELL: Do you have a view on whether people are setting sensible limits? Have you got any take on that?

PROFESSOR HORVATH: No, I don't.

MR CHAPPELL: I mean, you know, we're fortunate in this state that the nuts and bolts are in place but it still requires people to be directed to them at least or think about what would be a good way of using the technology?

PROFESSOR HORVATH: You know, I don't think you could mandate

limits because different people have, you know, different budgets. No, I don't have a view. I certainly don't think that we as a company should interfere in the personal decision of what they do.

MR CHAPPELL: Right, okay. But - - -

PROFESSOR HORVATH: I think that is intruding in the personal space. Now if they're - you know, I think that - - -

MR CHAPPELL: But what does human nature tell you about what people do if they're given an option to fill in a form or just start playing without doing that? I mean do people actually make good sensible decisions in those circumstances without some direction?

PROFESSOR HORVATH: That's a hard (indistinct) - - -

MR CHAPPELL: Smokers, drinkers?

PROFESSOR HORVATH: Gee, look, gaming I think is like alcohol. The vast majority of people do it safely. A small minority don't do it safely. We as a company should try and do everything in our power both in the service of alcohol and in fanning to try and make that small percentage of people who don't do it safely, do it safely and not harm themselves.

MR CHAPPELL: Is that really supported by the prevalence numbers? I mean you know the statistics that talk about the behaviour of regular gamblers, people who might gambler fortnightly. I mean it's easier to say three per cent of adults cross the line of being moderately at risk under the PGSI but having said that, 70 per cent of adults don't play slot

machines at all and only about 15 per cent would be playing fortnightly and when you - I mean there's a way of looking at those numbers that suggests that - in fact a fairly significant number of your customers might be at risk.

PROFESSOR HORVATH: Don't know.

MR CHAPPELL: You don't - you haven't give it any thought in that context?

PROFESSOR HORVATH: Look, continuously thinking about how we can do it better but I don't have the answer.

MR CHAPPELL: Yeah, yeah.

PROFESSOR HORVATH: You know, putting on my doctor's hat for a moment.

MR CHAPPELL: In the hospital full of doctors and patients.

PROFESSOR HORVATH: Yeah, putting on my doctor hat for a moment, it makes me uncomfortable when we have a single, you know, like that Robey case. You know, that made me as an individual, as a doctor, despite the fact he was pretty odd, and you know he conspired to break the rules, makes me uncomfortable. I mean you think you can - - -

MR CHAPPELL: Because that's part of their pathology isn't it? Right at the extreme, they're actually not working rationally so they're on a self-destructive path.

PROFESSOR HORVATH: You know, so how can we - what can we do to prevent a single, you know, in health there is a thing called a never event, and recently somebody said to me how can you - you know, your benchmark for never events should be zero. I said it is zero but they occur. You know, having - you know, I'd

like a zero benchmark for someone being harmed with gaming but we'll never reach zero, but we'll do our best. We'll aim for it.

MS HOLMES: Just on the topic of exclusion orders, do you have a view about whether they could be shorter, they're revoked sooner rather than indefinite orders.

PROFESSOR HORVATH: No.

MS HOLMES: And a lot more people might take them up.

PROFESSOR HORVATH: No, look, I'll put on my doctor hat now.

I designed what was in New South Wales the first then became a national and international looking - instead of taking sick doctors into a framework of legal - and again (indistinct) judge that they get treated and whilst they're under treatment. But we never let them back in until we know that the problem is solved. And I think the same thing if someone is unwell enough to end up on an exclusion program, you want to be very sure that the problem has been resolved. And that's why we have a very rigorous set of criteria around evaluating their return and then they are really kept under a level of observation by the responsible gaming centre.

MS HOLMES: So how does that fit with the timeout concept where you say three months?

PROFESSOR HORVATH: The timeout concept - well it might, I don't know. The timeout concept is a trial. It might be a failure, I don't know.

MS HOLMES: And what about Welfare WOL. So this is where people don't agree to a self-exclusion order but there are concerns about responsible gaming?

PROFESSOR HORVATH: Well that's when we send them off to the various agencies who work with us.

MS HOLMES: And you put them on the Welfare - what they call Welfare WOL, withdrawal of licence.

PROFESSOR HORVATH: That's right.

MR PRESTON: Which is the, you know, interaction where we will make a decision almost without engaging and say you are banned from the whole of the complex, you're not coming in.

MR CHAPPELL: Yeah.

MS HOLMES: So that's another sort of form of exclusion that's being used to deal with the problem gambling. Do you have any awareness of the process of how that works and people having that Welfare WOL removed? Because there's a clear process for exclusion orders but I'm just wondering what do the people who get a Welfare WOL have to do if they want to come back and is there timeframes on them, like many other of the WOLs?

MR PRESTON: So the Welfare WOL if it's got an RSG link will feed back through the RSG platform. So if you been Welfare - - -

PROFESSOR HORVATH: What does that mean, Josh?

MR PRESTON: So Welfare WOLs can be issued. There are WOLs which are the withdrawal of licence, like let's call it the bash and crash one, so if someone's in a fight you get a barring which is - - -

MS HOLMES: Assault.

MR PRESTON: Okay. So to come back he would go through a security process. If there's a Welfare WOL which

is related to - for RSG reasons, then the process for getting that revoked, if they write to seek a revocation of it, you're going to have to go through a revocation process, taking into account RSG related issues.

MS HOLMES: And who does that go to?

MR PRESTON: It will ultimately go through RSG.

MS HOLMES: That committee? The revocation?

MR PRESTON: As I understand it, yeah. As I understand it, it'll go back through that committee.

MS HOLMES: So is there any sort of awareness or understanding from your perspective of the volume of those sorts of Welfare WOLs which is an RSG measure that you're aware of?

PROFESSOR HORVATH: I don't have a figure because they're very small.

MS HOLMES: So you're not aware of that process?

PROFESSOR HORVATH: No, it's the other process that we monitor very carefully.

MS HOLMES: I'm just trying to get an understanding.

PROFESSOR HORVATH: Yeah, sure.

MR PRESTON: Is there a concern or an observation?

MS HOLMES: Well it's just a unique form of WOL that we hadn't been aware of until we were reading the papers and in some instances people seemed to have been given Welfare WOLs when there's the exclusion or the statutory scheme which you're closely monitoring.

MR PRESTON: Well largely because the self-exclusion orders are - if they want to self-exclude and you're engaging with them and you do it almost together as

opposed to if it's someone who we've identified who won't self-exclude for a particular reason but we are of such a concern that they do need to be off the property, we'll issue the Welfare WOL. That's most probably the best way to describe it. So it's more of using that heavier hand. That's probably the best way to describe it.

MR CHAPPELL: It's probably my fault really that we've been thinking that way because I worked for 17 years in a jurisdiction where you wouldn't think of it like a WOL, you'd just exclude them.

MR PRESTON: Yes, I worked in two jurisdictions and both used the similar framework. But there's a big difference from the self-exclusion but it's got the next hand up which is the no smoking licence, which is exactly the same principle.

MR CHAPPELL: But I mean there are - it's - so we're asking the question, there seems to be a lot of complexity in this area of exclusions which of itself has caused more complexity because it may be in the nature of the way you do voluntary exclusions but it's a bit too inflexible for some people, so you've got to have the time out which is something else, but it's a trial.

PROFESSOR HORVATH: It's a trial.

MR PRESTON: Can I add flavour to that, in that people when the RSG team are integrating with them and speaking to them and so on. When people - they're on the precipice potentially of developing a broader problem or not. The opportunity to take a break,

have a good reflection on what they have been doing in terms of the gaming space and take control of their own actions to really shift their own behaviours, is most probably the most important ultimate step to deal with the issue. Sometimes dealing with a self-exclusion order which they know is 12 months and it's a revocation process, they go I don't want to do that. So we're saying okay, well don't just ignore it, here's the intervening step for someone who's showing some early signs. So I know there's been some speculation about well this seems to be undermining potentially the value of the self-exclusion process. My mindset, and this might be I have to jump back into personal opinions but my mindset is absolutely - - -

MR CHAPPELL: We got one from Barry this morning.

MR PRESTON: You got one from Barry, (indistinct words) from Barry, but it's absolutely an important string to the bow because it's another option of any encouragement for people to take control of their own environment, their behaviours. Whether it be a self-exclusion, a timeout or we have to ultimately do a Welfare WOL is a good outcome. It doesn't have a level of complexity. Or possibly because there's another part to it but doesn't add another option for a person who's thinking about taking control of their behaviours, reflecting on what their weaknesses might be and if it does resolve the issue well and good. There's only been a small number taking up and as John's referred to, our

self-exclusion numbers have continued to rise which is - well that, I'm not sure, could be a bit of both. You know, and the take ups of people being self-excluded after, you know, taking up the timeout has been small as well. So it's not distorting the self-exclusion process in terms of numbers or outcomes that we can see based on the trial. But we are genuinely considering - we have been considering on a - seen as a positive initiative for someone - it's just another option to take control. That's largely the genesis of it.

PROFESSOR HORVATH: And I think over time as more interventions come to light by good research hopefully. I mean the thing that Robert really I suppose concerns me in this area as a clinician, not as a director, that when I joined Crown I was still on NHMRC and was on there for nine years, and I said one of the things was any research proposals that come to NHMRC I would recuse myself naturally because I'm now a director of a gaming - - -

MR CHAPPELL: You wouldn't have had to recuse yourself very much, John.

PROFESSOR HORVATH: I did not recuse myself once.

MR CHAPPELL: No.

PROFESSOR HORVATH: And I think that is a real indictment of the intellectual grunt that is in this space. I would really love to see high quality research done in this area to give us some grunt to do even more good.

MR CHAPPELL: Yeah. No, well when I was involved with Gaming

Research Australia one of the critical issues for us was that there wasn't a great ARC, NHMRC appetite for this stuff.

PROFESSOR HORVATH: That's right.

MR CHAPPELL: Which meant we had people - you know, we were doing only commissioned research but we had people coming to us basically wanting to fit their grant into whatever it was - their grant proposal into whatever commissioned research we wanted to do, and of course we were after basically management advice for governments and I'd have to say at times you got some really good submissions and at times you'd put a tender out and you just didn't get anything that you could commission. It was really quite up and down. Look, I think we're nearly done. Do you think we've covered this stuff or - - -

MS HOLMES: Yeah.

MR CHAPPELL: I'm not sure that - I think we've - I know we've taken a fair bit of your time and we're really grateful to you for the candour of your responses.

PROFESSOR HORVATH: No, no problem. And you know, if you'd approached it - I regard this as so important. If you need me to come back until 5th May I can. 5th May I'm getting on an aeroplane.

MS HOLMES: One more. In Perth family members can contact and you can issue an exclusion order at the request of family members, as I understand it. That's the Perth, that's one of the options in Perth.

MR PRESTON: It's a little bit more detailed than that.

MS HOLMES: I assume they have to produce evidence as so forth

but I'm just wondering, it is an option and it may have process - I haven't looked at the Perth casino, there's plenty for Melbourne. But I just wondered did you have a view about whether that's a possibility out of Melbourne?

PROFESSOR HORVATH: It is under discussion. There are certain - different legal complexities but it is under discussion and we're looking at that. Whether this is another option.

MS HOLMES: Yeah, thank you.

PROFESSOR HORVATH: And it should even be minuted and if it is not get (indistinct) - - -

MR CHAPPELL: Yes.

PROFESSOR HORVATH: Because this has been discussed repeatedly at the - - -

MR CHAPPELL: And look it would be worth having a look at the legislation in South Australia when this stuff was looked at in 2013. Not a lot of demand for third party exclusion but some.

PROFESSOR HORVATH: Yeah.

MS HOLMES: I mean when we look at the information it's not huge numbers of family members ringing up but clearly they are very concerned persons and some of the people they're talking about are not well it would seem this is an option.

MR PRESTON: In Perth?

MS HOLMES: I was talking about Melbourne.

MR PRESTON: Melbourne, I was going to say off the top of my head in Perth from a statistical perspective (indistinct words) for a few years and it's 60, 70

- 80, 70, 60 or thereabouts inquiries.

Applications lodged are most probably 10 to 15 in each of those years and then self-exclusions or barrings that are issued are (indistinct) 5 per cent of that. So that's ball park. And that's maybe not too surprising in terms of the normal inquiry type level. A lot of people make inquiries and they want to pursue it, some people do and then the information's tested, draws out any information we've got on the player if need be and then we can react as required.

PROFESSOR HORVATH: But it's certainly something that I'm quite interested in and we are having conversations about it.

MS HOLMES: Thank you.

MR CHAPPELL: I'm sorry, I should have raised this earlier when we were talking about the board dynamic but I think we asked some questions about how the board handles things when you know that you've got a 47 per cent shareholder and so forth and you gave an account of the independent directors expressing their views independently and the consolidated press directors conducting themselves appropriately, and we talked briefly about the roles of the chairs. James Packer was chair for the Resorts Board for part of the period concerned. Any reflections on differences between the way he would have undertaken that role and the present chair or when Rob Rankin was in the seat?

PROFESSOR HORVATH: Not really. James being in the chair was

incredibly respectful of the view of the independents. Rob was there and he was an appropriate chair. I don't think there has been really any difference. I'm just trying to think if there was - - -

MR CHAPPELL: No, I mean it's really helpful for us to get that from you as the only director that we're talking to. We were going to invite James to be here but we know that circumstances are going to preclude that.

PROFESSOR HORVATH: Yes, I don't think that would be at the moment wise. Look, to give you an example of how respectful James is of the independents, he very publicly at the AGM said he wanted to be paid as chair, that's on the public record, and the committee of independents said no. And it was actually reported in The Australian that we decided he wouldn't get any money, and he didn't take it out on us, he still voted to re-elect and he - the complexity which we thought was quite reasonable that CPH be paid for services that they provide to Crown, that set of negotiations took I think nine months and were very robust and they didn't get what they asked for. So it is a very reasonable relationship.

MR CHAPPELL: We've just got to make sure the dividends keep coming then. Which you have to do for all of the shareholders.

PROFESSOR HORVATH: Which we've got to do for all of the shareholders, correct.

MR CHAPPELL: All right. Unless there's anything else? Is there anything you wanted to ask, Alex? Thank you very much - - -

PROFESSOR HORVATH: And seriously if I can be of any more help I'm in town till the 5th April - 5th May when I'm going on three weeks holiday. Thank you, Robert, nice meeting you.

MR CHAPPELL: Nice to meet you too.

PROFESSOR HORVATH: Alex, nice to meet you.

MS FITZPATRICK: Nice to meet you.

INTERVIEW CONCLUDED