

Royal Commission into the Casino Operator and Licence

SECOND STATEMENT OF PETER HERRING

Name: PETER HERRING

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Occupation: Group General Manager, Product, Strategy & Innovation

Date: 14th July 2021

1. I make this statement on behalf of Crown Resorts Limited and Crown Melbourne Limited (together **Crown**) in response to the Royal Commission's Letter dated 12 July 2021.
2. This statement has been prepared on the basis of my own knowledge, and I have not, in accordance with the directions from the Royal Commission, sought the assistance of, nor have I been provided with any assistance from any legal practitioner.
3. I refer to my previous statement made in response to the Royal Commission's Notice 083 which sets out my education, qualification and employment history with Crown Melbourne Limited.
4. The questions below are concerned with Bonus Jackpots as that term is defined in Item 8 in the table in CRW.512.191.0036 at 0037 – 0038.

1. Who approved the deduction of the Bonus Jackpots from gross gaming revenue (GGR)?

5. The answer to this question is in two parts:
6. Internal Approval was received from the following Crown Executives in 2012:
 - Rowen Craigie CEO Crown Resorts
 - Greg Hawkins CEO Crown Melbourne
 - Richard Longhurst COO Gaming Crown Melbourne
 - Neil Spencer Executive General Manager Gaming Machines
 - Debra Tegoni Executive General Manager Legal and Regulatory Services
7. External Approval via EMS (DACOM) was received from VCGLR in 2012, the EMS approval was not specific with the actual configurations but did reference the addition of new Bonus

Jackpot Types and the associated configurable parameters available (CRW.512.135.0055).

2. Between 2012 and 2021, which current or former directors of Crown Resorts Ltd and Crown Melbourne Ltd knew that Crown deducted the Bonus Jackpots from GGR?

8. To the best of my direct knowledge the following current and former directors were aware of the Bonus Jackpot Deductions at various times during the period 2012 - 2021:

- Rowen Craigie
- Ken Barton
- Greg Hawkins
- Xavier Walsh
- Barry Felstead

3. The expenses deducted from GGR in respect of "Bonus Jackpot – Parking" and "Bonus Jackpot – Hotel Room Nights" were, at least in some instances, benefits to which loyalty members were already entitled by reason of their loyalty status (see the explanation in CRW.512.156.1047 at 1047, and the examples in CRW.512.156.1047 at 1055). Was that also the case in respect of "Bonus Jackpot – Casino Dining Rewards"? Please explain your answer.

9. Yes, that is the case Casino Dining rewards were available to Members based on their Tier Status and earning of the point threshold on Gaming Machines prior to the reclassification to Bonus jackpots in 2012.

4. The March 2012 Gaming Food Program Initiative proposed that the roll out of dining awards (i.e. "Bonus Jackpot – Casino Dining Rewards") be staged at a cost to Crown of \$950,000 (CRW.512.117.0019 at 0028). Was that proposal designed to ensure, or expected to have the effect that, the regulator did not become, or would not become, aware of the deductions? If not, what was the purpose of the proposal? It appears that the rollout occurred, but was compressed (CRW.560.001.0629). Is that correct? If not, please explain your answer.

10. To the best of my knowledge the answer has two parts, the initial staged roll-out discussion was technical, staged to ensure the systems operated as designed but I do recall a request via

Mr Longhurst wanting to see a staged roll-out in the presentation as a risk management strategy which I presume was relating to the regulator becoming aware but I cannot be sure.

11. At the request of Mr Longhurst and Mr Hawkins the reclassification of the Food Program was completed over 2 months.

5. Documents suggest that Crown contemplated including Complementary Beverages as Bonus Jackpots (see e.g. CRW.512.156.1047 at 1054). Was that proposal implemented in any way? If it was, please explain:

- a. how the Complementary Beverages promotion works; and**
- b. where those deductions are recorded in any of the spreadsheets provided to the Commission.**

12. No Complimentary Beverages have ever been included as a Bonus Jackpot and deducted from GGR.

6. It appears that each of:

- a. Glen Ward in 2018 and in 2019;**
- b. the regulator from June 2018 onwards;**
- c. Allens in March and April 2021; and**
- d. Counsel (Archibald QC and Robertson QC) in June and July 2021,**

were not expressly told of the matters set out in points 3 (i.e. that expenses deducted from GGR in respect of "Bonus Jackpot – Parking" and "Bonus Jackpot – Hotel Room Nights" were, at least in some instances, benefits to which loyalty members were already entitled by reason of their loyalty status) and 4 (i.e. the proposal to roll out the "Bonus Jackpot – Casino Dining Rewards" on a staged basis, and that in fact occurring). If that is not correct, please provide a contemporaneous document that shows the disclosures by Crown to each person identified above.

13. My answers to this question parts (a,c,d) are based on the premise that I was not the primary contact for the supply of documents for advice but I was asked for technical information and other documents I had access to as most other Crown employees who were involved in the

project had left the organization.

- Glen Ward 2018 (briefed by Joshua Preston) and 2019 (briefed by Joshua Preston and Michelle Fielding):
 - Joshua Preston had requested all information I had access to of which I supplied in June 2018. This included the presentation that specified both the reclassification of the food program and the staged roll-out.
 - I am unsure if the documents I supplied to Mr Preston were received by Glen Ward but I presume they were as his advice seems to reference and acknowledge the previous program and reclassification.
- Allens in March and April 2021:
 - As per above I was requested to provide all available documents with reference to Bonus Jackpots and I completed that request. The document pack that I provided included the presentation from 2012 that specified both the reclassification of the food program and the proposed staged roll-out.
- Counsel (Archibald QC and Robertson QC) in June and July:
 - I am unsure of the document pack that the Counsel(s) received. I was asked specific questions on how the program works operationally and technically, and I also provided marketing collateral similar to my witness statement RFS-21.
- Regulator June 2018 onwards:
 - Correct to my knowledge the regulator has not expressly been told of the matters set-out in points 3 and 4.

7. In February and March 2021, did anyone (but specifically Mr Mackay or Mr Walsh) tell you that Ms Coonan was considering the Bonus Jackpots issue? If so, what was said, when and by whom?

14. My only recollection of any discussion relating to Ms Coonan and Bonus Jackpots was that Mr Walsh had said he had discussed the matter with her (no further detail), my recollection was that this occurred in a very brief meeting on the 25th February 2021.

8. Who:

- a. received a copy of;
- b. received a document substantially in the form of; or
- c. was otherwise made aware of the contents of:

the following:

- d. **Crown Melbourne Gaming Machine Food Program Initiative March 2012 (CRW.512.117.0019);**
- e. **Crown Melbourne Gaming Machine Tax Initiatives – Round 2 April 2013 (CRW.512.156.1047 at 1048 – 1059).**

15. As this relates to presentations from some time ago, I will only focus on the individuals that I can be confident would have received one or both of the documents or were aware of all or part of the contents of one or both of the documents identified.

16. The list includes current or former directors and senior management (members of the executive team):

- Rowen Craigie
- Greg Hawkins
- Justine Henwood
- Richard Longhurst
- Neil Spencer
- Debra Tegoni
- Barry Felstead
- Ken Barton
- Xavier Walsh
- Alan McGregor
- Joshua Preston
- Mark Mackay
- Michelle Fielding

Signed:



Date:

14th July 2021

