

**Report of Investigation
pursuant to Section 31 of the
*NSW Casino Control Act 1992***

December 2011



**Casino, Liquor & Gaming
Control Authority**



Casino, Liquor &
Gaming Control Authority

15 December 2011

The Hon George Souris MP
Minister for Tourism, Major Events, Hospitality and Racing and
Minister for the Arts
Level 30 Governor Macquarie Tower
1 Farrer Place
SYDNEY NSW 2000

Dear Minister

I wish to advise that the Authority has completed its investigation of the casino operator pursuant to s.31 of the *Casino Control Act 1992*.

Following completion of the Investigation, the Authority has formed the following opinion:

- the casino operator is a suitable person to continue to give effect to the casino licence and the *Casino Control Act 1992*; and
- it is in the public interest that the casino licence should continue in force.

The Authority appointed Gail Furness SC to assist in the conduct of the Investigation and her Report is attached.

The Authority has accepted Ms Furness' findings and recommendations and will now take the necessary action it considers appropriate.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Chris Sidoti'.

Chris Sidoti
Chairperson

2 December 2011

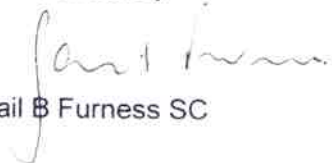
Mr Chris Sidoti
Chairperson
Casino, Liquor and Gaming Control Authority
Level 6, 323 Castlereagh Street
SYDNEY NSW 2000

Dear Mr Sidoti

I enclose my Report of the Investigation conducted pursuant to s.31 of the *Casino Control Act* 1992. The report details my findings, conclusions and matters for further consideration with respect to the terms of reference provided by the Authority. I advise that in my opinion, for the reasons set out in the report, it would be appropriate for the Authority to form the opinion:

- The casino operator is a suitable person to continue to give effect to the casino licence and the *Casino Control Act* 1992; and
- It is in the public interest that the casino licence should continue in force.

Yours sincerely



Gail B Furness SC

**Report of the Section 31 Investigation
by
Gail Furness SC**

December 2011

TABLE OF CONTENTS

	<i>page</i>
GLOSSARY	
SUMMARY AND RECOMMENDATIONS	1
CHAPTER ONE – INTRODUCTION	5
BACKGROUND	5
TERMS OF REFERENCE	6
THE INVESTIGATION	7
APPROACH OF THE STAR	8
COURSE OF THE INVESTIGATION	10
CHAPTER TWO – CASINO OPERATOR	13
EXCLUSIVITY AND TAX ARRANGEMENTS	13
CHANGES IN STRUCTURE	14
PROBITY	15
MANAGEMENT	15
FINANCIAL MATTERS	16
SPECIAL EMPLOYEES	18
CONTROLLED CONTRACTS	19
CONCLUSION	20
CHAPTER THREE – CASINO FACILITIES	21
GAMING	24
Casino Table Games	24
Electronic Gaming Machines	25
Private Gaming Rooms	26
Approvals and Variations	26
Star Keno	27
Rebate Programs including Junkets	28
CASINO BOUNDARY	29

CONCLUSION	30
CHAPTER FOUR – CASINO OPERATIONS.....	31
LEGAL OBLIGATIONS BETWEEN THE AUTHORITY AND THE CASINO OPERATOR	31
LITIGATION.....	31
MINORS	32
Measures Taken.....	33
Statistics	33
Action Taken for Breaches	34
HONEST GAMING	35
INVESTIGATIONS	36
SECURITY AND SURVEILLANCE	36
Structure and Resources	36
Security.....	36
Surveillance	38
PATRON COMPLAINTS.....	39
Government Inspectors.....	39
The Star.....	41
CUSTOMER SATISFACTION.....	42
STAFF COMPLAINTS	43
DISCIPLINARY ACTION	44
CHAPTER FIVE – EXCLUSIONS	47
INTRODUCTION.....	47
SELF EXCLUSIONS	48
The Star.....	48
The Authority.....	49
NON VOLUNTARY EXCLUSIONS	49
Commissioner of Police	49
The Star.....	50
The Authority.....	54
THE DETECTION OF EXCLUDED PERSONS ENTERING THE CASINO	56
Method	56

Statistics.....	57
REFORM	58
CHAPTER SIX – CRIMINAL AND UNDESIRABLE BEHAVIOUR	61
INTRODUCTION	61
MEASURES TAKEN BY THE STAR.....	61
Access to the Sovereign Room.....	61
Staff Training	65
TIPS.....	66
Incident Reporting.....	66
The Investigations Department	67
LAW ENFORCEMENT	71
Authority Intelligence Committee.....	72
Executive Intelligence Meetings.....	72
Operations Intelligence Meetings	72
Meetings with Local Police	73
Conclusion	73
PROSTITUTION	73
LOAN SHARKING	74
THE PRESENCE OF CRIMINALS IN THE CASINO	76
MONEY LAUNDERING.....	76
Threshold Transactions	79
Suspicious Matter Reports (SMR)	80
Audits.....	80
Observations by Staff.....	82
Conclusion	82
OTHER ILLEGAL OR UNDESIRABLE ACTIVITY.....	82
THE VIEW OF THE POLICE	82
INTOXICATION	86
CONCLUSION.....	90
CHAPTER SEVEN – SOCIAL IMPACT	91
THE AUSTRALIAN PRODUCTIVITY COMMISSION REPORT 2010.....	91
LEVEL OF GAMBLING AND ECONOMIC BENEFITS	92

THE STAR'S RESPONSIBLE GAMBLING STRATEGIES	93
Responsible Gambling Code and Training	94
Employees Gambling.....	95
BetCare	95
Awareness of Staff	96
Time Spent Gambling	96
Responsible Gambling Liaison Managers	98
Responsible Gambling Managers	99
GAMBLING COUNSELLORS	100
GAMBLING HELP LINE.....	100
RESPONSIBLE GAMBLING FUND.....	101
ILLEGAL GAMING	101
PASSIVE SMOKING	102
CHAPTER EIGHT – CULTURE, COMPLIANCE AND OTHER MATTERS.....	103
INTRODUCTION.....	103
COMPLIANCE PROGRAM.....	103
EXTERNAL REVIEW.....	104
Neill Buck and Associates	104
Professor Hing	105
EVIDENCE	105
Conclusion	108
LEGISLATIVE CHANGE.....	108
Casino Control Regulation 2009	111
IMPLEMENTATION OF 2006 SECTION 31	
INVESTIGATION RECOMMENDATIONS.....	111
ANNEXURES	113
1 SUBMISSIONS	113
2 CORPORATE STRUCTURE.....	114
3 KEY CLOSE ASSOCIATES	115
4 SUMMARY OF AGREEMENTS	116

GLOSSARY

Act	<i>Casino Control Act 1992 (NSW)</i>
AML/CTF Act	<i>Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Cwth)</i>
ATM	Automatic Teller Machine
AUSTRAC	Australian Transaction Reports and Analysis Centre
Authority	Casino, Liquor and Gaming Control Authority
Authority inspectors	Authority employees appointed as inspectors pursuant to s.106 of the Act
Buy Ins	The purchase of chips for cash or cash equivalent
Cage	The financial transaction centre of the casino, where patrons redeem gaming chips for cash or use cheque and deposit account facilities
Cash Out	Obtaining cash or cash equivalent for chips
Echo	Echo Entertainment Group Limited
ETIPS	Echo Total Integrity Protection Service (formerly TIPS)
Inner sanctum	A number of gaming rooms within the Private Gaming Rooms for the use of individual high limit players, including premium players and junkets
Junket	That arrangement described under section 76(3) of the <i>Casino Control Act 1992</i>
MGF	Main Gaming Floor
PC	Patron Complainant
PGR	Private Gaming Rooms
PINS	Penalty Infringements Notices
Regulation	<i>Casino Control Regulation 2009</i>
RGF	Responsible Gambling Fund (formerly the Casino Community Benefit Fund)
RSA	Responsible Service of Alcohol
Show Cause Notice	A notice issued by the Authority pursuant to s.23(2) of the Act

Sovereign Room	Part of the Private Gaming Rooms
Tabcorp	Tabcorp Holdings Limited
TIPS	Tabcorp Integrity Protection Service
The Star	The Star Pty Limited (<i>formerly</i> Star City Pty Limited)

SUMMARY AND RECOMMENDATIONS

This investigation was conducted under s.143 of the *Casino Control Act 1992* to assist the Authority in forming the opinion required by s.31 of that Act as to whether The Star, the casino operator, is a suitable person to continue to give effect to the casino licence and whether it is in the public interest that the casino licence should continue in force.

This is the first investigation which has been conducted after a period of five years has elapsed since the last s.31 investigation which reported in December 2006. That has meant that a greater deal of information has been reviewed, and, inevitably more emphasis placed on recent events rather than those which occurred in the early part of the period under investigation.

For the first time in an investigation under s.31, I have been approached by many people with views to express about the casino, including current and former employees, on the basis that confidentiality be granted and I have received many anonymous letters and emails. It is fair to say that each was disgruntled with the manner in which they or someone else was treated by the casino operator or by the way in which the casino operator was managing the casino. My findings as to those matters are set out in the report.

There has been fundamental change in the structure of the casino operator and new managers have been employed over the last couple of years. In addition, a significant redevelopment of the site is nearing completion. These matters have resulted in a change in focus and approach by the new managers to greater reflect the casino as an entertainment destination. New and celebrated restaurants and up-market shopping facilities have been included on the site.

For the reasons set out in the reports, I have concluded that The Star remains suitable to hold the casino licence and that it is in the public interest that the casino licence should continue in force.

However, a number of matters are of concern in relation to the operation of the casino. First, I met with senior Police on several occasions and they expressed opinions about actual or suspected criminal activity at the casino. There is no suggestion that the casino operator is engaged in any of that activity, however, there needs to be regular exchanges between Police and the casino operator to enable timely responses to illegal and undesirable activity in the casino. The Authority needs also to strengthen its relationship with law enforcement. Secondly,

responsible service of alcohol remains of vital importance as the combination of the excessive consumption of alcohol and gambling is clearly undesirable. Thirdly, a culture in which compliance with obligations is valued should be encouraged. There should not be key performance indicators which, in effect, value not reporting incidents more highly than doing so. Finally, rebate programs including junkets were introduced in 2006. This report records concerns held by overseas and local law enforcement about some junket operators working from Macau. The casino operator needs to be vigilant to ensure that those with whom it deals in this regard have the requisite integrity.

I have made the following recommendations.

RECOMMENDATION 1

I recommend that the Authority provide the names of and transactions conducted by individual junket participants to AUSTRAC. (chapter 3, page 29)

RECOMMENDATION 2

I recommend that the Authority consider whether any aspect of the marketing referral arrangement entered in to by the casino operator in 2010 requires its approval. (chapter 3, page 29)

RECOMMENDATION 3

The Authority should monitor the implementation of a single unified system across Echo casinos to ensure that The Star's Management Risk and Compliance Committee regularly receive reports of complaints made about the casino's operations. (chapter 4, page 42)

RECOMMENDATION 4

I suggest that the Authority puts in place a system to periodically review the need for a waiver of The Star's obligations under the Casino Operations Agreement. (chapter 4, page 43)

RECOMMENDATION 5

The s.31 investigation required to be conducted before December 2016 should consider the usefulness of facial recognition technology in detecting excluded persons entering the casino. (chapter 5, page 57)

RECOMMENDATION 6

I recommend that The Star and the Authority agree on trialling a process whereby those wishing to self exclude can do so externally, preferably by use of technology and with satisfactorily identifying the patron. (chapter 5, page 59)

RECOMMENDATION 7

I recommend that the Authority conduct audits on PGR access periodically and consider disciplinary action against the casino operator in the event that excluded persons are granted entry to the PGR. (chapter 6, page 65)

RECOMMENDATION 8

I recommend that the Authority meet on a regular basis with the Australian Crime Commission and the NSW Crime Commission. (chapter 6, page 73)

RECOMMENDATION 9

I recommend that the Authority meet on a regular basis with AUSTRAC. (chapter 6, page 82)

RECOMMENDATION 10

I recommend that the PCRIU consider and prepare criteria to be provided to The Star which, when satisfied would result in it being made quickly aware of incidents occurring at The Star which may involve a criminal offence. Those criteria would need to be flexible while screening out matters which would not result in any Police action. (chapter 6, page 85)

RECOMMENDATION 11

The Authority should explore with the casino operator whether the processes followed by the casino operator could be varied so that the business records of the casino can be of greater assistance to law enforcement agencies. (chapter 6, page 85)

RECOMMENDATION 12

The Authority should consider taking any action available to it to pursue with the appropriate authorities the creation of an offence of loan sharking. (chapter 6, page 86)

RECOMMENDATION 13

The Authority should periodically carry out an analysis of reported incidents relating to the responsible service of alcohol. (chapter 6, page 88)

RECOMMENDATION 14

The Authority should obtain copies of all reports which are, from time to time commissioned by the casino operator, in relation to the responsible service of alcohol. (chapter 6, page 90)

RECOMMENDATION 15

The Star should revisit its list of indicators of problem gambling in light of research which lists many more activities or behaviours which may indicate problems. The Authority may, in due course wish to inquire of The Star, the action it has taken in this regard. (chapter 7, page 98)

RECOMMENDATION 16

The Authority should review any changes to Key Performance Indicators for The Star's senior managers. (chapter 8, page 104)

RECOMMENDATION 17

The Authority should review the use by the casino operator of cash disbursements and lucky money to ensure that they are governed by appropriate internal controls. (chapter 8, page 107)

CHAPTER ONE

INTRODUCTION

BACKGROUND

The NSW Casino Control Authority was abolished on 30 June 2008 and the Casino, Liquor and Gaming Control Authority (the Authority), established on 1 July 2008, replaced the NSW Casino Control Authority, the Liquor Administration Board and the Licensing Court of NSW.

The Authority was given licensing and approval, but not enforcement functions for liquor, gaming machines and registered clubs, while continuing the regulation of the casino. The Members of the Casino Control Authority were appointed as members of the Authority.

In April 2011, staff attached to the Authority became part of the Department of Trade and Investment, Regional Infrastructure and Services. A review to determine whether the current governance and service delivery arrangements of the Office of Liquor, Gaming and Racing and the Authority are appropriate is currently being conducted.

Section 31 of the *Casino Control Act 1992* (the Act) has been amended to require that at intervals not exceeding five years, an investigation must be held and the Authority form an opinion as to the suitability of the casino operator and whether it is in the public interest that the casino licence continue in force. Prior to the amendment, that interval was three years. This is the fifth investigation under the Act and the first which has taken place five years after the previous investigation.

The Authority is to report its findings and opinion to the Minister for Tourism, Major Events, Hospitality and Racing, giving reasons for its opinion, and is to take whatever action under the Act it considers appropriate in the light of its findings.

The licence, currently held by The Star Pty Limited (The Star) was granted on 14 December 1994. There have been various changes to the structure of the licence holder, which are detailed in this report.

The Authority engaged the author of this Report, Gail Furness SC, to assist it in conducting the Investigation. I was appointed under s.143 of the Act to interview staff of the casino licence holder. An inquiry under s.143 of the Act allows the person presiding to require evidence to be given on oath and to obtain information as he or she sees fit. Submissions made and evidence given attracts absolute privilege. This report details my findings and opinions, and the reasons for those findings and opinions.

TERMS OF REFERENCE

The Authority determined that the following would comprise the Terms of Reference for this investigation:

- 1 The suitability of the casino operator, and each close associate of the casino operator, as nominated by the Authority from time to time, to be concerned in or associated with the management and operation of The Star casino, having regard to whether:
 - 1.1 the casino operator and each close associate are of good repute, having regard to character, honesty and integrity
 - 1.2 the casino operator has or has arranged a satisfactory ownership, trust or corporate structure
 - 1.3 the casino operator and each close associate are of sound and stable financial background
 - 1.4 the casino operator has or is able to obtain financial resources that are both suitable and adequate for ensuring the financial viability of the casino
 - 1.5 the casino operator has or is able to obtain the services of persons who have sufficient experience in the management and operation of a casino
 - 1.6 the casino operator has sufficient business ability to maintain a successful casino
 - 1.7 the casino operator or any close associate has any business association with any person, body or association nominated by the Authority from time to time who, in the opinion of the Authority is not of good repute, having regard to character, honesty and integrity or has undesirable or unsatisfactory financial sources
 - 1.8 each director, partner, trustee, executive officer and secretary and any other officer or person determined by the Authority to be associated or connected with the ownership, administration or management of the operations or business of the casino operator or a close associate of the casino operator is a suitable person to act in that capacity
- 2 The standard and nature of the casino which commenced operations on 26 November 1997 and the facilities provided in, or in conjunction with the casino

- 3 The expertise of the casino operator, having regard to the obligations of the holder of a casino licence under the Act, including the extent to which the casino operator has complied with:
 - 3.1 its obligations under the Act
 - 3.2 its obligations under the casino licence
 - 3.3 legal agreements between the Authority and the casino operator
- 4 The effect of the casino in relation to the public interest including, but not limited to:
 - 4.1 the impact or potential of findings by the Authority in relation to the matters referred to in paragraphs 1 to 3
 - 4.2 the impact or potential impact of casino operations on individuals who attend, or who may attend the casino and their families
 - 4.3 the impact or potential impact of the casino on the public interest, having regard to submissions made to the Authority by the public
- 5 The maintenance and administration of systems by the casino operator to:
 - 5.1 ensure that the management and operation of the casino remains free from criminal influence or exploitation
 - 5.2 ensure that gaming in the casino is conducted honestly
 - 5.3 contain and control the potential of the casino to cause harm to the public interest and to individuals and families
- 6 The presence and detection of illegal and undesirable activities and people in the casino
- 7 The recommendations made by the investigation carried out in 2006, pursuant to s.31
- 8 Such other matters as the Authority considers relevant.

The Authority wrote to 56 individuals and organisations advising them of the Terms of Reference of the investigation and seeking their input. Advertisements were placed in Sydney and national newspapers and information was posted on the Authority website indicating the Terms of Reference and inviting submissions. Four submissions were received and the authors are listed in Annexure 1. The issues raised by the submissions have been taken into account in the investigation.

THE INVESTIGATION

As has been previously reported, the Act gives little guidance to the Authority in conducting the investigation. Section 11 specifies five matters to which the Authority is to have regard when considering applications for a casino licence. They are:

- a. the requirements of s.12 (suitability of applicant and close associates of applicant)
- b. the standard and nature of the proposed casino, and the facilities to be provided in, or in conjunction with, the proposed casino

- c. the likely impact of the use of the premises concerned as a casino on tourism, employment and economic development generally in the place or region in which the premises are located
- d. the expertise of the applicant, having regard to the obligations of the holder of a casino licence under this Act
- e. such other matters as the Authority considers relevant.

Section 12 of the Act relates to the suitability of the applicant and close associates of the applicant. It provides that the Authority must not grant a casino licence unless it is satisfied that the applicant and each close associate is suitable to be concerned in or associated with the management and operation of a casino. In short, it requires the Authority to consider:

- a. the character, honesty and integrity of individuals and organisations
- b. the financial stability of individuals and organisations and the suitability and adequacy of financial resources available to licence applicants
- c. management expertise in casino operations.

Close associates are defined in s.5 of the *Casino, Liquor and Gaming Control Authority Act 2007*. That provides that a person is a close associate of an applicant or the holder of a licence if the person holds or will hold a relevant financial interest, or is or will be entitled to exercise any relevant power and by virtue of that interest or power is or will be able, in the opinion of the Authority, to exercise significant influence over or with respect to the management of the casino business of the operator.

A person is also a close associate if the person holds or will hold any relevant position, whether in his or her own right or on behalf of any other person, in the casino business. Relevant financial interest and relevant power are defined in wide terms in s.5 of the *Casino, Liquor and Gaming Control Authority Act 2007*.

The Authority established a team of three people to assist it and me in carrying out the investigation. They are Ron Harrex, formerly Director, Major Projects and Investigations with the Authority; David Brearley, Manager, Casino Review; and Mark England, Research Officer. Troy Bell was also seconded for a short time from the Compliance Division to assist with analysis.

APPROACH OF THE STAR

When, for the purpose of this investigation, minutes of various meetings held by The Star management were reviewed, the preparation that the casino operator had done for this s.31 investigation became apparent. First, the Investigation Manager had been tasked to carry out

mock interviews. These were interviews with staff members who may have been required to give evidence to this investigation and the purpose was to prepare them for that event. In the report to management the Investigation Manager prepared following the mock interviews, there was reference made to 'acceptable answers' and to identifying the correct answers to questions 'that seem to concern people'.

Secondly, The Star provided a list of questions they anticipated I might ask to those who I had indicated were required to be interviewed, in advance of that interview.

Thirdly, the minutes of two responsible service of alcohol committee meetings indicated that the casino operator proposed to prioritise refresher training for staff based on those who were to be interviewed. Reference was made in minutes of meetings to staff being 'coached'.

The Star has provided me with detailed submissions and explanations as to these matters. In short, it denies coaching staff or providing answers to staff that were to be interviewed. It said it did not prioritise refresher training based on this process. The purpose of the mock interviews, I was told was to permit the casino operator to determine the effectiveness of its policies. Further, the minutes to which I referred were not written by legally trained people and should be understood in that context.

In litigation before Courts, coaching of witnesses by lawyers is prohibited by the rules governing the conduct of, among others, solicitors (Rule A.43 of the Solicitors' Rules). Coaching is defined as suggesting or condoning another person suggesting in any way to any prospective witness the content of any particular evidence which the witness should give at any stage in the proceedings.

A practitioner will not have breached the rules by expressing a general admonition to tell the truth, or by questioning and testing in conference the version of evidence to be given by a prospective witness, including drawing the witness's attention to inconsistencies or other difficulties with the evidence, but must not coach or encourage the witness to give evidence different from the evidence which the witness believes to be true.

Investigations under s.31 are not court proceedings. However, pursuant to s.143 I can and do take evidence under oath or by affirmation. That evidence is relied upon by me and ultimately the Authority in forming a view about the suitability of the casino operator to continue to hold the licence.

In relation to the holding of a 'mock hearing', *In Re Equiticorp Finance Ltd, ex parte Brock [No 2]* (1992) 27 NSWLR 391 at 395 Young J said:

In ordinary litigation there are very severe limits, in the interests of justice, in preparing a witness to give evidence. Some matters of preparation are clearly in order, and some are clearly out of order, but it is not always possible to state general rules as to where the line should be drawn. It is clear that a witness might confer with his or her solicitor or counsel, or the solicitor or counsel for the party calling the witness, and that during such conference the solicitor or counsel concerned may give the witness advice.

On the other side of the line, a solicitor or counsel does not advise the witness as to how to answer the question. Also we do not in Australia do what apparently happens in some parts of the United States, rehearse the witness before a team of lawyers, psychologists and public relations people to maximise the impact of the evidence.

However, very significant care should be taken before engaging in such practice. The legal practitioner should take care to ensure that the witness is not put under any undue pressure and that the circumstances are not such as to influence the witness, consciously or subconsciously, to alter his or her evidence. In addition, there is a strong forensic risk that the evidence eventually given by the witness at the hearing may appear to be rehearsed or otherwise unnatural. Also, given there is not common acceptance of the appropriateness of the practice, there is a significant risk that, if disclosed, it may be regarded unfavourably by the Court and the relevant evidence given reduced weight.

I accept that the casino operator did not intend to transgress any ethical obligation in this regard. I accept the evidence of the Investigations Manager that he did not, in fact, suggest the evidence which was to be given. However, in future dealings with the Authority when evidence is given on oath, it is important that The Star be scrupulous to avoid any perception that witnesses have been prepared contrary to ethical obligations.

As a result of my concerns in this regard, The Star was not provided in advance with a list of those persons I proposed to interview; rather, short notice was given to each individual.

COURSE OF THE INVESTIGATION

Twenty three staff employed by the casino licence holder were interviewed between June and November 2011 at the Authority's premises, including staff and management working in VIP Services, Food and Beverage, Investigations, Security, Surveillance and Gaming. In addition, The Star's managers in charge of Responsible Gambling, the General Managers for Compliance and Table Games and the Executive General Manager, VIP Gaming gave evidence. The CEO of Echo and the Managing Director of The Star also gave evidence. All of these interviews have been recorded and all of the witnesses were sworn. A number of former employees of the casino licence holder contacted me wishing to participate in the investigation.

Each of them gave sworn evidence and their evidence was recorded. I am grateful for their assistance. I also received many anonymous emails and letters concerning issues and events at The Star.

In addition, representatives of counselling organisations for people with a gambling problem were invited to attend a roundtable conference to discuss matters relevant to the Terms of Reference. BetCare, the organisation which provides counselling support, among other matters to The Star also attended and provided information to the investigation. Further, Professor Blaszczynski, Head of the School of Psychology at the University of Sydney spoke with me as part of the investigation.

I met with representatives of the NSW Police Force, including the Assistant Commissioner and Commander, State Crime Command, the Local Area Commander of City Central, the Commander, Firearms and Organised Crime Squad and senior members of the Police Casino and Racing Investigation Unit (PCRIU) and the Asian Crime Squad. In addition, I met with the NSW Crime Commission (NSWCC), Australian Transaction Reports and Analysis Centre (AUSTRAC) and the Australian Crime Commission (ACC), and each provided information of relevance to the Terms of Reference. I also met with the Government Inspectors and the Union which covers many of The Star's employees, United Voice.

As The Star has recently undertaken and not yet completed a significant refurbishment of the casino and hotel, it was not considered necessary that a comparison of The Star with its competitors in other States be carried out with visits by those assisting in the investigation. As with previous investigations, Don Davison of Davison Consultants was engaged to provide advice on the second term of reference.

Throughout the investigation, information, by way of Notices under s.32 of the Act was sought from and provided by The Star. Material held by the Authority was also accessed.

CHAPTER TWO

CASINO OPERATOR

There have been significant changes to and in relation to the casino operator over the past five years.

EXCLUSIVITY AND TAX ARRANGEMENTS

On 30 October 2007, the Treasurer and Tabcorp Holdings Limited (Tabcorp) jointly announced agreed new arrangements in relation to exclusivity, operational and tax matters. In relation to the following package of arrangements, The Star paid \$100 million. First, The Star's exclusive licence was extended to 13 November 2019. Secondly, changes were made to casino taxation including:

- a. separate duty rates for gaming machines and tables were abolished with the effect that controls to ensure separate revenue bases have been simplified
- b. the International Duty rebate program, at concessional tax rate for table gaming has been extended to all non-NSW residents, on a minimum buy-in of \$25,000
- c. up to 100 gaming machines can be subject to the Non-NSW Resident program and tax rate, subject to a tracking process to be agreed by the Authority and The Star.

Finally, changes to casino gaming rules and regulations were made including:

- a. provision made for an increased number of table games
- b. multi terminal gaming machines, which are devices which play traditional casino games (blackjack, baccarat, sic bo, craps, roulette, etc) on linked individual player terminals using a 'virtual dealer', were reclassified as table games. These are subsequently referred to as multi terminal table games
- c. a maximum of 250 gaming machines installed in the private gaming areas of the casino may have any bet limits requested by the casino operator.

In addition, the agreement with the Government permitted the Authority and The Star to negotiate a number of regulatory issues including extension of casino boundaries, approval of outdoor gaming, levels of supervisory limits and review of funding of Authority surveillance staff. Further, a review of the Act was foreshadowed including an amendment to increase the period

of time for s.31 investigations from three years to five years. Those amendments are discussed in chapter 8 of this report.

Other matters agreed as part of the negotiations were that there should be no seat limits on multi terminal table games.

Legislation was passed with effect from 30 May 2008 to permit implementation of some of these changes. Ministerial directions were made to give effect to other changes.

CHANGES IN STRUCTURE

The Star's corporate structure has significantly changed since 2006. At that time Tabcorp wholly owned The Star.

In October 2010, Tabcorp announced that it would pursue a demerger of its casino businesses from its wagering, gaming and keno businesses. Echo Entertainment Group Limited (Echo) was incorporated on 2 March 2011 to facilitate the demerger of Tabcorp, which was implemented in June 2011. As a result, Echo operates The Star (known as Star City until September 2011) as well as the Jupiters Hotel and Casino on the Gold Coast, Jupiters Townsville, and Treasury Casino and Hotel in Brisbane. It also has an interest in two convention centres in Queensland.

Echo's directors are John Story (Chairman and Non-Executive Director), John O'Neill AO (Non-Executive Director), Brett Paton (Non-Executive Director), Larry Mullin (Managing Director and Chief Executive Officer), Matt Bekier (Executive Director) and Paula Martin (Company Secretary). A corporate structure diagram is Annexure 2 to this report.

The Authority was required to approve this major change in the state of affairs of the casino operator (s.35). As Echo was to become a 'close associate' of the casino operator, the Authority needed to be satisfied that Echo is a suitable 'person' to be associated with the management of the casino.

The directors and senior executives of Echo and its associated companies were all current directors and senior executives of Tabcorp, and as such, licensed by the Authority and subject to significant continuous disclosure obligations. The Authority was satisfied as to their reputation and suitability.

PROBITY

A list of those considered to be key close associates of the casino operator is shown in Annexure 3.

Inquiries have been made of the casino and gaming regulators in Queensland and Victoria, NSW Police, the NSWCC, the ACC, the Independent Commission Against Corruption and the Australian Competition and Consumer Commission in respect of Echo and its associated entities. Checks made on each of the office holders of Echo and subsidiary companies over the past 18 months by the Authority, have also been taken into account.

As part of those inquiries, I was told that an investigation concerning a close or business associate of the casino operator had been recently conducted by PCRIU with information provided by the NSWCC. That investigation did not result in any finding adverse to the close or business associate. The investigation is relevant to the exchange of information between Police and the Authority and that aspect is dealt with later in this report. Further, the ACC also provided information which has been taken into account in the investigation.

No other matter of an adverse nature was identified.

MANAGEMENT

The Executive Committee of Echo, each of whom reports to Mr Mullin and has a role in relation to The Star is as follows.

- Sid Vaikunta, Managing Director of The Star
- Stephen Spence, Executive General Manager for VIP Gaming
- Victor Tiffany, Head of Hospitality
- Jeremy Medina, General Manager, Customer Relationship Marketing
- Brad Schmitt, General Manager, Media and NSW Government Relations
- Michael Anderson, Group General Counsel
- Natalie Mitchell, General Manager, Executive Office
- Matt Bekier, Chief Financial Officer
- Michael Henry, General Manager, Construction and Development NSW
- Saro Mugnaini, Executive General Manager, Domestic Marketing
- Matt Flemming, General Manager, Customer Solutions and Integration
- Louise Marshall, Executive General Manager, Human Resources.

The Chairman of Echo was previously Chair and Non Executive Director of Tabcorp. Mr Mullin was Tabcorp's Chief Executive, Casinos from February 2009 and prior to taking that position

was President and Chief Operating Officer of Borgata Hotel Casino and Spa in Atlantic City. Mr Bekier had been Tabcorp's Chief Financial Officer since late 2005.

The Star has a Transitional Services Agreement with Tabcorp dated 20 May 2011. Under the Agreement, Tabcorp is to provide or procure the provision of certain transitional services to Echo, including commercial management, human resources and information technology. Its term is for one year, with an option to extend for a further year. In order to determine whether the period is sufficient for Echo to effectively transition the services it requires for the proper operation of its casino business along with compliance with regulatory matters, I inquired of The Star the progress in this regard. The Star told me that it anticipated that all services provided to Echo by Tabcorp under the Agreement would cease within the one year term, with the exception of general accounting and reporting operations which may need to be extended until 31 July 2012.

In addition to the Executive Committee, there are the following key General Managers:

- Sylvia Aloizos, General Manager, Compliance, Echo Entertainment Group Limited
- Heather Scheibenstock, General Manager, Table Games
- Jason Yeates, General Manager, Electronic Gaming
- Mark Harbidge, General Manager, Property Operations
- Stewart Neish, General Manager, VIP Customer Relations.

Each of Ms Aloizos, Mr Yeates and Mr Harbidge has been in a similar position or with the casino operator since 2006.

Having considered the changes made, I am satisfied that there are sufficient persons among the managers of The Star who have demonstrated experience in the management and operation of a casino.

FINANCIAL MATTERS

In considering the suitability of The Star, I am to have regard to its financial background and financial resources.

As part of considering the changes to the arrangements between it and the Tabcorp entities occurring as a result of the demerger, the Authority engaged Deloitte to undertake a financial analysis to consider the impact on the Authority and the State. It also engaged the Azure Group to provide a second opinion on these financial matters.

As part of the demerger negotiations, Tabcorp sought an amendment to the Continuity and Co-Operation Agreement dated June 2009 with the Authority, to replace the shareholder loan with intercompany loans and to permit The Star Group to incur debt to a maximum cap of \$500 million, an increase from the existing \$205 million.

The increase in permitted borrowings was relevant to the redevelopment of The Star. The significance of the amendment sought was, as explained by the Azure Group

... if Echo, as a focused casino business, does not generate enough cash to meet the syndicated debt obligations, it may have a flow on effect to the Star Holding Group, particularly if Star City is underperforming. This may consequently affect duties and amounts owing to the Authority.

Following advice from Deloitte and the Azure Group, the Authority, on 27 April 2011, determined that the new intercompany loan cap of \$500 million was suitable and that, on the advice of Clayton Utz, the necessary legal obligations protecting the State had been put in place. Accordingly, the Authority formed the view that Echo was suitable to be a close associate of the casino operator.

In providing its advice, Deloitte recommended that the s.31 investigation seek further information as to the "...financing strategy specific to The Star" and periodic confirmation of the status of the \$906m capital expenditure and forecast revenue growth.

This investigation has sought information on Echo's financing strategy in relation to The Star. That information has been reviewed by the Authority which remains satisfied that Echo is suitable to be a close associate of the casino operator.

I am advised by the Authority that it has periodically confirmed the status of the \$906 million capital expenditure and that the project is on budget and on time.

The Azure Group made a number of recommendations to the Authority, including that The Star provides the Authority with an initial plan and quarterly project updates against the plan until the redevelopment is complete and six monthly reports on the financial debt and condition of The Star to enable the Authority to track The Star's progress against its forecasts. I note that the redevelopment is largely complete and that the Authority obtains regular reports from The Star as to its financial condition. In addition, as a publicly listed company, Echo has many obligations in regards to financial reporting.

SPECIAL EMPLOYEES

The Act requires any person who is employed or working in the casino in a managerial capacity, or who is authorised to make decisions involving the exercise of his or her discretion, that regulate operations in a casino, to be the holder of a special employee licence.

Similarly, persons employed or working in the casino in any capacity related to the conduct of gaming, movement, exchange or counting of money or chips, security or surveillance or the operation, maintenance, construction or repair of gaming equipment are also required to hold a special employee licence (s.44).

In May 2010, s.44 was amended to require special employees to hold both a licence and a certificate of competency for the functions that the special employee exercises. Section 64 requires the casino operator to issue certificates of competency only if satisfied that the person has completed appropriate training in those functions.

Section 52 of the Act provides that the Authority is not to grant a licence unless satisfied that the applicant is a suitable person to exercise the functions that the proposed licence would authorise. For that purpose, the Authority is to make an assessment of:

- a. the integrity, responsibility, personal background and financial stability of the applicant
- b. the general reputation of the applicant, having regard to character, honesty and integrity.

Pending a final determination of a licence application, the Authority is empowered to issue provisional licences. Between 1 January 2007 and 31 October 2011 the Authority issued 1995 special employee licences, 1662 provisional licences, renewed 1581 licences and refused to grant a licence to 14 applicants.

The reasons for these refusals included that the applicants could not demonstrate financial stability, they failed to disclose relevant information, particularly prior offences and they had criminal convictions.

Prior to the Authority making a final decision to refuse a licence application, it provides each applicant with at least fourteen days to make submissions to the Authority as to why the application should not be refused.

Between 1 January 2007 and 31 October 2011, the Authority took disciplinary action against 43 licence holders, mainly for convictions for traffic related offences, with driving with a mid or high range prescribed concentration of alcohol being the largest category. Other reasons for disciplinary action included criminal charges and bankruptcy. As a result of the disciplinary

action, 15 licences were suspended, a further 15 licence holders were subjected to a letter of censure, eight received a letter of reprimand and one resulted in no action being taken.

Four licence holders who would have been the subject of disciplinary action by the Authority avoided that process by resigning.

The names and particulars of licensees who were the subject of disciplinary action or who avoided disciplinary action through resignation or dismissal are made available by the Authority to casino regulatory bodies in other jurisdictions in the event those persons lodge applications for licences.

From May 2010, the Authority is no longer required by the Act to consider applications for variation of the functions that a person may exercise in the casino pursuant to their licence (s.57). The requirement for special employees to hold certificates of competency, introduced at the same time permits more flexibility in the work which special employees can carry out.

CONTROLLED CONTRACTS

On 18 May 2010, the Act was amended to repeal the requirement that notifiable contracts, that is, contracts entered into by the casino operator for the provision of general goods or services to the casino for less than \$625,000 are notified to the Authority.

Now, only where the casino operator proposes to enter into contracts which relate to the supply or servicing of gaming equipment or contracts which are materially significant to the integrity of the operation of a casino, must the casino operator provide to the Authority written notice of the details of the proposed contract. These contracts are known as "controlled contracts".

Under s.37 of the Act, the Authority has the power to object to any proposed controlled contract. Since the amendment took effect, six controlled contracts have been entered into by The Star. None have been the subject of objection.

If the Authority considers a person associated with a controlled contractor to have the power to exercise significant influence over operations in the casino, it may require that person to be licensed as a special employee. From 1 January 2007 to 31 October 2011, eight people who are associated with various controlled contractors have been required to apply for and have been granted a special employee licence.

CONCLUSION

Having regard to the information before the investigation, as at the time of preparing this report, I am satisfied that:

- the casino operator and each close associate are of good repute, having regard to character, honesty and integrity
- the casino operator has or has arranged a satisfactory ownership, trust or corporate structure
- the casino operator and each close associate are of sound and stable financial background
- the casino operator has or is able to obtain financial resources that are both suitable and adequate for ensuring the financial viability of the casino
- the casino operator has or is able to obtain the services of persons who have sufficient experience in the management and operation of a casino
- the casino operator has sufficient business ability to maintain a successful casino
- the casino operator or any close associate does not have any business association with any person, body or association nominated by the Authority from time to time who, in the opinion of the Authority is not of good repute, having regard to character, honesty and integrity or has undesirable or unsatisfactory financial sources
- each director, partner, trustee, executive officer and secretary and any other officer or person determined by the Authority to be associated or connected with the ownership, administration or management of the operations or business of the casino operator or a close associate of the casino operator is a suitable person to act in that capacity.

CHAPTER THREE

CASINO FACILITIES

This chapter addresses paragraph two of the Terms of Reference. It considers the standard and nature of the casino and the facilities provided in or in conjunction with it.

The Casino Operations Agreement which was entered into by the casino operator and the Authority in December 1994, provides that, among other matters, the casino operator will use its best endeavours to conduct and manage the operations of the casino and ancillary facilities at a first-class international standard for casinos and casino complexes in general, having regard to the best operating practices ("the best practices covenant").

As part of this investigation, the Authority engaged Don Davison from Davison Consultants to advise on the major works which have been undertaken by The Star in the last five years and the nature and standard of the facilities associated with the casino. In addition, Davison Consultants' advice was sought on The Star's compliance with the best practices covenant.

Davison Consultants advised that when major works being undertaken are completed in early 2013, the casino complex will consist of the following facilities:

- gaming areas in October 2011 include 213 gaming tables, 1400 electronic gaming machines and 279 multi terminal table games. The gaming areas within the casino are contained in a main gaming floor, mezzanine gaming area, outdoor undercover gaming areas and various exclusive private gaming facilities. The number of gaming items in 2012 is likely to be 250 gaming tables, 450 multi terminal table games and 1500 electronic gaming machines
- the Astral Tower hotel (five star quality), formerly Star City hotel, consisting of 341 rooms (143 deluxe rooms, 153 superior rooms, 43 suites and two dual level penthouses) and 139 serviced apartments of 1, 2 and 3 bedrooms. The Darling, a new second hotel (five star quality), with 171 rooms (114 standard rooms, 52 deluxe and 5 luxury villa residences of 2 and 3 bedrooms). Four of the villas will each have an attached private gaming rooms

- hotel recreation facilities with two swimming pools (one in each hotel), a gymnasium and a health spa (with 16 private treatment rooms)
- a new multi function events centre of 2400 sq m incorporated into a three level auditorium with a maximum capacity of 4000 people seated and standing. Multiple options will be possible with pre function areas, 1300 seat banquet areas, 1000 seat dinner dance, banquet with buffet, 4000 standing cocktail reception, 3000 seat theatre-style that includes VIP table seating in upper levels and seminar room facilities with 1994 seats. Boardroom, meeting rooms and business centres will also be available. The Star obtained development approval for the facility in August 2011 and completion is expected in early 2013
- a 2000 seat Lyric Theatre. The former Showroom Theatre has been converted into gaming areas. The new multi function centre will be able to hold major entertainment performances to replace the former Showroom
- eleven restaurants and 12 food outlets ranging from fast food to fine dining with international chefs
- twenty five bars
- a nightclub with dining and bar facilities. The new nightclub is located on the top level above the new Pirrama Road harbourside entry
- extensive outdoor undercover gaming areas for patrons who smoke
- retail and food arcade of 5500 sq m that connects to all of the street frontages of Pyrmont Street, Union Street, Pirrama Road and Jones Bay Road
- the historic former Sydney Electric Light Station building that was restored as part of the casino complex and used for The Star administration offices
- undercover basement parking for 3000 motor vehicles and 16 tourist bus spaces
- a new 3000 sq m four level main eastern harbourside entrance to the casino complex from Pirrama Road with a small vehicle porte-cochere. The building extension upper levels contain restaurants, gaming and bar facilities, outdoor gaming areas, a new nightclub and a roof podium for patrons. The new entrance to the complex opens the orientation of the casino bars and restaurants to views of Sydney Harbour and the Pyrmont foreshore park. The previous extensive stair installation and street fountains facing Pirrama Road were demolished for the new harbourside entrance to the casino complex
- a porte-cochere facility from Pyrmont Street for taxis, hire cars and valet parking
- a light rail station, private bus layover and public bus set-downs.

Davison Consultants advised that the capital commitment identified is \$861 million to be spent from financial year 2008 until 2012 when the project is to be completed and includes the following cost components, totalling \$643 million, allocated up to the financial year ending 2011:

▪ main gaming floor casino refurbishment and expansion	\$150,000,000
▪ new second hotel tower and casino expansion adjacent to Pirrama Road (removal of major stairs and fountains)	\$267,000,000
▪ infrastructure and services renewal	\$39,000,000
▪ multi-function entertainment and events centre	\$100,000,000
▪ Sovereign Room outdoor private gaming	\$25,000,000
▪ new private gaming area in existing hotel tower (former Astral restaurant)	\$15,000,000
▪ existing hotel penthouse refurbishment	\$14,000,000
▪ retail additions and alterations	\$15,000,000
▪ signature restaurants	\$18,000,000

An additional \$218 million will be spent on capital costs for the financial year 2012, to reach the estimate costs of \$861 million. This will include additional payments for the completion of the main gaming floor, new hotel tower and the multi-function entertainment and events centre.

One major component of the capital works was the cost for the intended purchase and operation of two jet aircraft for transporting high stake patrons to Sydney that has now been changed to a lease arrangement at a lower cost.

Additional to the capital expenditure are works associated with maintenance and repairs for financial years 2008 to 2011 on parts of the casino complex that are not being refurbished. This totals \$41.55 million. Davison Consultants advised that it represents an adequate works expenditure.

In the examination of the information provided by The Star on capital expenditure, Davison Consultants concluded that:

- the standard and nature of The Star casino and ancillary facilities are of a first-class international standard that is compliant with the best practices covenant
- the condition of The Star casino complex is maintained in good operational order by The Star management
- The Star operates and conducts the casino and the ancillary facilities in accordance with its obligations and provides all the features, facilities, attractions and services as prescribed
- The Star casino and the ancillary facilities have been upgraded to a high standard and quality and maintained in a condition better than when the permanent casino opened in

1997. The casino complex has been improved through significant capital work expenditures made during the financial years 2007 to 2011 in areas such as the main gaming floor refurbishment, new private gaming facilities, a future multi-function events centre, existing and new hotel facilities and guestrooms, new retail arcade and shops and new food and beverage components.

GAMING

Casino Table Games

Section 66 of the Act provides that all table games played at The Star must be conducted in accordance with rules approved by the Authority. The approved rules of games are available on the Authority's website. In addition, The Star is required to ensure that brochures summarising the approved games and rules of play (in a text approved by the Authority) and the rules are provided to patrons on request.

Table games and derivatives currently approved for play in the casino are:

- Aruze Multi Terminal Table Game, Blackjack
- Baccarat, Even Money Baccarat, Dragon Bonus, Baccarat Pairs and Perfect Pairs
- Big Wheel and Rapid Big Wheel
- Blackjack, Pontoon, Pontoon Pandemonium, Super Sevens and Perfect Pairs
- Blackjack Challenge
- Caribbean Stud Poker
- Casino War
- Charity Tournament Poker
- Commemorative Two Up
- Craps
- Double Chance
- Four Card Poker
- Interblock Roulette Multi Terminal Table Game
- Let It Ride
- Novo Unity II Roulette Multi Terminal Table Game
- Pai Gow
- Poker, Electronic Poker
- Roulette, Double Zero Roulette and Rapid Roulette
- Sic Bo and Rapid Sic Bo
- Texas Hold'Em Bonus Poker
- Three Card Baccarat and Even Money Three Card Baccarat
- Three Card Poker

- Two Up
- Vegas Star Multi Terminal Table Game, Baccarat, Blackjack, Roulette, Sic Bo and Three Card Poker.

Of these, Two Up, Let It Ride, Charity Tournament Poker, Double Chance and Super Sevens option for Blackjack are not currently available for play in the casino. Commemorative Two Up, introduced in April 2011, is only available for play on ANZAC Day, on Victory in the Pacific Day and on Remembrance Day.

The Aruze Multi Terminal Table Game featuring the game of Blackjack and the Vegas Star Multi Terminal Table Game providing factual representations of the games of Baccarat, Blackjack, Roulette, Sic Bo and Three Card Poker commenced in July 2008 while Interblock Roulette Multi Terminal Table Game and Novo Unity II Roulette Multi Terminal Table Game were introduced in April 2010 and March 2011 respectively. These games enable the players to place wagers on electronic layouts at individual player terminals.

In September 2009 the game of Texas Hold'Em Bonus Poker commenced in the casino, followed eight months later by the introduction of the game of Blackjack Challenge, a variation of Blackjack that pays 2 to 1 when the player obtains a blackjack but loses when the player ties with the dealer. The game of Casino War commenced in September 2010.

I am informed that the Authority is of the opinion that there is an adequate stock of gaming chips in the casino and that existing chips are satisfactory for their intended purpose.

Electronic Gaming Machines

The number of gaming machines in the casino is limited by Ministerial Direction to 1500. As at 26 June 2008, under the new Casino Exclusivity Agreement and Ministerial Direction, revised arrangements for gaming machines in the casino included:

- no limits on prizes or jackpots for any game played on a gaming machine at the casino
- the bet limit for gaming machines in the casino is the same as gaming machines available to clubs and hotels under the *Gaming Machines Act* 2001 subject to a maximum of 250 gaming machines installed in the private gaming areas of the casino may have any bet limits requested by the casino operator
- up to a maximum of 100 of the gaming machines installed in the private gaming areas of the casino may be made available to players not normally resident in New South Wales participating in programs for gaming machine commission based or rebate play in accordance with the system of internal controls and administrative and accounting

procedures applicable to such programs as approved by the Authority under s.124 of the Act.

Section 68 of the Act provides that the Authority may approve of gaming equipment for use in the casino and may investigate or authorise the investigation of gaming equipment for the purpose of determining whether the equipment is suitable to be approved for use in the casino.

To remove unnecessary duplication from the approval process, the Authority in January 2001 issued an approval of the use in the casino of all X-standard gaming machines (and related games and software/hardware modifications) approved by the former Liquor Administration Board for use in registered clubs. However, from 1 July 2008 the casino operator was permitted to install modified X-standard gaming machines (and related games and software/hardware modifications) with higher betting limits for the private gaming areas of the casino.

The casino operator was also permitted to install non X-standard gaming machines (and related games and software/hardware modifications). This type of gaming machine has been approved in other jurisdictions that are recognised as having a similar level of regulatory control as New South Wales and the Authority requires a comprehensive report from an Accredited Testing Facility to certify that the game does not contain any non permissible characteristics, meets the minimum player return (currently 85%), the gaming machine effectively communicates with the casino operator's electronic monitoring and linked jackpot systems and its game play meters used in the calculation of casino revenue for taxation and levies under the Act are accurately recorded and reported.

Private Gaming Rooms

The private gaming rooms (PGR) include the main Sovereign Room, which consists of the Platinum Suite and eight small inner sanctum rooms. A further separate private members room is the Gold Suite (146 electronic gaming machines and 10 multi terminal table games). A food service facility and individual bars are available in the rooms. The Sovereign Room contains 51 tables, 96 electronic gaming machines and 20 multi terminal table games and 22 tables are in the eight inner sanctum rooms (total of 73 tables). A small gaming machine space has been opened in the outdoor undercover area.

Approvals and Variations

Pursuant to s.124 the casino operator must have a system of internal controls and administrative and accounting practices in place which have been approved by the Authority. Any such approval may be amended from time to time, as the Authority thinks fit. Similarly, a

number of other provisions, including ss.65 and 68, require the Authority to approve changes to the gaming equipment used, the games played and their rules and the casino layout.

During the period under investigation, the Authority approved eight new games or game variations, 29 various amendments to the rules of existing games (including the additional optional wagers of Baccarat Pairs within Baccarat, Ante Bonus Wagers within Texas Hold'Em Bonus Poker Super Streak, Odd or Even, Four Number Combinations within Sic Bo and The Box Seat within Blackjack) and a wide range of other matters including disposing of gaming equipment, software upgrades, new design playing cards and gaming chips, revised brochures and forms, and approvals to conduct simulated gaming sessions.

Star Keno

The casino operator introduced the game of Keno to the casino on 26 November 1998. The game is branded "Star Keno". The agreement with the Keno operator (Jupiters Gaming (NSW) Pty Limited and Clubkeno Holdings Pty Limited), allows for a commission rebate to The Star based on turnover.

Rebate Programs including Junkets

In January 2006, Star City re-entered the international rebate business which comprises premium player programs for individuals and junket programs for groups. The programs are available to those whose normal residential address is outside Australia. Minimum front money requirements of \$75,000 for individuals and \$500,000 for junkets apply. All financial transactions for the junket group are performed via the junket operator.

For Australian residents who live outside of NSW, to participate in the rebate program there is a minimum front money requirement of \$25,000 per individual per trip or \$175,000 per junket per trip.

Players will earn a percentage of their turnover as commission (cash) and, in addition, will earn a percentage of their turnover as complimentary value or 'comp', which is used to cover the cost of the player's room, food and beverage and other expenses accrued at The Star. The principal difference between these programs and those offered to local players and the general public is that the rebate business attracts a reduced taxation rate.

The Authority no longer approves junket operators. The casino operator has that responsibility. The casino operator is to notify the Authority of the conviction of any promoter or representative (cl 17 *Casino Control Regulation 2009*).

The Authority requires notification of prospective premium player participants including their names, arrival and departure dates, front money amount, identification details and date and place of birth. It also requires notification of junket players including settlement date, promoter's details, participant's name, stated front money buy-in, as advised by promoter/representative, estimated win/loss, estimated entitlement at settlement and estimated entitlement to commission or rebate, based on percentage of contribution to total front money for the group.

The Authority receives reports on the completion of junkets.

There are various stages in the establishment of a junket program when checks are done or controls implemented. For example, The Star performs checks on the operator and players as part of its obligation under the *Anti-Money Laundering/Counter-Terrorist Financing Act 2006* (Cwth)(AML/CTF). When a cheque or credit facility is requested further checks and profiles are undertaken. The import or export of cash is captured by Customs and finally, reports are made to AUSTRAC for international transactions, transactions over the threshold of \$10,000 and suspicious transactions. When junket players arrive, there are checks by the Department of Immigration and Citizenship and the casino is required to check passports and visas. On settlement of the junket there is scrutiny of the integrity of the settlement and again reports are made to AUSTRAC.

As with previous s.31 investigations, I have discussed the operation of junkets with relevant law enforcement agencies and AUSTRAC. AUSTRAC administers the AML/CTF Act which has as a principal object to fulfil Australia's international obligations to combat money laundering and financing of terrorism (s.3).

AUSTRAC does not receive information about individual transactions, other than described above. As occurred in 2006, representatives from AUSTRAC expressed an interest in receiving from the Authority the names of and transactions conducted by individual junket participants. In 2006, the NSWCC and the ACC, each of which can receive that information by virtue of s.149 of the Act, agreed that it would be beneficial to law enforcement goals for the AUSTRAC database to hold information of that nature.

A recommendation to that effect was made in 2006 and was accepted by the Authority. It was not implemented. I understand that discussions were held between the Authority and AUSTRAC in 2007 and 2008. I repeat the recommendation made in 2006.

RECOMMENDATION 1

I recommend that the Authority provide the names of and transactions conducted by individual junket participants to AUSTRAC.

I understand that in 2010, the casino operator entered into an agreement with a marketing referral group to refer players, primarily Asian players to The Star. I understand that this group is not considered to be a junket operator and that none of the members of that group who provide the service are licensed in NSW, nor is the group approved as a controlled contractor under the Act. Time has not permitted me to investigate this matter further, however, I recommend that the Authority consider whether any aspect of this arrangement requires its approval.

RECOMMENDATION 2

I recommend that the Authority consider whether any aspect of the marketing referral arrangement entered in to by the casino operator in 2010 requires its approval.

During the course of this investigation, publicly available information came to my attention suggesting a concern by law enforcement in the United States that a number of junket operators in Macau, a former Portuguese colony located less than 40 miles west of Hong Kong, are directly or indirectly involved with organised crime in Macau and the China mainland.

I am aware that this information is known by some Australian law enforcement agencies. I am of the view that the various meetings which are regularly held between Police and the Authority, as set out in Chapter 6 of this report, should enable information to be exchanged and acted upon to ensure that The Star remains free from criminal influence or exploitation from this source.

CASINO BOUNDARY

During the period under investigation, the casino boundary was amended on many occasions. The key changes which have been made and that are not related to construction works associated with the refurbishment are set out below.

Approval Date	Reason for Change
29 June 2007	Inclusion of new level 4 area Vermilion Suite
29 June 2007	Inclusion of the PGR (Platinum Suite) expansion within the blue line (previous Al Porto and terrace)
11 January 2008	Inclusion of 2 new inner sanctums
06 February 2008	Inclusion of 2 new inner sanctums, PGR Buffet and outside balcony
02 April 2008	Inclusion of new PGR lounge area in boundary

Approval Date	Reason for Change
25 April 2008	Inclusion of level 4 Executive lounge and terrace (Vermilion Suite)
22 December 2008	Inclusion of outside Balcony smoking area adjacent to inner sanctums
28 August 2009	Extend casino boundary to include all of a smoking balcony located at Sports Theatre
27 October 2009	Inclusion of new poker area level 2
12 February 2010	Remove the main entry escalators from the casino boundary
01 September 2010	Removal of escalators from the casino boundary
01 April 2011	Inclusion of new area of gaming floor adjacent to the Food Quarter
01 April 2011	Modify boundaries at entry point to provide a buffer zone

CONCLUSION

I am satisfied that the standard and nature of the casino and the facilities provided within it are appropriate and the casino complies with the requirement that it use its best endeavours to conduct the casino and ancillary facilities at a first-class international standard.

CHAPTER FOUR

CASINO OPERATIONS

LEGAL OBLIGATIONS BETWEEN THE AUTHORITY AND THE CASINO OPERATOR

There are a number of Agreements in place between the Authority or relevant Ministers and The Star. These Agreements are summarised in Annexure 4.

As part of this investigation, The Star was requested to and has advised of its compliance with its legal obligations. The Star's response has been assessed and I am satisfied that there has been general compliance by The Star with its obligations under the relevant legal agreements.

LITIGATION

Section 35 of the Act provides that The Star is to advise the Authority of any major or minor changes in its state of affairs. These are defined in the *Casino Control Regulation 2009* and include the involvement of the casino operator in civil proceedings or alternative dispute resolution procedures.

For this investigation, I sought details of legal proceedings in which The Star was involved. As occurred in the 2003 and 2006 investigations, the information provided differed in some respects from that advised to the Authority pursuant to s.35 of the Act. Two debt recovery matters which had not been advised to the Authority have been disclosed to this Investigation.

Most of the proceedings in which The Star was a party were personal injury matters against The Star, most of which settled. There were three discrimination claims, one was settled and in the other two, the Tribunal/Appeal Panel found in favour of The Star.

As at 31 March 2011, The Star had ten ongoing debt recovery matters totalling less than \$7.5 million. Two of those began in 2003, two from 2007, three from 2008, two from 2009 and one incurred in 2010. Over the last five years, The Star completed, either by way of recovery or write off 15 matters, nine of which were satisfied in full or in part or payments are ongoing.

There have been a not unexpected number of compensation claims concerning employees or in relation to public liability.

Four of the legal proceedings in which The Star is or was a party are of particular note. First, the long running litigation by Alexander Preston and associated companies was settled prior to hearing in 2008.

Secondly, Behrouz Foroughi took action in the Federal Court against The Star claiming misleading or deceptive conduct, unconscionable conduct, negligence and breach of statutory duty for failing to detect him in breach of a voluntary exclusion order (*Foroughi v Star City Pty Limited* [2007] FCA 1503). While the breach of statutory duty was not argued before him, Jacobson J found that that the legislative history and the case law indicated that the intention of the Act was not to confer a private right of action for damages on problem gamblers who may enter the casino in breach of an exclusion order. Jacobson J followed the NSW Court of Appeal in *Reynolds v Katoomba RSL All Services Club Limited* [2001] NSWCA 234 in holding that no duty was owed to a member who was a problem gambler, to protect them against financial loss. The comments made by Jacobson J in relation to methods of detection of excluded persons are dealt with elsewhere in this report.

Thirdly, following The Star's claim of deductions for prepaid rent being disallowed by the Australian Taxation Office (ATO), The Star appealed to the Federal Court, which allowed its deductions. The ATO appealed to the Full Federal Court which found in its favour and The Star's application for special leave to appeal to the High Court was dismissed. In September 2009, the Full Federal Court ordered that The Star was not required to pay penalties imposed by the ATO. The Star's financial position is dealt with earlier in this report.

Finally, proceedings were brought by Andrew Hinkley concerning The Star not permitting him on its property. This matter is relevant to exclusions and is dealt with in chapter 5.

MINORS

Preventing minors from accessing the casino is fundamental to achieving the object of containing and controlling the potential of a casino to cause harm to the public interest and to individuals and families. The Act places specific obligations on The Star to ensure that minors do not gain access to the licensed gaming areas of the casino complex.

If a minor enters the casino, The Star has committed an offence with a maximum penalty of \$5500 payable. The same penalty applies if the casino operator does not forthwith notify an

Authority Inspector and remove the minor from the casino. Further, if the casino operator or a casino employee is aware that a person who may reasonably be suspected of being a minor is attempting to enter the casino, the casino operator or the employee must refuse that person entry to the casino. A failure to comply with this provision also attracts a maximum penalty of \$5500. The Authority can also take disciplinary action against the casino operator, including imposing a fine up to \$1 million.

Measures Taken

The measures taken by the casino operator to prevent minors gaining access to the gaming and liquor facilities in the casino have changed since the last s.31 investigation. The methods previously used and which remain include:

- The public entrances to the casino are staffed by security officers
- Training of security officers to detect and prevent minors from accessing the casino
- Training of relevant food and beverage and gaming staff to check identification
- Disciplinary action against staff who permit minors to gain access.

The Star has introduced a "welcome team", which is comprised of security officers assigned only to the entry points and working eight hour rather than 12 hour shifts with additional breaks. There has been additional refresher training of security staff and targeted training of some gaming staff also occurred in March 2011.

Statistics

According to The Star, between 1 January 2007 and 31 March 2011, there were some 160 instances of minors detected after having gained access to the licensed area of the casino. 2010 recorded the highest number of minors 'crossing the blue line' since 2005. However, over the period as a whole, that is a slight reduction on a monthly basis of those minors detected during the period of this investigation compared with the last investigation: 3.1 per month compared with 3.6 per month between 2004 and mid 2006. Whether that means there are actually fewer minors or fewer are detected is not known. Fewer than four minors who gained entry in each year under investigation were observed either consuming alcohol or gambling.

The Star estimated that over 1.8 million checks of identification were conducted by security officers between 2008 and the end of March 2011. On over 670 occasions, security officers found identification cards to have been altered, falsified or tampered with.

I note that The Star has in place a system where quarterly reports are made to the Management Risk and Compliance Committee about minors being detected as well as providing statistics and analysis. Those statistics reveal a significant increase in the number of persons refused entry

due to age from the period 2006 to 2007 to the period 2007 to 2008. These numbers remained at that high level in 2009 and 2010.

A recent report to the Management Risk and Compliance Committee for the quarter November 2010 to February 2011 refers to an audit by the Security Department of the accuracy of records kept on the number of identification checks performed. It showed 'dramatic underreporting' at the main entry point and significant over reporting at less patronised entry points.

On two nights, a Friday and a Saturday in late April, early May 2010, the firm, Barringtons was engaged by The Star to carry out a covert review of areas within the casino. In respect of minors, its report stated that security appeared to be very effective in monitoring the ages of those persons who appeared to be younger and attempting access into the venue.

Action Taken for Breaches

During the period covered by the 2006 investigation, The Star received from the Authority a warning letter, a letter of reprimand, and two letters of censure in relation to five instances of a minor accessing the casino.

During the period of this investigation, the Authority has issued four Notices to Show Cause against The Star in respect of minors entering the casino. Three concerned events in 2010 and each of these concerned a 17 year old.

In May 2010, a minor was on the gaming floor for about 40 minutes, having passed two security officers and not being asked to provide identification of age. A third security officer requested identification and the driver's license produced showed him to be 17 years old. The Star was fined \$5000.

In June 2010, a 17 year old entered the casino on three occasions and his identification was checked each time by a security officer. On the first two occasions he was permitted entry and gambled for a total period of about two hours. On the third occasion, the identification was considered to be that of another person and he was not permitted entry. As a result The Star disciplined the first two security officers. The Star was fined \$5000 by the Authority.

In October 2010, a 17 year old entered on three occasions, on the first occasion she was asked for identification and had one alcoholic drink. On the second occasion, she was not asked for identification and on the third occasion, she was refused entry after being asked for and showing identification which was determined by a security officers as not being hers. The Star was fined \$10,000.

In January 2011, a 14 year old produced identification to a security officer and was permitted entry. Ten or so minutes later another security officer approached her, checked her identification which showed her age and escorted her from the casino. The Star was fined \$10,000.

Also in January 2011, The Star's then General Manager Food and Beverage entered the casino while carrying his baby. He was stopped from entering by a security officer, however, after some discussion was permitted to enter with his baby. A Show Cause Notice was issued to him for contravention of his special employee licence. He was reprimanded.

Between 1 January 2007 and 31 March 2011, the Authority's Inspectors issued Penalty Infringement Notices (PINS) in relation to about 307 offences involving minors using false evidence of age or consuming or attempting to consume alcohol on licensed premises. This is fewer than for the previous period under investigation, taking into account the different time periods.

The Authority has indicated the seriousness with which it views minors in the casino. It is acknowledged that it is challenging to the casino to prevent all minors from entering, however, that challenge should not mean that failure is acceptable.

HONEST GAMING

Cheating is an offence under s.87 of the Act with a maximum penalty of \$11,000 or imprisonment for two years or both. Between 1 January 2007 and 31 March 2011, the Authority's Inspectors issued 107 PINS, totalling almost \$70,000, and prosecuted three persons for alleged cheating. That is almost double the number of PINS issued per month between 2004 and mid 2006.

The numbers of people excluded for theft or fraud has increased significantly over the period under investigation. Whether this reflects the increased vigilance of security officers and others or more opportunistic behaviour by patrons is not known, however, given the number of people who visit the casino on a daily basis, around 25,000, the number of instances where this occurs is very small.

I am satisfied that The Star takes appropriate action to ensure gaming is conducted honestly.

INVESTIGATIONS

The Investigations Manager reported and provided monthly reports to The Star's General Counsel when the previous s.31 investigation was undertaken. Since that time, the casino has employed a new Investigations Manager and Investigator, each of whom has a background in policing. The Manager still reports to the General Counsel but does not provide written reports. I am told that the subject matter of those reports is now provided through the quarterly Management Risk and Compliance Committee reports. Chapter 6 deals with the work of the Investigators.

SECURITY AND SURVEILLANCE

Structure and Resources

Security and surveillance officers are critical to protecting The Star's assets, employees and patrons. The structure under which they work and the numbers of those officers have fluctuated over the years. 151 security officers/supervisors and duty managers are currently employed; an increase from 118 in 2006. Various additional allied staff are also now employed in areas such as risk and compliance, training and recruitment and emergency and safety.

In relation to surveillance, 29 operators or trainee operators are employed, compared with 25 in 2006. Further, additional console operators are now employed. I am informed that funds have been allocated to increase the number of surveillance operators by eight and to change the configuration of the surveillance area to accommodate more operators.

The structure has changed in that an Asset Protection Manager position has been created to whom the security and surveillance managers report and who in turn reports to the General Manager, Property Operations.

As detailed above in relation to minors, The Star has introduced the Welcome Team, which is part of the security resources but comprises officers who do not need to be licensed by the Authority. They are located at the entry and exit points and can refuse entry and are responsible, with others, for checking the identification of patrons to ensure that minors are not permitted beyond the casino boundary. In addition, there is a Safety Team which is focussed on identifying illegal and undesirable conduct, excluded patrons and intoxicated persons. Finally, there is the Service Team which takes care of fills and credits and the like.

Security

There has been a downward trend since January 2009 in people being refused entry to the casino. The Asset Protection Manager suggested that this was a result of the lowering of the

dress standards. For example, in the past people were refused entry for wearing thongs; that is no longer the case.

The number of physical removals has decreased, indicating to a security duty manager with whom I spoke, that the security officers are getting better at dealing with behaviour earlier and that bringing in supervisors earlier to manage such situations is working.

There has been almost a halving of the number of patrons asked to leave, from 2009 to 2010. The Asset Protection Manager believes patron numbers were lower in the latter period, however reliable data as to patronage is not currently available. It seems unlikely that patronage was halved during that period. He stressed that security had not altered its work, however, did refer to encouraging his staff to be more patient and tolerant. For example, tolerating swearing and if a patron was rude to a dealer, moving the patron to another table rather than asking them to leave. It is more likely that these changes in practice account for the reduction in the number of patrons being asked to leave the casino.

The Authority conducted a review of training within The Star's Security Department from December 2007 to February 2008. It found that:

...the Security Department has a high standard of training in place for security staff of all levels, coordinated by a Security Administration Manager. Staff interviewed considered that the training and support was excellent and all were confident they had sufficient training to carry out their duties effectively.

The Star told me that the training budget for security has increased from just over \$25,000 in 2004-2005 to over \$215,000 currently. One security duty manager, who has been employed at the casino for some 15 years, believed that the training 'had never been better'.

The Star introduced hand-held metal detectors or wands in June 2004 at all casino entry points. In 2008, it replaced the model then used with a smaller wand, although they have since reverted to a larger wand. I am told that size acts as a deterrent. Over 860,000 scans have been conducted in the period covered by this investigation, with the most common item detected being small pocket knives and corkscrews. No firearms have been detected. Incident reports have been completed in relation to 181 positive scans.

A security duty manager told me that they were an effective deterrent because he is aware of reports of people walking away when they see the officers with the detectors.

In previous investigations, The Star staff interviewed consistently praised the work of security officers in carrying out their functions. On this occasion, a number of staff in Table Games had

experienced the more tolerant approach referred to by the Asset Protection Manager and were critical of what was perceived as a lack of support by security officers when responsible service of alcohol issues arose and when patrons were abusive.

It may be that the casino operator needs to communicate its changed approach and the reasons for it to those staff most affected by it.

Surveillance

I am told that following the refurbishment, there will be about 2500 cameras, an increase from the 1100 cameras in place in 2006. The cameras are located in gaming areas, entrances, stairs and doorways. The outdoor smoking areas also have cameras installed as does the perimeter areas, along Pymont Street. The remaining cameras observe activities in outside areas such as the car park and the hotel. In addition, The Star has moved to digital recording from analogue video recording.

The Surveillance Operations Manager, who was promoted about a year ago, has made substantial changes to the rostering system with a view to having more staff rostered when more patrons are at the casino and to enable the surveillance operators to be more proactive. She described the role for surveillance operators she envisages as, in addition to reacting to calls from security and gaming, to scanning the main gaming floor for excluded persons and observing bar or gaming staff to ensure chips or cash is not being taken.

In relation to detecting excluded persons, she told me that some of the operators were 'very gifted' and 'uncannily excellent' at it. Surveillance operates two 'hotlists' to assist in this work. The first is the 'top ten' excluded persons and the second, a recent initiative, is a list of those patrons who are considered particularly vulnerable provided by one of the Responsible Gambling Managers. These people are also observed for responsible gambling issues. In addition, the Surveillance Operations Manager told me that the operators 'profile' people by reference to their habits of wearing particular clothing, always playing the same game, e.g. poker, or who come in at the same time.

The initiatives she has introduced seem very sensible and should ensure that surveillance continue to play an important role in detecting undesirable conduct and acting upon it.

I am satisfied that the casino has adequate surveillance and security capacity to perform its functions.

PATRON COMPLAINTS

Government Inspectors

There are 17 Inspectors (three positions are currently vacant) who are rostered in teams and are based at the casino. They provide oversight of operations including the inspection of gaming equipment used in the casino, to ensure that gaming is conducted honestly and in accordance with the approved rules and game procedures; investigating complaints from casino patrons relating to the conduct of gaming in the casino; monitoring responsible service of alcohol and responsible gambling practices; assisting in the detection of offences and breaches committed against the Act and recommending disciplinary action. They are notified in the event that a minor is detected on the gaming floor or an excluded person re-enters.

During the period under investigation, the Authority received just under 200 complaints from patrons and 25 were referred to the casino operator under s.33 of the *Casino, Liquor and Gaming Control Authority Act 2007* (or – prior to 1 July 2008 – the equivalent provision in the *Casino Control Act 1992*). To make a complaint under the *Casino, Liquor and Gaming Control Authority Act*, a patron is required to lodge the complaint, which must relate to the conduct of gaming in the casino, in writing. After the Inspector has investigated the complaint and determined if it meets the requirements of a complaint under s.33, the Inspector will inform the casino operator in writing of the substance of the complaint, giving the operator reasonable time to respond.

If the Inspector is satisfied the conditions of the casino licence or any games, rules or directions given by the Authority have been contravened, the Inspector must report the matter in writing to the Authority. The Inspector is to provide a copy of such report to the casino operator. The Inspector is to inform the complainant of the results of the investigation of the complaint and of any action taken or to be taken as a consequence of it.

Of the complaints investigated by the Inspectors in relation to gaming matters, most were resolved in favour of the casino operator, with 12% resolved in favour of the patron. Baccarat and Poker accounted for about half of all complaints, followed by gaming machines, Roulette and Blackjack. As reported following the 2006 investigation, the presence of the cameras assisted considerably in determining disputes.

The Star advised that all gaming related complaints that result in the involvement of a casino duty manager are recorded in its Incident Report database. This s.31 investigation has been informed that these reports are reviewed by The Star management and if an issue is deemed to have been incorrectly handled, alternative resolution will be attempted. The incident reports are also used to assess if there is any systemic issues with the conduct of gaming.

In 2011, the Inspectors referred two complaints to the Authority under s.33(3). The first complaint alleged that a Big Wheel had malfunctioned on two occasions and the casino operator had ruled differently on each occasion. The Authority determined that no action was warranted. The second was a complaint that a player was unable to place a wager in accordance with the stated maximum wager of roulette. The Authority issued a Show Cause Notice and ultimately the Authority imposed a \$2500 penalty.

Given the relatively low number of complaints to the Inspectors, a review of the history of complaints was undertaken. The number of gaming complaints received by Inspectors trended downwards after the first four years of casino operations at the permanent site; that is after 1997. The downward trend continued when Inspectors ceased having a presence on the main gaming floor booth in August 1999 and continued to fall with the introduction of a new protocol in 2003. The new protocol was established after it was agreed between the Authority and the casino operator, that all gaming complaints should be handled and, where possible, determined by the casino operator in the first instance. If the patron was not satisfied after the casino operator had made its determination, the patron was then referred to a Government Inspector.

As part of this investigation, when I attended the casino, I inquired of a number of casino staff the location of the Inspectors. None gave me accurate directions. I am told that new signage is being prepared which will refer to the location of the Inspectors, and the Manager, Compliance for the Authority is in discussions with The Star to arrange the signage. It is clearly desirable for the signage to be arranged as soon as practicable.

Case Studies

PC1 lodged a complaint with an Inspector in February 2011 and requested the Inspector to view additional video footage of his play at a blackjack table. PC1 claimed that he did not make a hand motion to stand or to take a card but the dealer continued onto the next hand and PC1's hand subsequently lost. The Inspector reviewed surveillance footage, observed that PC1 had indicated no more cards by a wrist movement of his right hand and determined that the casino operator had correctly applied the rules.

In October 2010, PC2 complained that while playing a round of blackjack where she had a \$20 bet and \$5 on the Perfect Pairs wager, she received a perfect pair (two 5s of the same suit) but the shuffle machine malfunctioned prior to the round of play being completed and her wager was voided by the pit manager. The Inspector determined the casino had initially not correctly applied the rules and referred PC2 to a casino duty manager who agreed to pay her a cash disbursement of \$125.

PC3 complained to an Inspector in January 2010 that he was not paid for a mini jackpot that he believed he had won while playing a gaming machine. The Inspector reviewed the machine's history of play with the patron and an electronic gaming shift manager and found there was no entitlement for a jackpot payment. The Inspector then instigated testing which determined that

the game software and the machine operation was compliant and he advised PC3 of the outcome.

PC4 complained in July 2010 that during a round of play at a poker table, he had thrown his cards to the mucked area but immediately changed his mind and took them back. He won the hand and initially was awarded the pot of \$405. This was overturned when another player disputed the issue. After reviewing the complaint including video footage of the round of play, the investigating Inspector determined that the casino operator had initially not applied the rules correctly. The Inspector referred PC4 to the poker manager who decided to pay him a cash disbursement of \$405.

In December 2009, an Inspector received a complaint from PC5 who stated that five days prior, his winning wager at a roulette table had been unfairly rejected. PC5 said he had placed a \$500 wager on Red when his mobile phone rang. He stated that the dealer pushed his wager off the layout and the ball then landed on a red number. The Inspector investigated the incident, confirmed the casino operator had correctly applied the rules and advised PC5 of Roulette rule 9.1 which states a person shall not control near a gaming table an electronic or electrical device capable of transmitting an outcome and rule 9.3 which permits a casino supervisor to declare any wager made by a person using such a device as void. PC5 accepted the Inspector's advice on the rules.

PC6 lodged a complaint in August 2009 claiming that while playing at a Rapid Sic Bo terminal, he was not credited for his original wager of \$70 placed on Big (11 to 17) after the dealer entered incorrect numbers and showed his wager as having lost. The supervisor and PC6 both agreed on payment of the winnings by chips from the float but disputed whether the original wager was re-credited. The investigating Inspector determined that the casino had initially not correctly applied the rules and referred PC6 to a casino duty manager who paid him a \$70 cash disbursement.

PC7 complained to an Inspector in March 2010 that he was given the incorrect amount of cash when he exchanged his gaming chips at the Main Cashiers Cage in the casino. The Inspector reviewed the surveillance footage of the transaction, determined that the amount was paid correctly and advised PC7 of his findings.

The Star

It came to my attention during my review of minutes of the Management Risk and Compliance Committee that reports on complaints are no longer brought to the attention of that Committee. In a recent external review into The Star's Responsible Gambling Code, Neill Buck and Associates recommended that the process for reporting on the management of complaints be reviewed to ensure that complaint reports are considered regularly by that Committee and other relevant managers. I am told that the implementation of a single unified system across Echo casinos is necessary to give effect to this recommendation.

RECOMMENDATION 3

The Authority should monitor the implementation of a single unified system across Echo casinos to ensure that The Star's Management Risk and Compliance Committee regularly receive reports of complaints made about the casino's operations.

CUSTOMER SATISFACTION

The Casino Operations Agreement requires The Star to conduct an annual consumer service audit. In October 2002, the Authority granted a waiver to The Star in relation to providing a consumer service audit on the basis that The Star had implemented alternative methods.

The Star has a number of systems by which it receives customer feedback, including surveys of patrons, paper feedback forms and website and telephone inquiries as well as correspondence from patrons. There is a Customer Feedback Team to respond to complaints.

Between 2007 and 2010, The Star had a mystery shopping and 20/20 program to track customer satisfaction. However, it appears that no standard reports for customer satisfaction from July 2008 to late 2010 are available.

In 2010, The Star introduced Market Metrix which replaced 20/20. It is said by The Star to be a more sophisticated customer satisfaction tracking program. It provides a monthly customer satisfaction summary for the hotel and casino, which appears, from my review both detailed and useful.

The Remedy database also tracks customer response, however, from July 2010 to January 2011 there was limited analysis of customer feedback from the Remedy database due to a change in personnel. I was told by the General Manager, Compliance that the analysis has not recommenced. The key areas in which feedback is provided relates to hotel operations and food and beverage.

The waiver which was granted in 2002, was last reviewed by the Authority in 2009 when it was confirmed to The Star that it remains in place. I understand that it is based on the casino conducting its own extensive research including customer satisfaction surveys. Given the issues with The Star's system as set out above, I suggest that the Authority ensure that The Star's systems are working adequately when considering whether to continue with the waiver it has granted.

A further requirement imposed on the casino operator, which has been waived, is that it expend certain budgeted amounts on advertising, marketing and promotions to ensure that it is "fully patronised." That waiver was first granted in 2002 and last granted in 2007 when it was indicated that it would extend until 31 December 2009. No waiver is currently in place, although I understand that each of the Authority and the casino operator act on the premise that a current waiver exists. Nothing has come to my attention to suggest that The Star does not adequately promote itself. However, I suggest that the Authority has in place a system to periodically review the need for a waiver.

RECOMMENDATION 4

I suggest that the Authority puts in place a system to periodically review the need for a waiver of The Star's obligations under the Casino Operations Agreement.

STAFF COMPLAINTS

Staff complaints are received through first, reports to the Management Risk and Compliance Committee, secondly, the TIPS (Tabcorp Integrity Protection Service), a telephone service and finally, a portal on the Tabcorp intranet to deal with questions, ideas or suggestions. From the information provided by The Star, it seems that the Tabcorp grievance policy remains in place and the Enterprise Agreement entered into in 2009, sets out a process for handling staff complaints. Since the demerger, the telephone service has been re-named ETIPS (Echo Total Integrity Protection Service) to reflect the Echo ownership.

In April this year, 2011, Professor Hing from the Centre for Gambling Education and Research at the Southern Cross University was engaged to undertake a compliance culture survey for the casino operator. The sample surveyed was 25%. It found, among other matters which are dealt with elsewhere in this report, a decline in an overall positive response of 5% to the question whether employees felt confident that action would be taken after reporting a matter to a manager (from 96% to 91%). The authors identified receiving feedback as an issue and the General Manager, Compliance told me that, in response to the results of the survey as a whole, she will be looking at, among other matters providing feedback to staff.

In relation to TIPS, Professor Hing noted that the willingness of staff to use TIPS had decreased by 4% from 87% in 2009 to 83% in 2011. She recommended that the "compliance department" act to increase the awareness of staff about its availability, particularly as it is an independent service.

This finding was consistent with the comments made to The Star during the mock interview process described in chapter 1.

An analysis of complaints to TIPS shows a very low number of complaints, usually three or four a year with spikes of nine and ten complaints in 2009 and 2010 and three in the quarter from November 2010 to February 2011. Many staff with whom I spoke had little confidence in the service to resolve any issue in a reasonable timeframe. Some staff went directly to the Investigators when they had concerns. The General Manager, Compliance agreed that ETIPS could be promoted more and told me that The Star is looking at social media to provide an avenue for reporting complaints.

As with the investigation in 2006, staff complaints were not large in number and generally concerned harassment and bullying, although concerns about the fairness of dismissals and questions of leave and conditions were evident.

A June 2010 survey carried out of Tabcorp staff found that engagement by staff of The Star had declined, most markedly in the Table Games Department. Engagement was most positive in the hotel and food and beverage areas. The Star informed me that they were not surprised at these results given the level of change within the organisation. The casino operator has developed a new Casinos Division Strategy which was launched in 2010. Employee quality and engagement was identified as one of the six key goals of this strategy and for the success of the casinos business.

DISCIPLINARY ACTION

Section 23 of the Act permits the Authority to take disciplinary action against the operator if, among other matters, the casino operator or employees have contravened a provision of the Act or a condition of the casino licence. Disciplinary action, which includes imposing a pecuniary penalty and issuing a letter of censure, can only take place after The Star has been given the opportunity to Show Cause why disciplinary action should not be taken (s.23(2)).

There was no disciplinary action taken in 2007 and 2008. In 2009, The Star was fined \$10,000 for permitting a patron to be intoxicated in circumstances where the Authority was satisfied that the patron had drunk 42 schooners of beer within 24 hours.

Also in 2009, The Star was issued with a letter of censure on two occasions. First, for permitting a VIP Host International to exercise the functions of a special employee, namely a VIP Host, when not authorised by licence to do so. Secondly, it was issued with a letter of censure for not providing written notification within 14 days that a licensed information technology contractor had ceased to have functions in the casino.

In 2010, a Show Cause Notice was issued to The Star for, again, permitting an employee, on this occasion a security duty manager, to exercise the functions of a special employee, when not authorised by licence to do so. A further Show Cause Notice was issued for not providing written notification within 14 days that a licensed information technology contractor had ceased to have functions in the casino. Ultimately, no action was taken by the Authority in respect of these two matters given that they occurred in close proximity to the two matters for which The Star was censured in 2009.

The four disciplinary actions in relation to minors entering the casino in 2010 and 2011 have been dealt with earlier in this chapter.

In 2011, Star was fined \$10,000 for, on three occasions allowing dealers to deal baccarat pairs without the necessary training.

In 2006 we found that special employees exercising functions for which they are not licensed are not isolated events at The Star.

The 2006 investigation recommended that the Authority pay particular attention to the effectiveness of systems in place at The Star in respect of preventing employees from working in areas in which they are not licensed. It is evident from the disciplinary action taken that this remains an issue for the Authority. It may be that the amendment to the Act requiring certificates of competency to be held by special employees will provide flexibility in this regard.

CHAPTER FIVE

EXCLUSIONS

INTRODUCTION

Section 79 of the Act provides that the Authority or the casino operator may exclude a person from the casino. Section 81 of the Act empowers the Commissioner of Police to direct the casino operator to exclude a person. Exclusion orders remain in force until revoked by the person who made the order. There is a right to seek review of an exclusion order made by the casino operator, and the Authority conducts that review. There is no right of review from a direction of the Commissioner of Police or exclusion by the Authority.

There is also provision for a person to request that he or she be excluded from the casino, commonly known as a self exclusion or voluntary order. This provision is designed to allow people who believe they have a problem with gambling to request that action be taken with a view to preventing them from re-entering the casino.

Since the last investigation in 2006, the Act has been amended so as to require the Commissioner of Police to notify the Commissioner of Police in each State or Territory of the making of an exclusion order under s.81 and providing them with the excluded person's name and, where practicable, a photograph.

Further, s.81(7A) has been inserted which provides that a direction by the Commissioner of Police may not be challenged in any proceedings. In a similar vein, amendments have been made with the effect that ss.85(4) and (5) provide that no civil or criminal liability is incurred by casino staff acting in good faith when removing an excluded person from the casino, however, civil liability for negligence causing personal injury or death is not affected. The purpose of these latter amendments was to bring the casino in line with the legislative arrangements in place for hotels and clubs with self exclusion schemes.

The power to exclude persons from the casino is necessary to ensure that the objects of the Act and of the Authority are achieved. Those objects are to:

- a. ensure that the casino remains free from criminal influence or exploitation
- b. ensure that gaming is conducted honestly

- c. contain and control the potential of the casino to cause harm to the public interest and to individuals and families.

Thus, patrons who pose a risk to others or the casino itself can be excluded as well as those whose gaming is harmful to themselves or their families.

Some of the benefits of excluding persons from gaming venues were set out in the 2010 Productivity Commission Inquiry report into Gambling (the Productivity Commission report). They include considerable reductions in spending, better family relationships, reductions in the urge to gamble, increases in control over gambling and reductions in the negative consequences of gambling for social life, work performance and mental health (p 10.7).

SELF EXCLUSIONS

The Star

The Star has excluded 782 patrons at their own request between 1 January 2007 and 31 March 2011. Over the last decade, the number of patrons self excluding was highest in 1999-2001. In the period under investigation, the trend is broadly consistent with the previous four or five years.

In order to understand the relationship between the number of people excluded and the numbers who visit, the patronage over 2007 to 31 March 2011 was nearly 36.5 million.

Once a person seeks exclusion, senior security officers take the patron to a security interview room, explain the process and consequences, obtain a photo of the person, which the person signs, complete the exclusion order and escort them from the casino. An information pack containing problem gambling counselling services is also provided. Pamphlets advising patrons of the casino self exclusion program, available throughout the casino and in three community languages, as well as English, are provided to persons seeking exclusion.

While voluntary exclusions are issued for an indefinite period, generally The Star will only entertain an application for revocation after twelve months, providing there has been no detected entry to the casino in the previous six months. Persons seeking revocation of their voluntary exclusion order are required to submit to an assessment from a recognised gambling counsellor supporting their application. They are referred to BetCare for that assessment. In April 2008 BetCare replaced Wesley Financial and Gambling Counselling Service, which had been providing a similar service to The Star. In addition, in most instances, the person is also

required to submit a letter of support for the revocation from a family member or significant other.

The casino operator revoked 24 self exclusion orders in the period 1 January 2004 to 30 June 2006. Between 1 January 2007 to 31 March 2011, 267 people who had self excluded, had their exclusions revoked by The Star. For this investigation, an analysis was undertaken of the time a person had been excluded prior to that exclusion being revoked. That analysis revealed that of the 267 people who had their exclusion revoked, about 140, just over half had their exclusions revoked three or more years after it had been imposed. Thirty five people had their exclusions revoked two to three years after its imposition. About 80 revocations were granted between 12 months and two years after the exclusion order was made.

Six were revoked before 12 months had elapsed. Of these, one patron had changed her mind within a day of signing the order, four were then issued with a responsible gambling or non voluntary exclusion order because of the number of re-entries and/or their behaviour and another was already the subject of a voluntary exclusion order.

I am satisfied that the system in place to consider applications for revocations is appropriate.

The Authority

In 2004, the Authority issued one self exclusion order at the request of a patron. It has issued none since.

NON VOLUNTARY EXCLUSIONS

Commissioner of Police

Between 1 January 2007 and 31 March 2011, the casino operator excluded 65 people from the casino at the direction of the Commissioner of Police. In 2007, 30 people were excluded, with 24 excluded in the following year. In 2009, four were excluded at the direction of the Commissioner and seven in 2010. None have been excluded in the first three months of 2011. This is significantly fewer than in the period 2004 to 2006 when consideration is given to the differing periods under investigation.

The decrease is likely to be as a result of the Police ceasing to perform checks on applicants for membership of the PGR at The Star. This matter is addressed in chapter 6 of this report.

The criteria applied by the Commissioner of Police when determining whether he should direct that a person be excluded from the casino are as follows:

- a. the person's criminal history, or whether evidence/intelligence of their criminality suggests the reputation of the person, warrants exclusion
- b. the person is suspected of using the facilities of a casino for an unlawful purpose, eg money laundering, criminal association, supply or use of prohibited drugs, etc
- c. the person has a gambling problem sufficient to warrant exclusion
- d. the person is the subject of a court order or other judicial process not to enter or attend licensed premises or a casino.

These criteria have not changed since the last investigation. As with the last period of investigation, the Commissioner of Police has directed that persons be excluded for a range of activities, some of which occur at the casino and some elsewhere. They include drug supply, fraud, money laundering, money lending and robbery.

Between 1 January 2007 and 31 March 2011, two persons have had their exclusion order revoked by the Commissioner of Police, pursuant to s.82(3) of the Act, each because of questions as to the correctness of their identity. Eighteen persons applied for a review of their exclusion.

The Star

In the period 1 January 2007 to 31 March 2011, The Star excluded 1279 patrons, which is considerably higher than occurred previously, taking into account the differing reporting periods. The number of exclusions for disorderly conduct almost doubled in 2008-2009 and while that number reduced in the following year, it remains historically high. Theft or fraud remains the main reason for exclusion. The number of people being excluded for leaving their children unattended was as follows: six in 2006, which rose to nine in 2007, increased further to 19 in 2008, reduced to 13 in 2009, and there were 12 exclusions for this reason in 2010.

Exclusion due to gaming incidents or offences remains relatively low. In 2009-2010 there were 43 exclusions for these reasons, the second highest on record. Gaming related exclusions are made for conduct such as a refusal to return an overpayment, falsely claiming credits or winning bets, continual late betting, adding to a winning wager for fraudulent purposes and continual removal of losing bets from table layout.

A new category of responsible gambling was introduced in 2008-2009 and in that year, 12 people were excluded for that reason with it increasing to 25 in the following year. Most of these exclusions follow intervention by a family member or observations by casino staff consistent

with problem gambling. These exclusions occur in circumstances where the patron will not self exclude. About one third of these exclusions were issued after the patron continually breached a voluntary exclusion order. Half of them had been issued to patrons who had been Sovereign Room members. Of the majority of those excluded for this reason, over 80% are table games players, with just over 10% being electronic gaming machine players.

The Responsible Gambling Managers, in consultation with the Responsible Gambling Committee make the decision to exclude for this reason, after first determining whether the patron is willing to voluntarily exclude. One of the Responsible Gambling Managers told me that the "non-revenue" members of the Responsible Gambling Committee make the decisions in these cases. Of more recent times, the Responsible Gambling Manager has been obtaining a responsible gambling assessment of the patron before excluding them, and while awaiting that, suspending them for a period of three months or until they undergo the assessment.

Case study

In November 1999, Ms ZZ was given an exclusion order for suspected past-posting at a baccarat table. She was detected entering the casino in November 2001 and again in September 2002. Warning notices were issued to her by Authority Inspectors on both occasions.

Following a number of submissions by Ms ZZ, The Star revoked her non voluntary exclusion order in April 2003 but a fortnight later issued a voluntary exclusion order after a request by her for voluntary exclusion. However, she repeatedly breached this order by entering the casino on more than 20 occasions and as a result The Star revoked the voluntary order and issued a non voluntary exclusion order in February 2006.

Ms ZZ was detected having entered the casino in September 2007 and was issued with a warning notice by an Inspector. She then entered the casino twice in January 2008 and was issued with a Court Attendance Notice for the two offences. The matter was heard in March 2008 and Ms ZZ pleaded guilty and was fined \$700 plus court costs \$140 and professional costs \$400.

Ms ZZ again entered in October 2008 and was issued with a Penalty Infringement Notice (PIN) for \$550. Ms ZZ wrote to the casino operator in November 2008 requesting revocation of her exclusion order. The Star informed her in writing that it would not consider revocation due to the three re-entry breaches during the year including the previous month and encouraged Ms ZZ to seek the support and assistance of problem gambling counselling services.

Between March 2009 and June 2010 she was found entering the casino on seven occasions and was issued with a \$550 PIN on each of the first six entries. On the final occasion, an Inspector issued her with a Court Attendance Notice despite pleas from Ms ZZ for a PIN and her promise that she would never return again.

In August 2010, Ms ZZ appeared in the Balmain Local Court and pleaded guilty to the offence. She submitted that she enters the casino in times of stress and when the last offence occurred she was struggling with personal issues. She also submitted that she does not have a gambling problem and did not want counselling. The Magistrate gave her a suspended sentence of six months imprisonment noting it was warranted on the grounds that Ms ZZ had breached the exclusion order on 11 occasions and monetary penalties had not had any deterrent effect; it was clear that Ms ZZ has a "gambling addiction" but refuses to undertake counselling and Ms ZZ's continued breaches of the order were costly both to the Court and the Authority and only a suspended sentence of imprisonment is sufficient to ensure that she does not breach the Exclusion Order again.

At the time of this report, there is no record of Ms ZZ having again breached her exclusion order.

Withdrawal of licence

Since late 2009, The Star has withdrawn the common law licence to enter the casino complex of seven people. It has done so in circumstances where the casino operator had information about the person's involvement in illegal or undesirable activity or the person was bankrupt. One of those persons has taken action against The Star. At first instance before Justice Ward in the NSW Supreme Court, Mr Hinkley sought a declaration that the decision of The Star to withdraw his licence to enter the complex was invalid. Justice Ward held that there was no basis for judicial review of the decision by The Star and no contractual or other obligation to afford him procedural fairness in relation to the withdrawal of his licence. Mr Hinkley appealed to the Court of Appeal on the ground that The Star owed him procedural fairness in deciding to withdraw his licence.

On 22 September 2011, his appeal was dismissed and Giles JA, with whom Young JA and Tobias AJA agreed, held that The Star was not obliged to observe the rules of natural justice in giving an exclusion order under s.79 as the legislative scheme was inconsistent with that obligation. It was accepted by the appellant that if natural justice did not need to be afforded in exercising the statutory power under s.79, the appeal must fail. That The Star could refuse entry in the exercise of its right as occupier was not in issue and, in any event, per Giles JA with whom Young JA agreed, was not lost because of the statutory power to exclude.

Revocations

In 2007, The Star undertook a cull of its register of persons excluded before 2006 and, as a result revoked 855 orders. I was told that the criteria for the cull were as follows:

- a. the exclusion order had been in place exceeding the minimum recommended period (as per the exclusion orders policy)
- b. no breaches in the last 6 months

- c. section 81 (Commissioner of Police directions), voluntary and responsible gambling exclusions were not considered for revocation
- d. exclusion orders issued by the Authority were not considered for revocation
- e. exclusion orders issued for unattended children in the car park were not considered as per the Ministerial direction of 1995.

In September 2008, The Star undertook another cull and 46 exclusion orders were revoked based on the same criteria. In addition to those culled in the manner described above, 311 orders were revoked over the period of review, making a total of 1211 over the period in review.

The Star told me that all exclusion orders are issued for an indefinite period and the following criteria applies to determining whether any order should be revoked.

- the nature of the incident or behaviour giving rise to the original exclusion be considered and compared (where relevant) to other exclusions issued
- the validity of the original exclusion including any new or additional information available
- the degree of contrition by the customer
- the acceptance and commitment to the standards of behaviour required of customers at The Star
- the customer's willingness to participate in any investigation (past or current)
- information concerning the customer's honesty, integrity, family, habits, character, associates, criminal record, business activities and financial affairs (if available)
- the time period since the issue of the original exclusion, with consideration to time periods applied to other exclusions issued by The Star
- the views of the Investigations Manager
- the views of relevant operational areas (eg, Table Games, VIP Services, Security)
- the views of the Authority (where deemed necessary)
- any broad considerations relating to integrity, suitability (to hold casino licences) and/or probity generally.

As with the conclusion reached in 2006, no material has come to my attention during the course of this investigation which suggests that the process and the exercise of the discretion by the casino is working other than well in relation to exclusions.

Disclosure of information

Subsection 83(3) of the Act limits The Star (or any other person) from providing details of those it has excluded to, inter alia, casino employees, relevant government employees and the person excluded. The Star is precluded from sharing that information with the other casinos it operates in Queensland.

In 2006, we recommended that The Star be permitted to provide lists of those people excluded by it, to those Queensland properties.

In July 2011, The Star sought approval from the Authority for Tabcorp Queensland Casinos employees to access the s.83 list of excluded persons. In September 2011, the Authority approved licensed casino employees of the three relevant Echo companies to have access to that list.

The Authority

The power to exclude

The Authority has not excluded any person from the casino in the period covered by the investigation. It has the same power to do so as the casino operator under s.79, however, like the Commissioner of Police, any exclusion order issued by it is not subject to review (s.80(1)). The last exclusion order issued by the Authority was in March 2004 and it was issued at the request of the patron.

I understand that the Authority considers that its power is to be used as a last resort. Given its role as review body for exclusions issued by The Star, the expertise of The Star's Responsible Gambling Managers in relation to exclusions and the power of the Commissioner of Police to direct exclusions, this approach is appropriate.

Review power

The Authority can review a decision by The Star to exclude if the excluded person makes the necessary application.

In the period from 1 January 2007 to 31 March 2011, the Authority received or had awaiting determination, 304 requests from persons seeking to have their exclusion orders reviewed. Of this number, the Authority let 223 orders stand and set aside 18 orders. Fifty three applications for review were received out of time. The remaining orders were either revoked by the casino before determination, referred to the Commissioner for Police or are awaiting decision by the Authority. These figures are consistent with previous years and indicate that The Star responsibly exercises its power to exclude.

Case studies

A dealer at a Pontoon table incorrectly totalled five cards as 21 when the point count was 22 and three players betting on the hand (including a \$100 wager by P1) were paid when they had actually lost. Some 15 minutes later, P1 was approached by a supervisor, advised of the error and requested to repay \$250 that he owed as a result of the mistake. P1 refused to return the

money indicating that mistakes happen both ways and as a result he was issued an exclusion order. The Authority determined to let the order stand.

P2 sought a review of her exclusion order issued to her by the casino operator in March 2011 for theft. P2 had approached a gaming machine vacated by another player but with \$100 on the credit meter. She had pushed the collect button and cashed in the payout voucher, departing the area when the player returned. P2 was observed in the casino two days later and issued with an exclusion order. The Authority noted that P2 had admitted collecting the \$100 from the unattended machine assuming the player would not return and had retained the money. The Authority determined to let the order stand.

P3 was excluded in August 2009 for cheating at a baccarat table by allegedly taking advantage of a dealer error. The dealer had incorrectly called the result of a game as a Tie when the Bankers hand had won. P3 and some other players removed their wagers, as they are entitled to do upon a Tie result, before a player disputed the result and the gaming staff attempted to reconstruct the hand. During these events, P3 removed his \$50 wager from Player and placed \$25 on Banker which was then paid as a winning wager. He was subsequently excluded by a Casino Duty Manager after repaying the \$75. The Authority, in reviewing his application, overruled the exclusion on the basis that the dealer error, inept card reconstruction and lack of appropriate bet reconstruction outweighed a possible attempt by P3 to take advantage of a situation that should not have arisen had gaming staff correctly exercised their functions.

P4 was excluded from the casino in December 2010 following concerns his family and the casino had for his gambling. The casino's responsible gambling manager was initially contacted some 10 months earlier by P4's wife who advised of his gambling addiction and that he was spending a lot of time and money at the casino. The manager met with P4 and his wife on a number of occasions after that time in an effort to introduce a number of self help and control initiatives but without success. When his time spent gambling at the casino escalated and he ignored encouragement to voluntarily exclude from the casino, the casino's responsible gambling committee issued a non voluntary exclusion order. In his application for review, P4 stated that he only visits the casino a few times and that the amount he takes for gambling does not cause any financial issues for his family or business. The Authority considered the available evidence and determined to let the order stand.

P5 applied in January 2011 for a review of the exclusion order issued to him by The Star for an unattended child. P5 admitted leaving his 11 year old son unattended in the hotel foyer while he entered the main gaming floor of the casino to locate a friend who was gambling on a number of gaming machines. Although P5 did not gamble while in the casino, he left his son unattended for at least 15 minutes. The time would probably have been longer if he had not been contacted to return to the hotel foyer after a security officer had noticed and approached the boy. The Authority determined to let the order stand.

THE DETECTION OF EXCLUDED PERSONS ENTERING THE CASINO

Method

A consequence of exercising the power to exclude and accommodating those who wish to be excluded is that the casino must take reasonable steps to prevent excluded persons entering the casino.

The means by which this is achieved has not changed markedly since 2006. It includes software which registers the membership cards of rated players, the recollection of those staff who were involved in the original exclusion and, finally, photos that are provided to all other relevant staff who are exhorted to monitor the casino for the presence of excluded persons.

One area of change is that The Star now uses a digital/analogue hybrid system which, I am told, provides enhanced quality of footage and still images taken. The digitally recorded images are superior in their depiction and detailed nature of the images and make recognition of excluded persons a more accurate process.

The Star continues to use an electronic database recording exclusions and breaches by minors. It enables security officers to quickly determine the status of a patron and it records instances of re-entries and alerts the PGR of any excluded person seeking to access those rooms. An Exclusion Hot List is also published and distributed to relevant departments.

The Star told me that, in 2009, it tested a facial recognition software system under a controlled environment at staff entry. The trial revealed an unacceptably high number of false readings. In 2007, The Star's use of facial recognition technology was the subject of judicial comment. In *Foroughi v Star City Pty Limited* [2007] FCA 1505 at [133] - [138], Justice Jacobsen accepted the evidence of The Star that this technology was unsuitable for use in casinos. Jacobsen J referred to evidence that the 2003 s.31 investigation did not recommend any changes to the casino's system, while being critical of limitations of a system which relies on human beings to detect excluded persons. Jacobsen J noted that the question of whether in light of more recent developments in technology, more effective measures may or may not be appropriate, was a matter for the regulatory authority.

Jacobson J concluded that while a gambler who enters a casino in breach of a voluntary exclusion order and suffers losses will have no redress in the form of a damages claim, that is not to say that the casino does not have some obligation to try and detect such persons and remove them. The question of what those measures are, His Honour found, is a matter for the Authority.

Based on the findings of The Star in its 2009 trial, and given the number and nature of re-entries and the volume of patrons entering the casino, facial recognition technology will need to be further advanced before being of benefit in detecting excluded persons entering the casino. This matter should be revisited in the next s.31 investigation.

RECOMMENDATION 5

The s.31 investigation required to be conducted before December 2016 should consider the usefulness of facial recognition technology in detecting excluded persons entering the casino.

With the additional resources of a second Responsible Gambling Manager, audits comparing patron names and accounts across a number of the databases in use at The Star have been carried out. The first of those indicated that 95 people had more than one account. Of concern, just under half of those, 42 people, were excluded. Those audits will continue on a regular basis and are clearly another useful tool to ensure that excluded persons do not enter the casino.

Statistics

The casino operator advised me that between 1 January 2007 and 31 March 2011, it detected 2177 incidents of an excluded person in the casino; a figure slightly higher than previous periods, taking into account the differing periods of investigation. Most of the people detected had been excluded voluntarily.

Data kept by the Authority records 2047 occasions when a person was detected contravening his or her exclusion order, with the number of persons involved in those incidents being 1810. According to Authority data, on 1276 of those occasions, self excluded persons were involved and 1080 of such people were detected. Obviously, individuals entered on more than one occasion.

The data differs because, as I am told, there is some double counting in The Star's figures, that is, more than one staff member records the same event and some people leave before an Inspector arrives or is notified and thus the data does not appear on the Authority's records.

Under s.84(1) of the Act an excluded person, other than self excluded, may be prosecuted for entering the casino with a maximum penalty of \$5500 and/or 12 months imprisonment. If the Court finds a person guilty, it may, if satisfied that the person has a problem arising from their gambling activities, postpone its decision as to the imposition of a penalty on condition that the person agrees to undergo gambling counselling for up to twelve months.

The Star warns self excluded persons, who are identified as having breached an order on numerous occasions that the next entry may result in the casino issuing an exclusion order under s.79(1). These non voluntary orders have been issued against nine people on this basis. The penalties which can be applied for breaching such an order are conveyed to the patron.

The Authority has successfully prosecuted 82 people for offences against s.84 of the Act concerning the re-entry of excluded persons. Almost 500 verbal or written warnings were issued, with PINS served on 167 occasions, consisting of over \$90,000 in fines. When the prosecutions and PINS are considered, more prosecutions or penalty notices were issued per month in the last five years than in the three years preceding.

REFORM

At the beginning of this chapter I outlined the Productivity Commission's views on the benefits of exclusion programs in gaming venues. Its report also set out some limitations of these programs. The report noted that many of those patrons who need to exclude do not use it. Accordingly, the Productivity Commission's view is that this gives rise to a need to limit the embarrassment for some people by removing unnecessary complexities in the procedures. Further limitations identified by the Productivity Commission include that gamblers can circumvent exclusion orders by entering without being detected, the effects of exclusion are not enduring, it is inflexible and often too late. The report found that many return to gambling after a short period and renege on their agreement and obtain an earlier revocation.

The Productivity Commission made two recommendations in relation to self exclusion programs. First, it recommended that Governments should ensure that gamblers have the choice of immediately invoking self-exclusion at the venue (without interview) or excluding themselves outside of the venue and there should be a capacity for family members to make applications for third party exclusions on welfare grounds and for nominated employees to initiate non-voluntary exclusions on welfare grounds.

As discussed above, The Star has a program for self exclusion that falls short of the immediacy suggested in the report of the Productivity Commission. The patron is taken to an interview room by security and the process and consequences of exclusion are explained, details of gambling counselling services are given and a photograph taken and authorised. It involves intervention by The Star in circumstances where timeliness may be significant to the person going through with the decision to self exclude. However, I acknowledge the necessity of properly identifying the person so as to enable detection if they enter contrary to an order made. In my view, The Star's approach provides sufficient immediacy.

There is no process whereby people wishing to self exclude can do so outside the casino. In response to my question as to its view on these recommendations, The Star suggested consideration be given to it contracting with a third party, perhaps BetCare to process self exclusions. That approach is preferred by The Star to exclusions over the phone or by the internet. The Star refers to the obvious difficulties in identifying persons excluding other than in person. It suggests that if the person was a member of a rewards program, the exclusion process could take place online as their identity would be confirmed via a password. It notes, however, that The Star does not have a photograph of all of its members. Further, The Star suggested that the self exclusion process could be managed by the person making contact with an appropriate employee, such as a responsible gambling liaison manager using its website.

RECOMMENDATION 6

I recommend that The Star and the Authority agree on trialling a process whereby those wishing to self exclude can do so externally, preferably by use of technology and with satisfactorily identifying the patron.

Third party exclusions do occur at The Star. When it is satisfied that exclusion is appropriate based on the information provided by a third party, The Star approaches the person and if unable to persuade them of the benefits of voluntary exclusion, issues a non-voluntary exclusion order. For the reasons set out earlier, I am satisfied that The Star continues to respond appropriately to requests from third parties for the casino operator to exclude a patron.

The second recommendation of the Productivity Commission concerns attaining a balance between flexibility and enabling agreements to be binding by having various periods of exclusion, permitting revocation after attending a counselling service and having simple processes to extend self exclusion periods.

The Star has a minimum period of 12 months for which a person is excluded followed by a process which includes a counselling assessment. I agree with The Star that this manages best a process involving thousands of people and avoids unnecessary complexity and uncertainty for patrons and The Star. In relation to Sovereign Room players, who number significantly fewer, they can have their Sovereign Room access suspended for 1 to 3 months during which time they can access the main gaming floor (MGF).

Exclusion orders have no lapse date in NSW as they do in other jurisdictions and thus no process to extend them is necessary.

CHAPTER SIX

CRIMINAL AND UNDESIRABLE BEHAVIOUR

INTRODUCTION

As indicated earlier, the objects of the Act and of the Authority are to:

- a. ensure that the casino remains free from criminal influence or exploitation
- b. ensure that gaming is conducted honestly
- c. contain and control the potential of the casino to cause harm to the public interest and to individuals and families.

A key concern of earlier s.31 investigations has been to the adequacy of the systems in place by the casino operator to ensure that the management and operation of the casino remained free from criminal influence or exploitation.

This issue remains vitally important and the Authority needs to remain alert that those key systems in place which ensure the objects are met, are not dismantled or reduced in importance.

MEASURES TAKEN BY THE STAR

The more significant measures to minimise the presence of criminals and undesirable behaviour in the casino include:

Access to the Sovereign Room

While the name of The Star's private gaming room has changed from the Endeavour Room to the Sovereign Room, the process by which access is gained has not. Thus, persons wishing to have access to the Sovereign Room must complete an application form and provide adequate photo identification. They are issued a Sovereign Room access card with their photograph displayed. Each person with primary access is entitled to nominate a spouse or partner who is eligible for a "partner" card, which also contains a photograph. Members are required to swipe their card on entering the room and their photograph is displayed on the computer screen at the podium, enabling staff to ensure that access is only by members. In addition, the software alerts staff if the member's guest is an excluded person.

Each member is entitled to bring into the room one guest or partner per visit. A "manager's guest pass" can be issued for a one-off visit or short term access to visiting dignitaries, celebrities, sports people, business associates and the like.

Guests other than holders of a partner's card are required to present a valid form of photo identification, or, with the approval of one of the managers, two forms of non photo identification from different organisations; rarely have guests been permitted entry without photo identification.

I am told that the Investigations Department conducts internal probity checks on all Sovereign Room applicants.

Checks by law enforcement

At the time of the 2006 s.31 investigation, the Police Casino Investigation Unit (as it was then known (PCIU)) was provided by the Authority with applications for membership of the PGR at The Star. The applicants were then checked by analysts against Police holdings and, in the event the criteria set out in chapter 5 were met, that person could be excluded at the direction of the Commissioner of Police. The casino operator paid for the analysts to be employed by the Authority for this purpose until June 2008 when, as part of the exclusivity agreement negotiations with Government, the casino operator was relieved of that obligation. The Police continued for some time to perform the checks using its own analysts. Since 1 January 2007, the Police had checked almost 10,500 names.

I am informed by the Police that they have not performed such checks since July 2010 in relation to data provided by the Authority in December 2009. I understand that the decision to cease that work was based on allocation of its resources. I also understand that the Authority has recently interviewed and appointed an analyst to be employed by the Authority and based at the PCRIU to perform those checks. Another position is expected to be advertised shortly.

From the information collected as part of this investigation, there is no basis to consider that those checks are no longer warranted. Ultimately, it is a matter for Government as to which agency funds that work, however, in my opinion the necessary funds should be made available to permit each applicant to be the subject of Police checking. Those who have applied since December 2009 should also be the subject of criminal checks. Whether the two analyst positions are sufficient, is a matter for the Authority to monitor.

Audits

The Star has provided details of 14 audits conducted by its Surveillance Department of access being granted to the PGR during the period 1 January 2007 to November 2011. The purpose of the audits was to covertly evaluate and report on compliance with internal controls relating to Sovereign Room access.

The first nine surveillance audits conducted since September 2007 show that instances of persons gaining access to the PGR unauthorised and/or unchallenged is about 1% or below while the audits conducted over the last 12 months or so, showed that access had been reduced to 0.27% by November 2011.

Of particular interest is a point noted in the December 2009 audit report which stated:

This audit again highlighted a number of patrons with guest or managers passes whose identity appears to be unconfirmed. In this audit, 12 of the 16 patrons appeared to hold a card of sorts when walking through the area. With an effective guest management system, the results of this audit could have been reduced ...

The audit report also listed among its recommendations:

Consideration be given to a review of the written procedures around patron access to these rooms. In particular the procedures for guests to include some form of identification verification. Options could include a visitor's pass system with the guest returning the card upon exiting or presenting ID with a "Paper pass" to authenticate ownership.

I understand that this recommendation has not been taken up, although, it appears that the numbers of people gaining unauthorized access has reduced. In addition, the VIP Services Manager told me that they have moved a podium to allow more room for customers to swipe their card and for the staff to take action if that does not occur.

Inspector's Reports

As part of this investigation and using the records of the Government Inspectors, an analysis was undertaken of access by persons, particularly excluded persons to the PGR. The analysis focused on three areas: excluded persons denied entry upon trying to access the PGR, excluded persons who gained access to the PGR, and unauthorised entry by patrons other than excluded persons.

The results of the analysis for 2008, 2009, 2010 and the first half of 2011 indicates an increase over the past 18 months in the number of excluded persons attempting to access the PGR, both in terms of being denied entry and in managing to gain entry.

Several Inspectors incident reports submitted in the last 12 months highlight certain technical problems in controlling access to the PGR.

Incident on 22 April 2010 – Non member gaining PGR entry on another person's guest pass

The Inspectors was notified by Surveillance that they had sighted an excluded person exiting the PGR and then some three hours later, that he had re-entered the PGR. A review of the surveillance coverage showed that on both occasions the patron entered the PGR, he just waved or flashed something in the air at reception, did not swipe in and walked straight through without being checked by staff. The VIP Host staff advised an Inspector that the person had a pass but when questioned if they had checked the pass or the person's identification they had no explanation. The pass was subsequently found to be a Manager's Guest Pass that had been issued to a friend of the excluded person.

Incident on 4 December 2010 – Database matching issues

An excluded female patron was detected in the Sovereign Room. When questioned by the attending Inspector, the excluded female stated that she had been signed into the PGR as the guest of a member on a number of occasions including the current visit. Examination of her NSW driver's licence identification showed her surname being recorded as the last of four names while the casino database listed her surname as the first of the same four names. A subsequent review showed that she had been signed in as a guest on four separate occasions in total.

The swipe entry system for the PGR is linked to the Surveillance database for the VIP Host Department to detect, among other things, if a guest is an excluded person. However, the current signing in system appears to have some shortcomings - in order for it to flag a person as excluded, the information of the surname and date of birth must both match. An input error either on the database or by a VIP Host can lead to an excluded person being signed in without detection. An audit by the Inspectors using a small sample of 50 excluded files showed that in four instances (8%) the database system contained incorrect information.

Incident on 20 February 2011 – Non member gaining PGR entry on another person's card

An unidentified non member gained entry to the PGR after swiping in with a card that had not displayed a photo on the swipe system. When located the individual stated he was from Melbourne and had been given the card by a friend - he refused to provide any further details. When an Inspector made inquiries, the Inspector was informed by a VIP supervisor that some membership cards, particularly replacement cards, fail to show photographs on the screen when swiped.

Incident on 2 May 2011 – Data input errors allowing entry

An Inspector was called to speak with a male patron who was found to be voluntarily excluded when he produced identification at the MGF Cage. He told the Inspector that he had been signed into the PGR as a guest on three occasions in recent weeks. The Inspector visited the PGR and had VIP staff attempt to access the system using the photo card identification number provided by the excluded male and it showed no record. However, when entering the person's name, it confirmed that the patron had been signed in as guest of a member on three occasions

- 2, 14 and 22 April 2011. Upon examination, it was found that the system did not recognise the photo card identification when it was entered without its 0 (zero) prefix. This is an example of PGR access system failing to recognise an excluded person even though the patron provided valid identification.

Conclusion

The Surveillance Department audits focus on tracking the number of persons who enter the PGR unauthorised or unchallenged, that is, they do not swipe a membership card or approach the VIP desk to be vetted. Their audit results indicate that percentage is dropping. It is noted that some 18 months ago, the Surveillance Department had voiced concerns about the procedures for guests and the need to reinforce identification verification.

The Inspector's reports on PGR access are generally prompted by being notified of excluded persons either denied entry to the PGR or being detected in the PGR having managed to gain entry.

Reports of recent incidents, as highlighted above indicate that data errors either in the system or when inputting guest identification enable a number of excluded persons to gain entry.

In light of these incidents, I recommend that the Authority conduct audits periodically and consider disciplinary action against the casino operator in the event that excluded persons are granted entry to the PGR.

RECOMMENDATION 7

I recommend that the Authority conduct audits on PGR access periodically and consider disciplinary action against the casino operator in the event that excluded persons are granted entry to the PGR.

Staff Training

The Star has developed on-line training in the areas of identifying and acting upon illegal and undesirable conduct, responsible service of alcohol (RSA), the code of conduct and responsible gambling. Case studies are provided as part of the training and the need to report and to whom to report any such observed activity is emphasised. Refresher training is provided. The modules have been examined during this investigation and have also been considered by external consultants engaged by The Star in relation to responsible gambling. Their comments appear in chapter 7.

All the employees I interviewed indicated that they had completed their refresher training in the last 12 months. A review of the records kept by The Star in relation to training was carried out.

That revealed that over 90% of staff had completed training within the two years stipulated by policy in the area of illegal and undesirable activity and AML/CTF (short course). Just under 90% had completed training in responsible gambling, responsible service of alcohol and AML/CTF (long course).

The Star has also run "Be Alert" campaigns, which are designed to alert staff to the need to be observant and report illegal and undesirable conduct. The timing of the recent campaign, in 2011, seems to have been aligned with the s.31 investigation. Previous campaigns had been conducted in December 2005 and in 2007.

TIPS

Reference to the TIPS hotline is made in chapter 4.

Incident Reporting

The incident reporting system in place during the previous investigations remains. It is a key means by which management and asset protection staff can know about and act upon issues of concern in the casino. A daily meeting between Surveillance, Security and Investigation Managers is held to review incidents which occurred over the previous 24 hours.

During interviews with staff, I was told that fewer incident reports were being written, particularly by Table Games staff. One manager gave examples of conversations with other managers at the same level who discouraged that manager from reporting matters.

As part of this investigation, an analysis of the number of incident reports by Table Games staff was carried out. It revealed a significant reduction in reporting. That finding is supported by the results of an anonymous survey undertaken by the General Manager, Table Games in the last 12 months. In that survey, staff were asked what they would do if they saw somebody doing something wrong. The numbers of those indicating that they would make a report were low. The General Manager, Table Games thought it was because of a lack of feedback to staff.

One Gaming Manager told me the following:

When I got promoted to the role, I've been instructed to write a report whenever I involved any other departments in resolving issues. So that's why everything what I've done during my day, I was writing the reports, even when the resolution was fine for the issue.

So then I've been advised that only certain reports have to be written in regards to the gaming disputes. For example, if someone stole the wallet on the gaming floor, we report to the security and security will do the reporting. If someone steals the chips on the table, then I do the report because it's a gaming issue as taken from the table. So

that was things that actually helped me to understand, okay so we don't need to do reporting here or I don't have to.

So as long as the other department does the report regarding the issue which is more relevant to them and they investigate, the task is done.

...

For example, if we had - if dealer makes error on a table and we retrieved all the money, then there is no need to write a report. In the past I did reports like that, dealer paid, the even money results, [banking and six] and we'll all go and collect all money from the players and I still do the report. That report was not necessary.

However, his Managers denied there being any change in requirements or guidelines for preparing incident reports.

The Investigations Department

Staff can and do report matters to the Investigators. All those I spoke to indicated a preparedness to talk to the Investigators if they held any suspicions of illegal or undesirable conduct.

However, the case study which appears below is an illustration of what can go wrong when suspected illegal or undesirable conduct is not properly reported and investigated.

Case Study: The substance in the bathroom

On Saturday, 30 October 2010, about 10.30am, a maintenance technician changed a light bulb in a bathroom located between two Pits in the inner sanctums of the PGR. When coming down the ladder after changing the bulb, he saw white dust on top of the glass shelf on the vanity. The dust was gathered together in a line and was not scattered. He reported it to a surveillance operator who arranged for a security supervisor to attend.

At about 11.40am, a VIP Host was shown the substance, in situ, by the maintenance technician. He too saw a line of white powder and some scrapings and described that it looked like the line had been scraped together with a card.

He called the casino duty manager. A security supervisor attended at about 11.55am. He saw a powdered substance in a neat fine line, about 5-6 cms in length. He called the security duty manager who arrived at about 12.10pm. The security duty manager saw a powdered substance which was grey/white and to him, appeared to have been fashioned into a fine line and was about 6cm in length. He told me that the substance looked 'pre-arranged'. He thought the toilet area and floor appeared to be clean. He looked around and did not see other traces of dust or articles that had fallen. He told me that he thought it was an illegal substance.

The security duty manager had a security officer obtain a plastic bag and scraped the substance into the bag using a paper card. He then requested surveillance CCTV coverage of the substance. He secured the substance in the security duty manager's office.

According to that security duty manager, the protocol at that time was, if the amount found was small, to contact the Investigators and surveillance and fill out an incident report. The Investigators would collect the substance. If the amount was substantial, that is appeared to be for sale, the Police would be called. It appears that no security officer informed the Investigators about the substance being found and secured, until many days later.

A gaming manager also attended, although he was not on duty in the PGR at that time. He too described to me having seen 'what looked like a line cut up' with scraping marks 'it looked as though somebody had spent a bit of time doing it'. He said it did not look like concrete dust to him. He looked around in the cubicle and the toilet and did not see any other substance. He did not make a report because another gaming manager 'had it on his report'. That second gaming manager told me that:

Sometimes when you do the cleaning and you leave the brush or your dustpan on the side, the residue from the top of the dustpan, just dust or particles of the dust usually leave a small mark or the remains of the dust. That's what it looked like, but that's my personal opinion about it.

That gaming manager told me that he asked the security manager whether he wanted him, the gaming manager to do a report and the security manager replied that he would do it. Thus, the gaming manager made no report.

The gaming manager said to me:

... my role is that I do the report if they are gaming related. Any reports that are security related, any of the illegal undesirable activities needs to be - goes in that category, it's more mainly done with security duty managers.

On Monday 1 November 2010, an acting casino duty manager went to work and was told by a pit manager of the events on the weekend. She had received no email about them, nor could she find an incident report authored by table games about them. She contacted the surveillance duty manager, who had recalled seeing a security incident report, which he sent to her.

On Friday 5 November 2010, a review of available surveillance footage was conducted by the surveillance duty manager, at the request of the acting casino duty manager. That review identified that one patron only was playing in the area and accessed the doorway leading to the toilets. That patron arrived and commenced play at 8.50pm on Friday 29 October 2010, buying in for \$20,000, he left after midnight. His average bet was estimated at \$1600 per hand which increased to about \$2000. He won \$85. He returned the next day to gamble.

Over the weekend, that is a week after the incident, there were email exchanges between the acting casino duty manager and the General Manager, Table Games concerning the review by surveillance and whether the substance had been identified. It seems that not only was there no incident report prepared by Table Games staff, it was not brought to management's attention by any of the casino duty managers on duty. The acting casino duty manager also emailed the Investigators and asked to speak with them.

It seems that those emails prompted the matter being raised at the following day's operational meeting between surveillance, security and investigations. That meeting took place daily during the week.

On Monday 8 November 2010, the Investigations Officer collected the plastic bag containing the substance from the security duty manager's office. He described to me that the bag was not sealed, but was locked in a tin in the duty manager's drawer. He looked at it through the plastic and formed the opinion that it was a 'benign' substance – it looked like plaster. He drew on his experience as a Police officer in forming that view.

In the presence of the Surveillance Operations Manager, he conducted a 'presumptive test' for cocaine on the substance. The result was negative for the presence of cocaine. While he had available to him tests for other drugs, he did not use them. He tested for cocaine based on the description of the substance by those who found or observed it.

He had never used that test on any substance found at The Star before that day. He told me that he probably 'embedded' himself in this matter in a way which differed from the usual procedure because "...of the location that it was found in, by the anecdotal evidence ... that the substance hadn't been handled appropriately ... it wasn't photographed. It wasn't put in a secure Harcor bag ... the fact that footage did not exist." He believed that the Police should have handled the matter when the substance was found.

He also sought advice from the Surveillance Operations Manager as to whether the footage had been kept and why the surveillance review was conducted. That manager told him, via email, that the footage was not kept and that the review was completed at her request. In fact, the review was done at the initial request of the acting casino duty manager.

The Investigations Manager was not at work on 8 November 2010. On 9 November 2010 when he returned to work, he looked at the substance, which the Investigations Officer had retained, and formed the view that it was not a drug. His view was based on his experience as a Police officer. A few days later the acting casino duty manager who had sought the review contacted him and expressed concern that there had been a cover up. The Investigations Manager discovered that the footage had not been retained, however, when reviewing the surveillance review, noted that no cleaners or staff had been recorded. He could not discover which cleaners had been on duty at the time and so he conducted a 'dip sample' of the relevant pit for cleaners. That is, he viewed footage of events in the week of 15 November 2010 and observed the cleaners entering the relevant toilets at various times between 4.30 and 5pm.

He also inspected the toilets and observed a cavity in the ceiling from which he removed some ceiling dust, cement and plaster which he said was consistent with the sample tested by the Investigations Officer.

The Investigations Manager concluded that the surveillance review failed to identify the presence of the cleaners, after the patron had accessed the toilet and prior to the substance being found. However, the surveillance officer who carried out the review, told me that he was only requested to advise as to the presence of players and that he did also observe staff.

When involved, the Investigators took statements from relevant people as to their observations. The Investigators prepared a report from which they concluded that there had been a number of failures -

- *a failure of security to photograph the substance in situ*
- *a failure of security to secure the seized item in a tamper proof exhibit bag*

- a failure of surveillance to fully review CCTV footage until 5 November 2010
- a failure of surveillance to retain that footage
- a failure of Table Games staff to report the incident.

In addition, the report identified that "...stakeholders failed to communicate all relevant information to the Investigators". I asked the Investigations Officer what he meant by that statement and he said that the patron had been, in the past, excluded for a period of time. I assume that that information had not been conveyed to him.

In October 2011, and presumably in response to my concerns about this matter, a Police officer with the PCRIU was shown the substance found, which was then in a plastic bag and, according to the Investigations Manager, gave his opinion that it was not a drug.

The Protocol

I am told that the procedure then in place required security to notify the Police if a significant amount of a drug was located. It stipulated that it should be left in situ, unless this is impractical and if so the drug should be photographed. The drug should be placed in an approved tamper proof bag and sealed. It should be secured in the security duty manager's office until removed by the Police. Smaller amounts should be given to the Investigators for disposal.

I have been given varying accounts of the procedure which is currently in place. The Asset Protection Manager said small amounts of drugs found are photographed, sent to the security manager's office and then given to the Investigators. The Police are contacted in relation to larger amounts. The Investigations Manager tells me that the procedure now in place is that all suspicious substances are referred to security who assess it, leave it in situ, photograph it, secure it, send it to the security duty manager's office and send it to the Police.

I requested and received a copy of the current written protocol. It is dated 21 October 2011 and I am told was prepared in May 2011 and was unrelated to my interest in these events. It provides that Police are to be notified by the security duty manager. The Investigators play no role unless the drug remains uncollected by the Police for a week. It is then destroyed by security and the Investigators. The written procedure which immediately preceded the current protocol was dated May 2009. It provided that the security duty manager notifies the Police if the quantity located was substantial. The Investigators will dispose of any drugs which are of a minute quantity, the owner is not identified or the drugs are prescription drugs.

Comment

The casino operator's handling of these events has been poor. The Police or at least the Investigators should have been alerted when the substance was found, and the substance should have been photographed and properly secured. It should then have been given to the Police for testing. Table Games duty managers should have informed their managers. The acting casino duty manager was correct to be concerned. While I do not agree that the matter was 'covered up', it had that appearance. The only patron in the vicinity of where it was found, was thought to be valuable to the casino. Staff often told me that he was the recipient of special or favourable attention by managers. These matters add to that appearance.

The reasons these events are important is that, first, among the primary objects of the Act is ensuring that the management and operation of a casino remain free from criminal influence or exploitation. During this investigation, I described to the Police from the Local Area Command the substance found, based on the observations of those present in the bathroom. The Police indicated to me that they would have been interested in the find and would not have considered the amount too small to warrant their attention. Secondly, responsible gambling principles dictate that action should be taken if any concern exists that a patron, particularly a high roller, may be gambling while under the influence of a drug.

The Acting Casino Duty Manager

By way of footnote, a few days later in November 2010, the acting casino duty manager was on duty and was asked to decide whether the same patron could have exclusive access to an inner sanctum room in circumstances where that room was usually available for all local players. After consulting her colleagues, she told the player that he could not have exclusive use. He was irate and complained about her. Her decision was overruled and the General Manager, Table Games asked her to apologise to the player for the manner in which she spoke to the patron. She did so and the player did not accept her apology. The making of the apology took place in a public place with other members of staff present. The acting casino duty manager felt humiliated and unsupported by the process. She has made a worker's compensation claim for a psychological injury sustained as a result of this event. The claim has been accepted by The Star's insurer.

LAW ENFORCEMENT

In September 2010, the Police Casino Investigation Unit changed its title to the Police Casino and Racing Investigation Unit (PCRUI). It is part of the Firearms and Organised Crime Squad within State Crime Command. It is co-ordinated by a Detective Inspector and is staffed by two Detective Sergeants and six Investigators. In addition, there are three Police intelligence analysts and provision for two analysts seconded from the Authority. The PCRUI has the same resources as existed at the time of the 2006 investigation, although it is noted that its remit has been expanded to include racing and sports betting.

The PCRUI identifies and investigates persons involved in serious and organised crime, assesses members of the PGR, makes recommendations to the Commissioner of Police for exclusion and provides information to other law enforcement agencies.

Since 2000, there have been regular meetings at various levels between the NSW Police, The Star and the Authority to facilitate the exchange of information and the timely exclusion of appropriate people. Since the 2006 s.31 investigation, those meetings have reduced in number and frequency.

Authority Intelligence Committee

During and before the last investigation in 2006, the Chief Executive of the Authority, on occasions with the Chairperson of the Authority, met several times a year with the Detective Superintendent in charge of the NSW Police Firearms and Regulated Industries Crime Squad.

These meetings were discontinued in about March 2008. Since that time there have been a number of changes in key positions in the PCRIU and the Authority. During the course of this investigation and because of it, those meetings have been re-instituted, although at the time of writing this report, the meetings had not resumed. I consider that such meetings play an important role in the exchange of information between the Authority and the Police.

As part of this investigation, it came to my attention that, in 2010, the Police were engaged in an investigation of great significance to the Authority's obligations under the Act. Ultimately, the allegation of particular relevance was not proved, however, the Authority was not informed of the investigation or its outcome. The Authority had powers which may have assisted the Police in its inquiries. I accept that there were various statutory limitations on the extent to which the Police could disclose matters to the Authority. However, had there been in place a meeting of the type of a high level intelligence meeting, it is more likely that relevant information could have been exchanged and the Authority may have assisted the Police in their inquiries.

Executive Intelligence Meetings

Executive Intelligence Meetings were held bi-monthly and are now held quarterly. They are attended by the Authority's Chief Executive, Managers for Compliance and Casino Review, the Detective Superintendent in charge of the NSW Police Firearms and Regulated Industries Crime Squad, responsible for the PCRIU, the Commander of City Central and the General Counsel, The Star. Matters addressed include exclusions by the Commissioner of Police.

I understand that these meetings are useful to the Police and the Authority.

Operations Intelligence Meetings

This now monthly meeting is attended by The Star's Investigations Manager, staff from the Inspectors and representatives from the PCRIU. They were held fortnightly until late 2010 when, at the initiative of the casino Investigators they were changed to monthly. The Authority's Manager, Compliance agreed with the change as there were not a lot of 'major matters' coming to notice.

I understand that the PCRIU is of the view that these meetings are of significant assistance and that the Investigators have provided valuable support to a number of proactive and reactive investigations.

From perusing the minutes of those meetings, there are regular references to suspicions of money lending and money laundering. More recently issues of counterfeit notes and bag snatches have had some prominence.

Meetings with Local Police

The Star's Security Manager, the Manager, Casino Review and the Manager, Compliance, formerly the Operations Manager of the Authority meet with Police from the City Central Local Area Command each month. I understand that they discuss matters relating to local crime including liquor licensing issues, thefts, assaults and the like, and relevant trends.

Conclusion

All of these meetings should enable appropriate communication between the NSW Police, the Authority and the casino operator to ensure that the operation of the casino remains free from criminal influence or exploitation and that gaming is conducted honestly. Given the various changes in key personnel over the last few years, it becomes more imperative that structures such as these meetings are in place, as they do not rely on existing relationships for information to be exchanged.

Further, given the responsibilities of the Australian Crime Commission and the NSW Crime Commission, it would be useful for the Authority to establish links with each and meet periodically.

RECOMMENDATION 8

I recommend that the Authority meet on a regular basis with the Australian Crime Commission and the NSW Crime Commission.

PROSTITUTION

During the 2006 s.31 investigation, soliciting for the purposes of prostitution was an offence if it took place within the liquor licensed areas of the casino complex. Following a review of the relevant legislation which resulted in the enactment of the *Liquor Act 2007*, that is no longer the case.

Most reports of suspicions of soliciting arise from the hotel area. They are of no concern to this investigation as there is no evidence that this activity affects the integrity of gaming in the casino. Prostitutes working in the casino may have an effect in this regard, if there exists a connection between prostitution in the casino and criminal influence or exploitation.

The casino operator maintains statistics which it titles 'actual incidents' and 'reported incidents'. In this report, the statistics kept by the casino operator under these categories are referred to.

Thus, according to the casino operator's statistics, 'actual' and 'reported' incidents of prostitution have declined over the period in review, most particularly since early 2009. For example, reports of 'actual' prostitution were comparatively high in early 2009, that is 56 reports in the quarter May to July 2009, dropping to 30 in the quarter November to February 2011. I understand that reports of suspected prostitution in the hotel area are no longer reported to the Authority.

A manager in the PGR told me that she sees someone about once every three months who she suspects of prostitution. She reports them. There is no evidence of which I am aware of any organised soliciting in the PGR or on the MGF or that the presence of prostitutes results in criminal influence or exploitation of the operations of the casino.

I am satisfied that reports of suspected prostitution in the casino are taken seriously by The Star and appropriate action is taken.

LOAN SHARKING

Reports of money and other valuables being exchanged in the casino, particularly in the Sovereign Room, are made from time to time. While some of this probably occurs between friends or associates with the expectation that the money would be repaid without any charge, there are likely to be some exchanges on a commercial basis. Thus, the expectation may be that the loan is to be repaid with interest often at exorbitant rates and with the understanding that if it was not repaid, the threat of harm or actual harm may result. Lending at exorbitant rates or with threats is commonly referred to as loan sharking. There is no criminal offence of loan sharking.

'Actual' and 'reported' incidents of money lending in the casino have declined over the period in review, most particularly since early 2009. Reports of money lending have reduced from a high of 7 reports in the May to July 2009 quarter reducing to none in November to February 2011, with the 12 months previously resulting in a total of six reports. 'Actual' incidents of money lending have similarly reduced from five to none in the quarters referred to above.

As an example, a manager in the PGR wrote an incident report early this year after she was approached to approve a player paying for another player's airfare with the first player's accrued complimentary, known as 'comps'. On discussions with the players, she discovered that the first player had lent to the second money and was holding a diamond bracelet as a surety. The manager contacted the Investigator who spoke with the patrons. Their Sovereign Room cards were retained and ultimately, warning letters were issued to them.

A gaming supervisor who has been employed by the casino operator for over a decade, told me:

... there's a lot of people lending each other money now. Whether that is merely friends lending to each other or not, we can no longer differentiate, whereas prior to the mass control of the organised side of it, it was very obvious because people would say, this is what you've got to do and we'd actually be able to hear that.

... Most of the patrons now, as the money's going - don't keep the records. The players who were doing that have since been removed, I'm assuming either through government or company influence. There is virtually no record taking when money changes hands anymore, the same as where people would openly say, this is how much you will owe me tomorrow or by the end of the afternoon. We don't see that anymore.

One pit manager said he has never in his 15 years at the casino seen money lending or loan sharking.

A Vietnamese community gambling counsellor with whom I met (discussed further in chapter 7) told me that, recently, his clients have told him that there are some loan sharks in the casino on the MGF:

... extortion interest and also if you can't pay the money, they ask you to use the credit card to - or to take the drop - to use them for card to buy something. I have two to three clients, they just get money from the loan sharks and can't repay the money. They use a fake card and get [caught] by the Police and put into prison.

Another counsellor told me of the following which occurred last year (2010):

I had a client as well with a loan shark, but again, the loan shark spoke the language, so what they, you know, I don't think the casino would have been able to do anything, because the money was apparently offered when my client won the money. I can't remember the amount, but he couldn't actually take the money out, he was given a cheque and he actually gave the cheque to the loan shark for \$1000 less or \$2000 less.

Conclusions about these matters are made at the end of this chapter.

THE PRESENCE OF CRIMINALS IN THE CASINO

The work of the then PCIU in vetting members of the Sovereign Room at the casino and the Investigations Department's checks upon prospective members, have, in the past provided information as to the presence of the criminals and suspected criminals in the casino. As mentioned earlier in this chapter, it is essential that the work of the Police be reinstated in order for the casino operator and the Authority to be informed and thus, able to take action if necessary.

In 2006, a 'top 100' meeting was held regularly which concentrated on the patrons at The Star who had the greatest turnover. That meeting is now known as the "Patron Activity Monitoring Meeting" (PAMM), and is held once a month. It involves senior managers from Table Games, Electronic Gaming, VIP Services and the Cage meeting with representatives from the PCRIU to discuss those patrons gambling activities and identifying patrons of concern. That meeting has been the prime source of exclusions made at the direction of the Commissioner of Police.

The focus of this meeting has broadened since the AML/CTF came into operation. The General Manager, Compliance now attends and money laundering is a topic of discussion at these meetings. I note from the recently published 2010-2011 Annual Report of the ACC that it has identified casino high rollers in Australian casinos with links to suspected serious organised crime entities (p93).

MONEY LAUNDERING

Any person who deals with the proceeds of crime, knowing that it is the proceeds of crime or reckless as to whether it is, is guilty of the offence of money laundering (s.193B *Crimes Act* 1900, see also Division 400 *Criminal Code Act* 1995 (Cwth)). Money laundering involves processing illicit profits in ways which mask ownership and make the funds appear to have come from legitimate sources.

Casinos have traditionally been considered by law enforcement agencies to be venues where money laundering takes place. That is not surprising as large amounts of money are transacted frequently and Police operations regularly locate suspects at the casino. As I was told by the Asian Crime Squad, many of its targets are in the top 100 gamblers at The Star.

In a recent publication "Money Laundering in Australia 2011", AUSTRAC noted that money laundering in the gaming sector generally involved cash proceeds from drug trafficking and fraud committed by domestic and international organised crime groups. The methods used include exchanging illicit cash for casino chips or gaming tokens and using third parties to

purchase gaming chips and cash them in with the cash-ins being structured into smaller amounts to try and avoid mandatory reporting thresholds. AUSTRAC advises that high-stakes gaming is vulnerable to abuse because it is common for players to gamble with large volumes of cash, the source and ultimate ownership of which may not be readily discernible. Similarly, junket operators move large sums of money electronically between jurisdictions and there exists 'layers of obscurity around the source and money on junket tours'.

Law enforcement agencies identify that the reporting of suspect transactions to AUSTRAC, dealt with below, by the casino operator assists in identifying such activity.

In 2006, the AML/CTF Act and associated Rules (AML/CTF Rules) came into effect. As a reporting entity under the AML/CTF Act, The Star is subject to the requirements of the AML/CTF Act and has adopted the following measures:

- The Star has in place an AML/CTF program approved by the Board
- The Star has conducted a risk assessment of the casino's AML/CTF risks (including customer types, services provided, method of delivery, foreign jurisdictions with which it deals), including utilising services such as World-Check and Google to determine source of wealth, among other matters
- it reports to AUSTRAC threshold transactions over \$10,000, suspicious matters and international funds transfer instructions
- it conducts ongoing customer due diligence
- it has a transaction monitoring program in place (including the Patron Activity Monitoring Meeting referred to above)
- it submits an annual compliance report to AUSTRAC
- it risk rates its customers in its customer management system (KCMS) including Special Interest Foreigners, Politically Exposed Persons (PEPs)
- there exists Board and Senior Management oversight, and a AML/CTF Compliance Officer has been appointed (supported by a dedicated AML/CTF Administrator)
- there is ongoing oversight by the AML/CTF Working Party, chaired by the General Manager, Compliance (and The Star City's AML/CTF Compliance Officer), which used to meet monthly but now meets quarterly.

Reports of suspected money laundering at The Star have varied between none and five each quarter over the last two years; that is between 2009 to early 2011. The Star also records 'actual' incidents of money laundering, which closely mirror the reports of suspected money laundering received. Thus, there was one report in the November to February 2011 quarter and two in the previous quarter with none in the May to August 2010 quarter. However, as most concerns in this regard will be reflected in reports to AUSTRAC, as set out below, these figures

are not indicative of the extent to which money laundering is or is suspected to occur at the casino.

The following case studies indicate the type of matters which The Star staff look out for and report, in this regard.

Case studies

In May 2009, two male patrons were observed inserting large amounts of \$50 notes into Vegas Star multi terminal table games and then collecting payout vouchers after little or no play. They then collected slot payout vouchers (SPVs) from the terminals and cashed out two SPVs each, one male receiving \$9020 and the other receiving a total of \$8600. Both men then returned to more Vegas Star multi terminals and inserted \$3100 into one terminal, \$3150 into a second terminal and \$4100 into a third terminal, all in \$50 notes. Next they collect two SPVs for \$1500 and \$1600 from the first terminal, two SPVs for \$1500 and \$1650 from the second terminal and a single SPV for \$4100 from the third terminal. The two males then cash out eight (8) minutes apart and at different cashier windows. One receives \$8510 for three SPVs while the other male receives a total of \$7350 for three SPVs. In combination, the two males received a total of \$33,480 from four transactions in an exercise that appeared to involve "washing" notes by exchanging \$50 notes for \$100 notes and attempting to avoid significant cash transaction reporting.

An international patron made an electronic funds transfer to his casino account in May 2009. He then arrived at the Sovereign Room and attempted to withdraw the entire funds in cash but was informed by the cashier that he cannot make a cash withdrawal. The patron went to a gaming table where he withdrew \$200,000 in gaming chips by chip purchase voucher. On receiving the chips, the patron returned to the cashier cage to exchange the chips for cash but the transaction was again declined by staff. He then gave his chips to another person in his group but again cashiers refused to cash out the chips so the group departed the gaming area. Some three hours later a patron cashed out \$75,000 in chips at a cashier window and handed the money to an unknown male. Both were part of the group that had earlier tried to cash out the amount of \$200,000. A short time later, another member of the group cashed out \$50,000 in chips at a cashier window. The actions of the patron and his associates may indicate an endeavour to transfer funds into the country under the guise of a casino junket but trying to utilise the funds, or a part of the funds, for other purposes.

In November 2009, Mr T conducted four chip-for-cash exchanges within a short period at three different cashier windows. The amounts exchanged were \$8100, \$5000, \$5000 and \$3000. Mr T then left the casino with three associates. Three hours later an unidentified male, Mr X, was observed gambling at a blackjack table with \$1000 chips and regularly wagering \$2000 to \$6000 per hand. He was accompanied by Mr T who did not play. An hour later Mr T changed \$23,000 in chips for cash at a cashier window. A supervisor noted that Mr T had cashed out another \$10,000 and an amount of \$20,000 in the previous two hours. As Mr T walked away he met with Mr X and another unidentified male. Mr T gave Mr X all of the \$23,000 cash. Mr X then gave the unidentified male a number of \$100 notes and then Mr X walked out of the casino in company with Mr T. Once outside, Mr X gave Mr T a number of \$100 notes and then departed alone in a taxi.

Two days later, a male patron identified as Mr D was seen exchanging \$5000 in chips-to-cash at a cashier window on two occasions and 10 minutes apart. Having received his money, Mr D walked to another area of the casino where he was joined by Mr X. Mr D passed two straps of \$100 notes that he received from the Cashier Cage to Mr X who handed back to Mr D a single \$100 note and then left the casino. The modus operandi indicates an unknown person using a number of regular casino patrons to cash in gaming chips for him, for which he pays a commission and thus attempts to avoid having significant cash transaction reports or suspect transaction reports identifying or linked to him.

A male patron with a casino membership card was seen to walk up to a baccarat table in December 2007 and make a buy in with \$14,000 in cash. Less than ten minutes later and without having played at the table, the patron went to the cashier cage and cashed out his gaming chips in exchange for a cheque for \$14,000 departing the casino shortly after. The patron has converted the cash into a cheque and may attempt to conceal the source of funds by later claiming the cheque was for gaming winnings.

Two casino patrons, a Mr GL and Mr M, were noticed in January 2007 to be working in association to put cash notes through gaming machines and obtain payment by cheques in return. They were observed to insert about \$5560 in cash into four gaming machines, play for 15 minutes and then collect four manual slot payout vouchers (SPVs) totalling \$5364. The men then moved to another area and placed \$7090 in cash into three machines, played for 20 minutes, then collected three manual SPVs totalling \$6680. An unidentified male and female then inserted \$2160 into two gaming machines in the same location and played for 10 minutes before collecting two manual SPVs totalling \$2080. The unidentified two moved to another area and put \$1575 into two machines, played for 5 minutes and then collected \$1585 in printed SPVs. Mr GL then presented the 11 SPVs at a cashier window and received a cheque for \$15,709. Meanwhile the unidentified couple returned to the area they initially played at and inserted \$3870 into two gaming machines, played for 10 minutes and collected two manual SPVs totalling \$3771. Mr M then presented the two SPVs to a cashier and received a cheque for that amount. A short time later, casino security opened a note stacker on one of the gaming machines played to investigate whether or not the notes contained within were all genuine. The notes were confirmed as being legitimate. The group has converted the cash into a cheque, may attempt to conceal the source of funds by later claiming the cheque was for gaming winnings and tried to avoid the recording of a significant cash transaction report.

It is important that systems are in place to detect transactions which may be suspicious of money laundering taking place. There are some measures in place at the casino which can have the effect of reducing the capacity of patrons to launder funds. The principal one is the requirement to report threshold transactions and suspicious matter reports (SMR) to AUSTRAC.

Threshold Transactions

The Star's obligations under the AML/CTF Act include reporting the details of cash transactions over the threshold of \$10,000, termed threshold transactions, to AUSTRAC. The Star has reported over 98,000 threshold transactions between 1 January 2007 and 31 March 2011.

Suspicious Matter Reports (SMR)

The Star must also report suspicious transactions to AUSTRAC. Under the AML/CTF Act, a suspicious transaction is where a cash dealer has reasonable grounds to suspect that the transaction may be relevant to the investigation or prosecution of a person for a criminal offence including money laundering and tax evasion (see s.41 AML/CTF Act).

Suspicious transactions could include associates betting against each other in "even money" games, cheques being requested on payouts which are not the result of gaming winnings, patrons buying in for just under \$10,000 so as to avoid the reporting requirement for threshold transactions, patrons buying in then cashing out without playing, players using others to buy chips or cash out on their behalf and the exchange of smaller denomination bank notes to larger ones.

The Star has reported over 5100 SMR transactions between 1 January 2007 and 31 March 2011. In 2008, AUSTRAC advised then Star City that it was not necessary to report all cash transactions between \$9000 and \$9999 as suspicious of structuring to avoid a threshold report. The Star has told me that it has made a policy decision to require staff to report those transactions to the Cage, and Cage staff decide whether to make a SMR.

Audits

There have been a number of audits conducted of The Star's compliance with the AML/CTF legislation and reporting obligations to AUSTRAC. In November 2007, Lander and Rogers, solicitors, gave an opinion that the AML/CTF program at The Star complied with the requirements of the relevant Act.

In March 2007 and July 2008, internal audits by Tabcorp found the relevant systems in place to be effective. In July 2009, a further Tabcorp internal audit found two issues it rated as 'low' – The Star dealers not being trained and the need to update policies and procedures relating to customer identification. The General Manager, Compliance told me online training has since been introduced and the policies updated.

In November 2008, AUSTRAC carried out a compliance assessment and made a number of recommendations, each of which has been implemented to AUSTRAC's satisfaction.

In October 2009, a further Tabcorp internal audit found that the need for the delivery of test files to AUSTRAC within an agreed timeframe was an issue identified as 'moderate'. I am told that the timeframe was met.

In October 2010, a further Tabcorp internal audit found two issues, each identified as 'low'. The first was the absence of a centralised reporting of the AML/CTF training to monitor staff who had been trained. The second concerned the authority to approve certain transactions and reporting on EGM transactions. Again, I have been told that these matters have been or are being attended to.

In October 2011, AUSTRAC completed a compliance assessment of The Star. Four areas of concern were highlighted, which were considered by AUSTRAC, in the discussions I held with representatives, to be of low to medium risk. The Star has not yet had an opportunity to respond to AUSTRAC's issues, which are as follows:

- The Star was not monitoring the transactions of customers playing electronic gaming machines, both carded and un-carded and non material gamblers. While an activity report which captured this information had been available previously, AUSTRAC noted that it was not functioning at the time of its assessment. It required The Star to monitor these transactions. AUSTRAC expressed the view that a transaction monitoring system which comprised a data analytical capability designed to detect potential money laundering exploits was an appropriate system for the casino. As an alternative, it noted that the casino could complement its current approach to transaction monitoring by additionally monitoring the cheques which are requisitioned by its customers for the purpose of awarding prize payouts as well as credit redemptions. It recommended that The Star introduce monitoring of cheque requisitions
- under the AML/CTF Rules, The Star is required to apply the enhanced customer due diligence program when it is suspicious of a transaction
- AUSTRAC required that The Star make the relevant amendments to its program to reflect changes to its obligations which commenced in August 2011
- AUSTRAC required The Star to conduct a risk assessment of its 'ticket in ticket out' machines in relation to the risks they pose of facilitating money laundering or terrorist financing.

AUSTRAC advised me that it considered The Star to be co-operative at all times and compliant and willing to engage with AUSTRAC on its obligations. AUSTRAC rated The Star more favourably than other casinos. It was satisfied that The Star had implemented all recommendations from its previous assessment.

AUSTRAC noted that it would be useful to meet with the Authority periodically to discuss matters of mutual relevance. Given the expressed intent of the casino operator to compete in the junket market, regular meetings between each regulator would be consistent with the Authority's charter.

RECOMMENDATION 9

I recommend that the Authority meet on a regular basis with AUSTRAC

Observations by Staff

The Star has in place training for staff, including refresher training, to identify transactions which may be suspicious and indicative of money laundering. While those with whom I spoke had generally been trained when required, the knowledge they had gained varied. Most could identify conduct that may indicate structuring or potential money laundering.

I was told that there is a handful of pit managers who tell patrons to put cash on multiple tables to circumvent the Act, in order to save them work. One person was named, that is the person seen doing so on the last shift worked. I put that allegation to the person and it was denied although that person was also aware of comments suggesting that others carried out those activities. I brought these concerns to the attention of the Gaming Operations Manager.

Conclusion

I am satisfied that The Star has in place adequate procedures to ensure compliance with its reporting obligations with respect to cash transactions. However, training in reporting should be re-enforced with pit managers.

OTHER ILLEGAL OR UNDESIRABLE ACTIVITY

Reports of assaults continue to be made every month, with little change over the last five years. The number of reported thefts has declined over that period. City Central Local Command informed me of a relatively low level of assaults which occur in the vicinity of The Star.

The number of reports of drug related activity has remained consistent over the last 12 months with about three incidents reported each month. They are generally related to hotel staff or cleaners finding a small bag of powder or suspicious cigarettes. I referred earlier in this chapter to an account of a suspicious substance being found in the bathroom near two Pits in an inner sanctum. That appears to be the exception to The Star dealing appropriately with drugs found on the premises. Comparatively, fewer drug incidents were reported in 2010/11 than, on average in 2007.

THE VIEW OF THE POLICE

In 2006, when we asked whether any major and/or systemic criminal issues with respect to the casino had been identified by the then PCIU, we were told there were not. In 2011, in response

to the same question, the PCRIU identified what they described as a number of major criminal issues. For this investigation, the response of the Asian Crime Squad to its dealings with the casino was also sought and provided.

The Asian Crime Squad said:

...while it does not particularly focus on The Star casino it does conduct many investigations that drift to the casino in different respects, not least that many of the targets of the Asian Crime Squad are in the top 100 gamblers at The Star.

Unfortunately, records kept by the casino in respect to table games are inadequate, unreliable, or of little or no evidentiary value with the exception of payout records which, whilst accurate, generally only provide a reasonable excuse to criminals who have laundered money.

The Asian Crime Squad has, and continues to receive information (through covert means that prevent its disclosure) in relation to money laundering, loan sharking, recruitment of persons into organised crime and of certain individuals working at the casino.

That information obtained has NOT led to the detection of systemic corruption among the operators of the casino.

The Asian Crime Squad also told me *it frequently seeks the assistance of the casino operator during investigations and the operator has been receptive to the Squad's needs and when possible has assisted the NSWPF investigation.*

The Star has responded to these comments by emphasising its co-operation with the Police and noting the processes in place to ensure that members of the PGR are checked by Police and that the Commissioner of Police has to the power to direct that individuals be excluded from the casino.

I asked the NSW Police whether the PCRIU had detected any major and/or systemic criminal issues in, or in relation to, the casino. The Unit responded that it had detected–

... [the] following major criminal issues in, and in relation to the casino:

Loan Sharking: Reports of loan sharking, the practice of lending money at higher than normal, or in some cases, exorbitant interest rates, have been made to the Unit, often by way of the Operational Intelligence meeting between casino personnel and CRIU. Because there is no direct criminal offence associated with the practice it is difficult to extract data from NSWPF holdings, however in a NSWPF published document, Loan sharking at The Star casino: 1 January 2002 to 30 June 2009 (which covers a portion of the current reporting period), a number of reports of loan sharking are cited under the following categories: Gaming and Casino–exclusion nominee, Organised Crime–Asian, fraud, occurrence only, Demand Money with Menace, Money Laundering, Missing Person and Violence/Threats Other. There is currently no offence to undertake loan

sharking and as a result of the reported activities from the casino, a request was made in 2009 by NSWPF to the NSW State Government seeking legislative reform and recommending that an offence be created to address loan sharking activity. This has not occurred to date.

Anecdotal information has been provided to the effect that those engaged in loan sharking will often recruit others in debt to undertake criminal activities, as per the following details -

- (a) Supply of prohibited drugs: Although there is only limited information on this, in August 2010 and as a result of investigation by CRIU a Vietnamese male was arrested and charged at Sydney International Airport for the importation of one kilogram of heroin. This male stated that he had been forced to act as a drug courier in order to repay loans incurred whilst gambling at The Star casino*
- (b) Identity theft and use of stolen credit cards: Numerous reports have been received where patrons at the casino have been recruited to use stolen credit cards to purchase goods, in order to pay back loans incurred whilst at The Star. The majority of those targeted are of Asian descent.*

Money laundering: Reports received from The Star casino, AUSTRAC and other sources indicate that the casino is being used as a venue to launder money. Many of the reports of money laundering, or suspected money laundering have been made to the CRIU by way of the joint Operational Intelligence meeting.

Prohibited Drugs: In 2009 the CRIU successfully investigated the supply of prohibited drugs by an employee of The Star casino. The employee was identified as regularly supplying prohibited drugs to other casino employees.

A search conducted on the COPS database indicated there were 32 reported incidents of drug detection and 109 drug related intelligence reports submitted for the casino complex. The incidents and reports relate to both the casino and its hotel. It is likely that this figure is significantly higher when looking at the frequency of drug related incidents that are reported at the monthly Operational Intelligence meetings. In the event that the finding of prohibited drugs cannot be linked to an identified person, then no record of this is made in COPS.

Robberies: There have been several instances where both patrons and staff have been targeted by loosely organised criminal groups. In 2009 the CRIU successfully targeted a small criminal group that were actively attending the main gaming floor in order to identify potential robbery victims.

The Star responding to the view expressed by noting that in its various meetings with representatives of the Police, it had not been raised with it that loan sharking, money laundering or prohibited drugs had become a major criminal issue in or in relation to the casino. The Star advises that the investigation referred to by the Police of the supply of prohibited drugs by an employee resulted in only two employees being charged. It was initially raised with the Police by the Investigators employed by The Star as was the existence of the criminal group which was involved with the robberies.

The PCRIU told me that it is concerned at the timeliness of reports it receives from The Star about these matters, particularly loan sharking. As appears to be the case on most occasions, the PCRIU is informed about matters at its regular meetings with the Investigators. While no doubt this becomes useful intelligence, it does not permit action to be taken at the time. The same issue applies with respect to suspected money laundering. For example, an incident report was made in October 2010 by a surveillance operator. That operator, when conducting a random search of the PGR observed a patron inserting \$100 notes into separate slot machines without any play. He then obtained slot credit vouchers for \$1800. The response of surveillance was to make a report of their suspicions to AUSTRAC, which, while appropriate, did not permit any action to be taken by the Police.

RECOMMENDATION 10

I recommend that the PCRIU consider and prepare criteria to be provided to The Star which, when satisfied would result in it being made quickly aware of incidents occurring at The Star which may involve a criminal offence. Those criteria would need to be flexible while screening out matters which would not result in any Police action.

I have discussed this matter with the PCRIU and with The Star's Investigation Manager who will assist the PCRIU in this regard.

As noted above, concern was expressed by the PCRIU and the Asian Crime Squad as to the use which can be made of records kept by the casino operator for its purposes. While the casino operator necessarily estimates players' betting patterns, those estimates are often not sufficient to support a prosecution. This is an issue which the Authority may wish to take up with the casino operator; that is whether the processes followed by the casino operator could be varied so that the business records of the casino can be of greater assistance to law enforcement agencies. It is noted that the requirement imposed by AUSTRAC in its latest compliance assessment may assist in this regard.

RECOMMENDATION 11

The Authority should explore with the casino operator whether the processes followed by the casino operator could be varied so that the business records of the casino can be of greater assistance to law enforcement agencies.

Further, I note the PCRIU's interest in an offence being created to deal with loan sharking. In my view, that would assist in action being taken against those who use the casino as a venue to take advantage of the vulnerabilities of gamblers. I suggest that the Authority consider taking any action available to it to pursue this matter with the appropriate authorities.

RECOMMENDATION 12

The Authority should consider taking any action available to it to pursue with the appropriate authorities the creation of an offence of loan sharking.

INTOXICATION

The casino operator cannot permit a person to become intoxicated within the gaming area of the casino. It commits an offence if it or its staff allow that to occur. Penalties up to \$11,000 can apply.

Further, The Star cannot permit an intoxicated person to gamble in the casino. If it does so, it may be prosecuted for an offence under the Act and/or be the subject of disciplinary action by the Authority.

I am told that responsible service of alcohol initiatives which have been taken in the last five years by The Star include a change to tempered glassware, no double spirits being served between 2 am and 10 am daily and that bottled water is provided free during 'high risk' periods.

The Star also has a Responsible Service of Alcohol Committee, which comprises senior staff, although the more senior the staff, the more likely of their non-attendance at many meetings. This Committee receives detailed statistics at each of its bi-monthly meetings including the number of patrons slowed down and cut off in relation to their drinking as well as those occasions when security was called in to assist. Those statistics show a trend of fewer assessments or interactions by security staff in 2010 and the first three months of 2011 compared with 2009. They also reveal that the reason for patrons being asked to leave and refused entry is overwhelmingly their intoxication.

The Star provided the following statistics.

Year	Security RSA Door Refusal	Security RSA Asked to Leave
2007	9,650	6,150
2008	14,337	6,717
2009	19,242	8,901
2010	18,221	7,475
2011 [January-March]	2,348	1,262
Total	63,798	30,505

The Star told me that all staff involved in the service of alcohol at the casino or who perform duties that require them to hold a Security Industry Licence are required to hold an approved

responsible service of alcohol certificate from an approved training provider. Internal training is also required every two years for certificate holders as well as all operational staff who deal with customers who may have consumed alcohol.

I note that in the period covered by the 2006 investigation, nearly 22 million people entered the casino and about 27,000 were refused entry or asked to leave for being intoxicated. In the current period, nearly 36.5 million people attended the casino, of whom about 94,000 were asked to leave or refused entry for reasons associated with the responsible service of alcohol. Thus, on these statistics, as a percentage of those attending, more are now being asked to leave or refused entry for this reason.

I spoke with the NSW Police Commander of the City Central Local Area Command. He told me that The Star always ranks at the top of the list of the Alcohol Linking data, however given its size and patronage it was 'chalk and cheese' compared with other venues. He told me that there has been a reduction in alcohol related issues at the casino since the removal of the two bars in the retail arcade. Neither of these bars was operated by the casino operator.

In short, The Star ranks minimally in terms of crime and alcohol related incidents. As with the previous Commander in 2006, the current Commander is not critical of the operator in relation to responsible service of alcohol issues.

As with previous years, The Star engaged the consultants, Barringtons, to review responsible service of alcohol and the responsible conduct of gambling, as well as the presence of minors at the casino. The conclusions in April 2007 were not positive and concern was expressed about the diligence of security in relation to responsible service of alcohol and responsible gambling.

In November 2007, a further review was conducted by Barringtons. They recorded their observations of security staff ignoring or not noticing intoxicated patrons on five occasions during that night they were present, in circumstances where the beverage staff should also have observed the condition of the patrons and did not.

In March 2009, a further review was conducted by Barringtons which again found five instances where security officers were observed taking no action when intoxicated patrons were present. An additional five occasions were observed and logged when security officers were in close proximity to patrons in a similar condition.

However, in their report in May 2010, no issues were raised by Barringtons. They noted their observations of intoxicated people's entry being restricted, they did not see any patron who should have been approached by security officers and was not. Further, they commented that

responsible service of alcohol signage was prominent and effectively displayed. No more recent report had been completed.

For this investigation, an analysis of reported incidents relating to the responsible service of alcohol was conducted for a recent six month period compared with a six month period three years ago. The Star's reporting system requires a category to be nominated for each incident. In relation to the responsible service of alcohol or intoxication, there are three categories under which incidents are reported and thus, recorded: OH&S/Public Liability, Physical Evictions and Responsible Service of Alcohol. Then there are two main sub-categories under OH&S/Public Liability: Medical Attention and Slip, Trip and Fall. All categories were reviewed to determine whether intoxication was a significant contributing factor to the incident reported.

Thirty nine incidents, in all categories were identified in the first six months of 2008, while 58 were reported in the first six months of 2011, an increase of nearly 50%. In 2008, six of those matters resulted in wheelchair or an ambulance being required and were not reported under the category of responsible service of alcohol but were reported under one of the other categories listed above. In 2011, 13 needed assistance of that type. Thus, in 2008, 15% of reported incidents of intoxication where assistance was required were reported in a category other than responsible service of alcohol. This increased in 2011 to 22%.

This analysis was carried out because of evidence I received from staff about a perceived increase in an ambulance being called for people who were intoxicated or a wheelchair being needed for the same purpose. That perception is borne out by the statistics set out above. It would be unfortunate if categories other than responsible service of alcohol were used when reporting incidents concerning intoxication, which would have the effect of masking the true numbers.

RECOMMENDATION 13

The Authority should periodically carry out an analysis of reported incidents relating to the responsible service of alcohol.

A number of witnesses drew my attention to the new bar located on the main gaming floor: Rock Lily bar. I understand that some time ago The Star decided to no longer serve shots – that is glasses of spirits usually drunk in one swallow. However, shots are now available in the Rock Lily bar, having been approved by The Star's Responsible Service of Alcohol Committee. The following recent incidents have occurred in that bar as described in incident reports.

In September this year, just before midnight a security officer was approached and advised that a woman was vomiting in the Rock Lily bar. She was unable to stand and was given a wheelchair. The security officers determined she had an 'unacceptable level of intoxication' and she was escorted from the premises. A surveillance review was subsequently carried out and revealed she arrived with friends at the Rock Lily bar at about 9.45pm. Either she or her friends bought quantities of alcohol, mainly whisky, vodka, tequila and bourbon over the next two hours. They were joined by other friends during that time. One of her friends noticed that she was not responsive at just before midnight and a security officer was alerted.

On the same day, a man was found vomiting in the Rock Lily bar by a security officer who was 'roving' in the bar. He too was described in an incident report as having an 'unacceptable level of intoxication'. A subsequent review by surveillance revealed that he had had alcohol at the Fat Noodle Restaurant between about 9:30 and 10:30pm then was next observed at Rock Lily at about 11:20pm where it appears he had a number of beers and a shot of spirits.

The Asset Protection Manager, that is the manager ultimately responsible for security officers, told me that security officers were not initially permitted to patrol in the Rock Lily bar, however, following a change in Manager of that bar, security now patrol it, as with other bars. The Star management are of a different view and believe that security always patrolled the bar.

The Asset Protection Manager told me that he was not in favour of shots because

it's just a culture we're meant to be changing. It's not - it's just not a good thing, especially because if you get a drink as well - so you've got a drink and you've got a shot. The shot happens in three seconds...

A gaming supervisor I interviewed was of the view that The Star was not enforcing responsible service of alcohol policies.

I've had patrons who I've informed (my) pit manager they need to be assessed for RSA because of speech difficulty, change in behaviour, change in mannerisms and also inability to coordinate their body actions over the period I've been watching them. The decision often reached is that they're fine to stay.

... Well three years ago when we required three signs for intoxication, we rapidly removed people who were obviously intoxicated with many more than three signs, whereas now there appears to be some difficulty in removing them.

... on a few occasion(s), the difficulty is the lack in security numbers to actually move people, that's very relevant on morning shift, which is what I work. Other occasions, I have had patrons in the Sovereign Room who are intoxicated well beyond any requirement that the managers say they'll stay and don't even contact security.

... I have had two pit managers inform me it's because of what they've been instructed from their bosses... Because of the value of the player for one individual who's someone

I don't actually know on a regular basis. I was told he was worth a lot of money. The other one was, I believe, due to the pit manager's own personal interpretation of what is required of them now.

In the mock interviews conducted by The Star and referred to in chapter 1, security and food and beverage staff recalled occasions when they believed that VIP and senior Table Games staff would over-rule their decisions regarding slowing down or cutting off patrons from drinking alcohol in the Sovereign Room, inner sanctums and Gold and Platinum suites.

However, there was also evidence to me that other staff were of the view that The Star properly adhered to responsible service of alcohol principles.

As was reported in 2006, responsible service of alcohol is of utmost importance in an environment where people gamble. Impaired judgment as a result of alcohol consumption can have disastrous consequences within a casino. Accordingly the principles of responsible service of alcohol and responsible gambling are clearly intertwined. The Star's training program, both initial and by way of refresher, has staff being trained in responsible service of alcohol and responsible gambling on the same occasion. This is both appropriate and necessary.

It is clearly an area in which ongoing vigilance is required.

RECOMMENDATION 14

The Authority should obtain copies of all reports which are, from time to time commissioned by the casino operator, in relation to the responsible service of alcohol.

CONCLUSION

Subject to the comments and suggestions made above, I am satisfied that The Star has in place suitable policies and procedures to ensure that the casino remains free from criminal influence or exploitation.

CHAPTER SEVEN

SOCIAL IMPACT

The Terms of Reference for this investigation require me to consider the effect of the casino in the community, including the impact or potential impact of casino operations on individuals who attend, or who may attend, the casino as well as their family.

THE AUSTRALIAN PRODUCTIVITY COMMISSION REPORT 2010

Following a decision by the Council of Australian Governments (COAG) in 2008, the Australian Government asked the Productivity Commission to undertake a public inquiry into gambling. As noted earlier, it reported in 2010.

Some of the key findings of the report are as follows:

- a. total recorded expenditure (losses) from gambling in Australia reached just over \$19 billion in 2008-2009, or an average of \$1500 per adult who gambled
- b. while precision is impossible, various state surveys suggest that the number of Australians categorised as 'problem gamblers' ranges around 115,000, with people categorised as at 'moderate risk' ranging around 280,000
- c. it is common to report prevalence as a proportion of the adult population, but this can be misleading for policy purposes, given that most people do not gamble regularly or on gambling forms that present significant difficulties
- d. the risks of problem gambling are low for people who only play lotteries and *Scratchies*, but rise steeply with the frequency of gambling on table games, wagering and, especially, gaming machines
- e. the significant social cost of problem gambling—estimated to be at least \$4.7 billion a year—means that even policy measures with modest efficacy in reducing harm will often be worthwhile
- f. over the last decade, state and territory governments have put in place an array of regulations and other measures intended to reduce harm to gamblers. Some have been helpful, but some have had little effect, and some have imposed unnecessary burdens on the industry.

The report includes the following comments on the need for reform and recommendations, not all of which apply to casinos:

- a. a more coherent and effective policy approach is needed, with targeted policies that can effectively address the high rate of problems experienced by those playing gaming machines regularly
- b. recreational gamblers typically play at low intensity. But if machines are played at high intensity, it is easy to lose \$1500 or more in an hour. The amount of cash that players can feed into machines at any one time should be limited to \$20 (currently up to \$10,000)
- c. there are strong grounds to lower the bet limit to around \$1 per 'button push', instead of the current \$5-10. Accounting for adjustment costs and technology, this can be fully implemented within six years
- d. there should be a progressive move over the next six years to full pre-commitment systems that allow players to set binding limits on their losses. Under a full system, there would be safe default settings, with players able to choose other limits (including no limit). In the interim, a partial system with non-binding limits would still yield benefits, and provide lessons for implementing full pre-commitment
- e. better warnings and other information in venues would help
- f. problem gambling counselling services have worked well overall, but there is a need for enhanced training and better service coordination
- g. governments have improved their policy-making and regulations with respect to gambling, but significant governance flaws remain in most jurisdictions, including insufficient transparency, regulatory independence and coordination.

It is beyond the scope of this investigation to consider the issue of problem gambling in any depth. However, as is noted in chapter 5 there are some measures that can be taken in relation to the casino, without the need for legislative change, arising from the Productivity Commission's report.

LEVEL OF GAMBLING AND ECONOMIC BENEFITS

In addition to The Star, legal gaming in NSW is conducted in registered clubs and hotels, each operating gaming machines, and with bookmakers on race courses. There are many charity games of chance, the NSW Lotteries, the TAB network of agencies, and over 1000 clubs and hotels connected with Keno.

In 2008-2009, total gambling expenditure in NSW was \$7.15 billion, an increase from \$6.89 billion in 2004-2005. However, the average expenditure per adult was less, \$1319 in 2008-2009

compared with \$1336 per adult in 2004-2005. In 2008-2009, gambling expenditure represented 3.5% of expenditure as a proportion of household consumption.

The Productivity Commission found that while it is not possible to be definitive about the costs and benefits of gambling, it estimated that in 2008-2009 the benefits from tax revenue and enjoyment of gambling for recreational gamblers ranged between \$12.1 and \$15.8 billion, while the costs to problem gamblers ranged between \$4.7 and \$8.4 billion and the overall net benefits ranged between \$3.7 and \$11.1 billion.

In the period under investigation, The Star has paid \$474.52 million in gaming duties to the NSW Government and \$60.14 million to the Responsible Gambling Fund. In 2010-2011 The Star achieved earnings before interest and tax of \$237.7 million, which was 43.6% above the previous financial year. The Star's revenue has increased by 18.3% to \$996.3 million. Revenue has continued to increase during the period under investigation with the solid result for the 2010-2011 financial year assisted by increased revenue growth in VIP business; an area The Star is expecting to grow significantly in future years as a result of the new facilities being constructed.

As at 30 June 2011, The Star employed 3560 people. As at the end of 2005-2006 financial year, The Star employed over 3100 people. Its salaries and wages expenditure from January 2007 until June 2010 was in excess of \$808 million.

THE STAR'S RESPONSIBLE GAMBLING STRATEGIES

The casino operator has been required to implement a range of harm minimisation measures by the Act and Regulations. These include:

- displaying information concerning chances of winning prizes
- providing player information brochures
- providing player information in community languages
- displaying warning notices of the dangers of gambling
- displaying signage about the availability of counselling
- clocks are required to be visible from gaming machines
- advising patrons that prize money in excess of \$2000 is available by cheque
- providing player activity statements under player reward schemes
- not displaying gaming-related advertising
- providing problem gambling services
- permitting voluntary exclusion orders
- not providing gambling inducements.

In addition, the casino operator has undertaken steps to address problem gambling which have not been required by legislation. These include:

- the production of brochures which, inter alia, provide information about behaviour indicators of a gambling problem
- information about self exclusion and contact details for gambling counselling
- additional signage
- prize money and accumulated credits paid by cheque are not redeemable for 24 hours
- retaining Drake WorkWise (BetCare) to provide 24 hour crisis intervention for distressed patrons and other services
- self excluded persons are required to attend a gambling counselling session before the order is considered for revocation
- signage and brochures warning not to leave children unattended
- in 2009, it issued *The Star Responsible Gambling Code* which has been reviewed externally
- a Responsible Gambling Committee meets bi-monthly to monitor the quality and effectiveness of responsible gambling programs
- a second Responsible Gambling Manager has been appointed and a register created
- staff training in responsible gambling
- selected senior employees have been trained in Responsible Gambling Management
- a *Responsible Gambling Manual* has been developed
- a screen message has been introduced on electronic gaming machines reminding players to have a break
- a time spent gambling policy has been developed
- engaging Southern Cross University to conduct a study in relation to gambling practices of The Star employees.

Responsible Gambling Code and Training

The casino operator has measured and evaluated its responsible gambling training in a number of ways. In the period under investigation, it has conducted three employment surveys, in which staff responded very favourably to the question whether they felt informed about the responsible gambling policies and practices.

Early in the period, in 2007 and 2008, KPMG reported on the effectiveness of responsible gambling training and made recommendations. As a result, The Star enhanced its training and developed a DVD.

Neill Buck and Associates reviewed The Star's Responsible Gambling Code in February 2011. It found that The Star had a clear and well documented responsible gambling compliance program. It was reported that all of the people interviewed understood the Code and context in which it was implemented and took its principles into account in their day to day operations. The Star's training was also examined and recommendations made for improvements.

The Compliance Manager told me that those matters will be considered in conjunction with any recommendations by Professor Blaszczynski who is currently reviewing responsible gambling training, the code and the effectiveness of responsible gambling measures in place at The Star.

Employees Gambling

The Star engaged Southern Cross University to study the gambling behaviour and level of gambling problems among The Star employees, who are not permitted to gamble at the casino. It found that The Star employees had high levels of gambling participation, at venues other than the casino, although they gambled on an infrequent basis. Most of them were non problem gamblers, with about 8% classified as possible problem gamblers. It recommended that The Star makes further efforts to educate employees about problem gambling and promote support services available and offer assistance and counselling.

The Star has taken some measures in response to these recommendations including providing information to staff and promoting the counselling service available to staff.

BetCare

In April 2008, The Star engaged BetCare to provide gambling counselling service and crisis intervention for casino customers and staff. Wesley Gambling Counselling Service has previously provided such a service. As with Wesley, its main work is in assessing those who have been self excluded. Self excluded persons are required by The Star to attend counselling sessions and obtain a recommendation from the counsellor that they should be permitted to re-enter the casino before The Star will consider revoking the exclusion order.

According to data provided by BetCare, from May 2008 to 31 March 2011, 244 assessments were carried out in relation to persons referred by The Star. About 30 people have sought counselling including one family member, most of these were self excluded.

The Star data differed in that it recorded 283 referrals to BetCare for gambling assessments and 249 assessments provided. It advised that ten people were being provided with ongoing counselling. These numbers are consistent with the number of people who have had their self exclusions revoked, as discussed in chapter 5.

In addition, BetCare provides a 24-hour on call service. Counsellors have been contacted on four occasions. It was suggested to me that fewer callouts are as a result of security officers being effective in the work they do. The evidence supports the conclusion that security skilfully carry out their roles in responsible gambling.

Awareness of Staff

The Star staff have induction and refresher training in responsible gambling measures. Staff generally told me of having completed refresher training in the last 12 months. In addition, The Star engages external consultants to review its compliance with responsible gambling initiatives and requirements. Those reviews are discussed above.

From my interviews with staff, while most are able to identify one, two or several signs of a possible problem gambler, intervention, personally or through security or some other responsible manager varies significantly, with some never having intervened and most alerting a manager or approaching a player rarely. There are, however, some who are particularly conscious of and alert to players being asleep. There is considerable reliance on The Star's first Responsible Gambling Manager to be aware of problems with patrons and take appropriate action.

Time Spent Gambling

During the 2006 review, we reported that Tabcorp should provide leadership in the area of players gambling for an excessive period. In 2008, The Star published "Guidance Notes on Time Spent Gambling". It included definitions of problem gambling which included signs of distress such as requests for self exclusion, aggressive and anti-social behaviour, requests to borrow money for gambling related purposes, children left unattended, drowsiness, requests from family and friends to intervene and gambling for excessive periods of time.

The guidelines record that practices should be implemented to ensure that players are made aware of the passage of time and to encourage players to take breaks. In relation to identifying players playing for an excessive period of time the following was stated by way of guidance:

- a player still wearing the same clothes on two consecutive shifts
- falling asleep at the table or machine
- not taking breaks for food, beverage or to go to the toilet.

While 24 hours is not mentioned in the guidelines as a time period at the end of which there should be intervention, most of the staff with whom I spoke used 24 hours as a rule of thumb for intervention. A significant number, however, tended towards being concerned about patrons who gambled for 12 hours or more.

An incident report was written in mid 2011 about a woman who had been gambling for 26 hours without a break. I spoke to the author, who worked in the PGR, and she explained to me:

I would normally look into these situations on a bit of an individual basis and just their normal patterns of play and the times of day that I do see them, to then know that that's odd to see her now. Would occasionally say, oh what are you doing here now and those kinds of little comments, just to get a conversation started and see if they're okay.

For this particular lady, it was a morning from memory that would be an odd time to see her, she does come in the evenings religiously, so seeing her and having a look, that's when I think the alarm bells kind of went off and discussions were had as to how long she'd been there.

That woman was escorted from the Sovereign Room.

That PGR staff member had authored another incident report in May 2010 recording one patron approaching her about payout rates from an electronic gaming machine and, during the discussion, observing his mood swing dramatically. The employee telephoned the Responsible Gambling Manager and ultimately the patron was denied access to the Sovereign Room including as a guest for 3 months. He was given BetCare details and agreed to attend for an assessment.

The same employee told me that weekly to fortnightly she is concerned about someone in the PGR on the basis of the length of time they'd been gambling.

If I didn't approach them at the time, like that particular situation and deal with it at the time, if I had just suspicions, I would always relay that through to Virginia [Responsible Gambling Manager] and say, hey somebody for you to look at and she would always get back to us after doing what she does. I'm not - she does some graphs and nice things that give a good indication, where as what we see, we have to write lots of numbers down and add up hours and things like that to get it.

She then comes back and says, yes, their pattern would indicate this or I'm just going to monitor them or what have you ...

These observations are consistent with the comments made in the mock interviews conducted with staff and referred to in chapter 1. The majority of those interviewed had seen or heard of patrons sleeping in or around the casino.

One gaming supervisor thought that a player getting close to 24 hours gambling in the casino should be asked to leave. An incident report dated January 2011 records his having had a player removed in those circumstances.

A pit manager said if a player was there more than 24 hours, then ... *we get the host to get rid of them*. Another pit manager was aware of a 24 hour rule, although personally he calls a host to get involved if a person has been there for 16 to 20 hours. He last did that two or three months ago in the PGR and about a year and a half ago on the MGF when a woman was playing for 20-22 hours.

A security duty manager was not aware of The Star having issued guidelines in relation to time spent gambling. His view was that if a person had been there 19-20 hours and gambling then that is brought to security's attention.

The gambling counsellors I met with, discussed further below, thought that 24 hours was too long and that if a patron was gambling for longer than 12 hours, questions should be asked. Professor Blaszczynski was of the view that after the equivalent of a working day was spent gambling, a patron should be monitored.

It is noted that research published by Gambling Research Australia in November 2007 titled "Identifying Problem Gamblers in Gambling Venues" provided a list of 12 indicators in relation to the frequency, duration and intensity of play. They include gambling every day, for three or more hours without a break of 15 minutes or longer, not reacting to surroundings, playing very fast, betting \$2.50 or more per spin most of the time and significant changes in expenditure pattern. In total, over fifty indicators are given, concerning social behaviours, emotional responses and impaired control among others.

The Star's Code refers to far fewer indicators.

RECOMMENDATION 15

The Star should revisit its list of indicators of problem gambling in light of research which lists many more activities or behaviours which may indicate problems. The Authority may, in due course wish to inquire of The Star, the action it has taken in this regard.

Responsible Gambling Liaison Managers

By the last investigation, in 2006, The Star had introduced responsible gambling liaison managers (RGLM) in the casino. Their role is to act as the first point of contact for staff when issues concerning responsible gambling arise.

From my interviews with staff this year, many, including a gaming manager, did not know of these managers. Indeed, a survey carried out recently for The Star made similar findings.

A gaming manager who had undergone the training to be a RGLM told me that he understood the purpose of the training was to better equip him in his role as gaming manager. He said that he was not used any differently by staff. Two other gaming managers who had undergone the training to be a RGLM, each told me that they had never been used in that capacity.

Another pit manager did not know who the RGLMs were. When pressed she nominated a person responsible for regulatory affairs. She thought the role of a RGLM was to report on the financials to the General Manager.

The Asset Protection Manager confirmed that his security officers continue to deal with responsible gambling matters. He agreed that the RGLMs are not known or used.

Responsible Gambling Managers

The Star now employs two Responsible Gambling Managers with the same roles and responsibilities. The second and recently appointed person was formerly a security duty manager with The Star.

From the information available to me the work done by the original Responsible Gambling Manager, is, within the resources available to her, excellent. She takes appropriate action based on the information she has and has a principled approach to ensuring, to the extent she can, that patrons at The Star gamble responsibly. She is particularly skilled at responding to concerns expressed by family and friends of gamblers and is flexible in her responses. Short term suspensions from the Sovereign Room and/or the MGF, along with BetCare assessments earlier in the process have been used effectively. She is integral to The Star's approach to responsible gambling.

I am informed that the Responsible Gambling Managers no longer present at the induction sessions and have not for some time. The importance of this issue to staff needs to be emphasised and if it does not occur at induction, The Star should ensure that staff are educated not only by the online training, but with face to face sessions with the responsible gambling managers.

The second Responsible Gambling Manager has, in his short time, carried out important and useful reviews of excluded persons to ensure that the database remains accurate. This is dealt with in chapter 5. He also told me that he is reviewing trends in the responsible service of alcohol, the most recent of which resulted in discussions with the Food and Beverage department in relation to the service of cocktails.

GAMBLING COUNSELLORS

During the course of this investigation, I met with representatives of four gambling services: NSW Multicultural Problem Gambling Service, Mission Australia, Vietnamese Community in Australia – NSW Chapter and Auburn Asian Welfare Centre. Their experiences were mainly with people who gambled on poker machines and sports betting at pubs and clubs. Those relatively few clients who attended the casino generally played table games.

Each told me that their clients who had been excluded tended to re-enter the casino. One described the enforcement of the exclusion of patrons as poor, based on the experiences of her, albeit small number of clients. She believed that the process of exclusion should be simpler and easier. However, each spoke of each client being ultimately 'busted', that is caught entering the casino while excluded. Mission Australia described it as the best self exclusion program in Australia.

The Responsible Gambling Manager's innovation of seeking an assessment prior to excluding a person was met with approval. One counsellor described the process of assessing clients who wish to have their exclusion revoked in the following way:

We've gone through about three or four sessions with clients who have come back in. Mainly we look at relapses and behaviour since the self exclusion's gone in, but also looking at the place gambling plays within the life of the client, what they replace gambling with during, say, the 12 months period, the manner in which they use gambling. It's predominantly used as an escape in the majority of clients and whether that escape mechanism is still necessary or they've found something else to replace it.

So it's a very holistic sort of process. On the whole, the clients that have self excluded, and have got my recommendation that it's unlikely that they will use the gambling – use the casino in an unhealthy way in the future. They were often motivated because the casino is part of their social network and they don't like the idea that I can't go there. That if they're out for a night out with people and they want to go to the casino and they can't go along because they're self excluded, they want to get rid of that.

GAMBLING HELP LINE

Gambling Help Line, previously called G-line (NSW) is a 24-hour, seven-day a week, crisis counselling, information and referral service for problem gamblers, families, friends, colleagues and professional counsellors in NSW. It is funded through the Responsible Gambling Fund.

About 9500 calls to the service were made in 2009-2010, a similar number to those received in 2005-2006 and in 2008-2009. The characteristics of the target group remain the same with the majority being first-time callers.

The Gambling Help Line does not specifically collect and/or analyse statistical information in relation to The Star casino.

RESPONSIBLE GAMBLING FUND

The Responsible Gambling Fund (RGF) was established to reduce the negative impact of gambling in NSW by providing funds for services and research. Funds are derived from the Responsible Gambling Levy of 2% on all casino gaming revenues. In October 2007, the Treasurer announced the continuation of the RGF levy at 2% for a further 12 years.

The RGF Trustees fund a variety of organisations to deliver counselling and support services concerning people with gambling related problems, to ensure a greater understanding of the nature of gambling and potential for harm and to undertake research.

In the financial year to 2010 over \$13 million was received, with each of the previous five years resulting in payments of about \$12.5 to \$13 million. In April 2009, a three year early intervention, prevention and community engagement strategy was launched. The RGF is currently funding a comprehensive review of the responsible conduct of gambling course for gaming venue staff.

In its submission to this investigation, the Fund noted that The Star's Responsible Gambling Manager has been an active participant in recent RGF funded programs.

The RGF 2009-2010 dataset reveals that, in relation to face to face services about 6% of problem gamblers reported the casino as their preferred gambling venue with just over half of those reporting table games as their main activity. Most of these speak Chinese or a south east Asian language at home. The figures are slightly higher in relation to the Gambling Help Line in that about 9% reported the casino as their type of gambling. About 16% of those who use Gambling Help Online reported the casino as their primary gambling venue with about half reporting table games as their type of gambling.

ILLEGAL GAMING

The PCRIU told me of reports having been received concerning the conduct of illegal gaming activities throughout Sydney, one of which was investigated by the Office of Liquor, Gaming and Racing in 2009-2010. There have also been recent reports of illegal poker games being conducted which involved non casino cash games (chip chops) that related to licensed venues conducting organised poker tournaments and possibly inadvertently breaching the law.

Certain individuals organise these types of tournaments on a commission or fee basis for licensed premises and it is apparent that some complaints have arisen as a result of the tournament organiser being usurped in their function and premises organising their own.

PASSIVE SMOKING

Under the *Smoke-free Environment Act 2000*, smoking is prohibited in enclosed public places including licensed premises and the casino. That Act grants an exemption of the private gaming areas of the casino. I am told by the Department of Health that during the period under investigation, the casino operator has been compliant and co-operative with any requests or concerns. The Public Health Unit conducts an annual review of the casino's enclosed areas to which the exemption relates and on each occasion, the exemption has been continued. There had been one complaint received which related to faulty air conditioning which was, according to the Public Health Unit, quickly rectified by The Star.

CHAPTER EIGHT

CULTURE, COMPLIANCE AND OTHER MATTERS

INTRODUCTION

I was told by one senior manager at The Star that compliance was an overused word at the casino.

In that context, and by way of background, it is useful to set out what compliance means. The Star is required to comply with obligations sourced from legislation, regulations, the casino licence, agreements as well as its internal controls. Those obligations include ensuring responsible service of alcohol and responsible gambling, and complying with occupational health and safety and competition and consumer laws. Consequences of non compliance can be disciplinary action resulting in cancellation or suspension of the licence, the imposition of a fine up to \$1 million, a letter of censure as well as civil claims against The Star. Commercial and reputational consequences may also flow. Thus, the incentive to comply is significant.

COMPLIANCE PROGRAM

In previous investigations, the compliance program of the casino operator has been singled out for its thoroughness and integrity. With the demerger from Tabcorp and the creation of Echo, the position of the General Manager, Compliance, who is responsible for the program has been downgraded. Under Tabcorp, the holder of that position reported to the Chief Executive Officer of the casinos division, a director, who reported to the Chief Executive of Tabcorp. This position now reports to the Chief Financial Officer, also a director, who in turn reports to the Chief Executive Officer of Echo. Previously, the General Manager Compliance was on the same level as the Chief Financial Officer. It is accepted that the holder of that latter position has greater responsibilities under the new structure. A significant consequence is that the General Manager Compliance no longer attends, as of right, the Chief Executive Officer's meetings. I view this change as reducing the General Manager Compliance's influence in the organisation. It would be a matter of concern if that reduction in influence resulted in the casino operator's compliance with its obligations receiving less attention.

EXTERNAL REVIEW

Neill Buck and Associates

The Star had its compliance program and framework assessed independently in February 2011 by Neill Buck and Associates. They had performed a similar assessment in 2004 and 2006. In its 2011 assessment, its focus included responsible service of alcohol, responsible gambling, AML/CTF, complaints handling and training.

That assessment found that The Star had a clear and well documented compliance program and staff applied the program in practice. With the exception of particular KPIs addressed below, it found no evidence in its interviews and observations of staff being discouraged from reporting issues. The review did, however, find an 'insufficient focus on balancing a pleasant environment and complying. We thought that some staff did not understand that complying with laws, regulations and procedures does not stand in the way of being pleasant to customers.' This seems, to me, an important point for staff to understand given the change in focus at the casino towards greater customer satisfaction.

The review noted the finding made by the 'compliance team' that there had been a fall in reported breaches from Table Games staff and identified a Key Performance Indicator (KPI) that makes reporting a breach a 'bad thing'. The review recommended that the compliance team review KPIs for compliance to ensure that no KPIs discourage reporting, by making failure to report a more serious issue than reporting a breach. I agree that adding a KPI to that effect would send a strong message to staff about the importance of responsible gambling.

The General Manager, Compliance has provided me with an email she forwarded to senior managers reminding them that failure to accurately record breaches in order to meet a KPI of zero breaches posed a risk to the business. Each was asked to review their KPIs and consider substituting a more appropriate KPI in the place of zero breaches. I understand that the Table Games Department has changed their KPIs in this regard by removing reference to the number of breaches.

RECOMMENDATION 16

The Authority should review any changes to Key Performance Indicators for The Star's senior managers.

The Neill Buck and Associates review found that reports on complaint handling were not made to the Management Risk and Compliance Committee and made recommendations to remedy that. The review supported the decentralised model whereby a large number of staff with

additional specialised training as RGLMs. As noted in chapter 7, from my investigation, it appears that, in practice these RGLMs provide little additional value.

In relation to training, it noted the change whereby the induction program is focused on service and entertainment which 'supplements' the regulatory training. The review considered the security training in conflict management to be sophisticated. Recommendations were also made to review training in place and continue with random audits of compliance with obligations.

The belief was expressed in the review that 'revenue versus compliance' was not a major issue. It was satisfied that there was a commitment from the Board and Executive to compliance. It noted that the property was closely scrutinised by regulators and stakeholders.

Professor Hing

As referred to in chapter 4, in April 2011, Professor Hing from the Centre for Gambling Education and Research at the Southern Cross University, carried out a compliance culture survey. She reported the results as indicating that The Star has maintained a strong compliance culture in 2011. Just under 1000 employees took part in the survey.

She found a decrease in the overall positive response to the questions about whether managers follow the values (from 97% to 88%) and 'walk the talk' (from 96% to 87%), whether action was taken after raising an issue (from 98% to 91%), receiving feedback (from 92% to 84%), being able to 'speak up' (from 95% to 90%), the effectiveness of the casino operator's complaint handling system (from 92% to 87%) and willingness to use the TIPS hotline (from 87% to 83%). She recommended that the TIPS hotline be more publicised and that managers maintain their focus, follow the values, show leadership and provide feedback.

The General Manager, Compliance agreed with me that the findings were troubling in respect of managerial behaviour and she indicated that they would be dealt with by role modelling by the general managers, reconsidering the KPIs and communicating the need for change to the management team.

EVIDENCE

Unlike previous s.31 investigations, on this occasion in 2011, a number of current and former staff at The Star approached me requesting an interview. All asked for and were given assurances of anonymity. Some of the former employees who approached me did not leave The Star's employment of their own volition. A common theme emerged from their evidence. As put by a former senior manager:

We seem to be going - not a good place in 2000, we got better after the section 31. We seem to be sliding back to the old ways of just a cultural thing of revenues first, behaviours are secondary.

Another current manager told me that she also thought the casino was on a 'downward slide' after the improvements made after 2000. A pit manager told me that 'the culture has changed horrendously'. Another current employee, acting as a manager said that he did not think the culture was quite what it should have been, 'I think we did a lot of cleaning up before and I think we're reverted back to exactly what it is now'.

One gaming supervisor described the casino as more customer service based and 'compliance is always there, like they still are strict on things, but it seems that the number of strict managers have diminished'. He was talking at the pit manager level.

All those with whom I spoke, commented on the change in focus to being more customer focussed. Hence, the five Fs: Fast, Friendly, Fresh, Fun and Focused which have been introduced as indicating the values of The Star.

Each witness who gave evidence of a change in focus which had, in their opinion, negative consequences, was asked to provide examples. Those examples were of favourable treatment for players of value, responsible service of alcohol not being followed and the casino being less concerned about breaches.

In the first category, examples were given of players who had high value to the casino and were, it was alleged, permitted to misconduct themselves with little or no consequences, such as ashtrays and chips being thrown, staff being abused, threatened or sexually harassed. Each incident was investigated in the course of this s.31 investigation. In some cases, no record could be found of the incident, in most others the casino operator took some action against the player and the allegation was not supported. In a couple of matters, the events occurred before 2007.

In the second category, it was alleged that responsible service of alcohol was considered to be of less importance. Examples given included the operation of the Rock Lily bar, the details of which are dealt with in chapter 6. It was further alleged that responsible service of alcohol was no longer a regular discussion topic at meetings, nor was responsible gambling. One person described it as 'the line is moving'. This investigation's findings about responsible service of alcohol are set out in chapter 6.

Finally, I was told that fewer incident reports were being written, particularly by Table Games staff and that gaming rules and procedures were being applied more flexibly. Two people referred to the cultural change as being to 'find the grey', which they took to mean, and clearly is an available interpretation, no longer taking a black and white approach to compliance. In chapter 6, I set out this investigation's findings about incident reports.

In relation to the rules, concern was centred on the payment of cash disbursements and 'lucky money', vouchers to spend in the casino, to players. A number of examples were given of payments being made following errors being made in the conduct of games, customer service being wanting and the like.

The General Manager, Table Games, explained that she had given gaming managers authority to a specified amount to make cash disbursements from the Cage. She described it as a service recovery model. She told me that criteria exist and its use is monitored. The Managing Director was not aware of these criteria. I understand that the Inspectors are considering whether any of these disbursements are made from the Table rather than the Cage and, if so, whether they would infringe the internal controls by potentially affecting revenue.

RECOMMENDATION 17

The Authority should review the use by the casino operator of cash disbursements and lucky money to ensure that they are governed by appropriate internal controls.

The change is also evident in the induction staff receive, as identified in the review by Neill Buck and Associates set out above. The training on matters concerning regulation and compliance is now done on line and pre-employment or in the first month while the face to face induction is about the 5 Fs.

Consistent with the evidence of some staff as set out above, the Inspectors informed me of a 'cultural change' within the casino with issues of undesirable activity, responsible service of alcohol and gaming related matters being dealt with more severely under previous management. Particular concern was expressed in relation to responsible service of alcohol. Two examples were given, one where the Inspector was informed that it was not apparent whether a particular minor had been drinking alcohol when the CCTV, in the Inspector's view, clearly showed the minor to be consuming alcohol. The second example concerned the characterisation of responsible service of alcohol issues as medical issues. This is dealt with in chapter 6 of this report.

Conclusion

There is no doubt that the management of the casino has deliberately adopted a different approach to its operations. It cannot be properly criticised for focusing on customer service and it does not necessarily follow that such a focus will result in the casino operator not complying with its obligations.

However, a number of matters examined during the course of this investigation and set out in this report raise concerns. They are first, the response of casino staff to the substance found in the bathroom, secondly, the downgrading of the position of General Manager, Compliance, thirdly, the operation of the Rock Lily bar, fourthly, the reduction in incident reporting and, finally the opinion of the Police set out in chapter 6. It is not suggested that there is any involvement by the casino operator in any criminal matters or that it does not exclude individuals when their conduct requires it or based on available information which supports exclusion.

The Authority should closely monitor the casino operator for these and related matters over the next five years. Relationships with law enforcement need to be strengthened and maintained, scrutiny of responsible service of alcohol is necessary as well as keeping under review incident reports made by staff.

LEGISLATIVE CHANGE

There were significant amendments made to the legislation which is administered by the Authority over the period covered by this investigation.

A review of the Act was undertaken in 2007 and 2008, as foreshadowed as part of the negotiations for the exclusivity agreement entered into with the casino operator and referred to in chapter 2. One aim of the review was to reduce red tape and minimise excessive regulation.

The first package of legislative changes was assented to on 26 June 2009. Major amendments to the Act were as follows:

- the definition of chips was expanded to include tokens depicted in an electronic form (s.3)
- section 19 was amended so as to alter the method of changing the boundary to be consistent with changing a condition of the casino licence (s.22), that is, provide an opportunity for the casino operator to make a submission before an adverse change is imposed by the Authority
- the review of the operator's suitability to hold a casino licence was extended from a period 'not exceeding 3 years' to 'not exceeding 5 years' (s.31)

- section 43(b) definition amended as it relates to "the operation, maintenance, construction or repair of gaming equipment" so as to limit the activities relevant to special employees to gaming equipment approved by the Authority under s.68
- casino licence review period for casino special employees was extended from 3 years to 5 years (s.55)
- section 62 was amended to change the notification period for an employee commencing or ceasing to have functions from 7 to 14 days
- in s.65(2)(a) "gaming tables and gaming equipment" was changed to "gaming facilities" and ss.2(b) and (c) were repealed. Subsection (2)(d) was amended to "the facilities provided for persons conducting monitoring and surveillance operations in the casino" (This became subsection 2(b))
- section 65(3) was amended to provide the capacity for the casino operator to apply to the Authority for a change to the casino's layout
- section 66 was amended to replace the requirement for publishing the approval of a game and the rules of games in the Government Gazette with a requirement for the Authority to make up-to-date versions of the rules available on the Authority's website
- section 72(1)(c) was amended to replace the word "brochure" with wording to allow other and more contemporary ways of providing summary information on games. For example, printing out a document when requested or displaying the information at a computer terminal or an electronic kiosk
- reference for cheques to be banked within 20 working days was amended to 30 working days (s.75(6A)(a))
- penalties for offences under s.93 and s.97 in relation to minors entering the casino and providing false evidence of age was increased from 10 to 20 penalty units
- section 125 concerning the content of internal controls was repealed
- section 126 was amended to allow the casino operator to maintain banking facilities in any jurisdiction, including overseas
- section 141 was amended to remove the words "directly supervise" from the functions of the Authority under subsection 2(j).

On 18 May 2010 the second tranche of amendments were assented to and commenced. Major amendments to the Act were as follows:

- the definition of a controlled contract was amended so that it covers only contracts relating to the supply or servicing of gaming equipment and contracts that are materially significant to the integrity of the operation of the casino (s.36)
- section 37A in relation to the requirements for notifiable contracts was repealed as a result of the change to the controlled contract definition

- sections 44 and 64 in relation to the requirements relating to the licensing of special employees were amended. Previously, a special employee was required to be licensed and to carry out his or her functions in accordance with the authority conferred by the licence and the conditions of the licence. This amendment maintains the requirement for special employees to be licensed but also requires special employees to hold a certificate of competency for the functions that the special employee exercises. Consequently, s.64 (training courses and certificates of competency for employees) was also amended to provide that certificates of competency are to be issued by a casino operator. These certificates may be issued to a person only if the person has completed training in those functions and in responsible practices for the conduct of gaming (being training provided by the casino operator) or if the person has already completed appropriate training or has appropriate qualifications. Any such training or qualifications on the basis of which a certificate of competency is issued must comply with any standards or other requirements set by the Authority from time to time. A casino operator is also required to maintain records of training provided and certificates of competency issued
- sections 70(1)(a) and 70(3) were amended to make provision for certain types of devices or things that fall within the definition of gaming equipment (but are not an intrinsic element of gaming) to be excluded from the licence condition that requires all gaming equipment to be approved under the principal Act before being used in accordance with the approval
- sections 70(1)(b), (c), (d) and (f) were amended relating to the conduct of gaming to reflect changes in the way poker is now dealt and changes to the making of wagers
- section 70(1)(g) was amended to make it clear that the licence condition preventing casino employees or agents from inducing people to enter the casino or take part in gaming in the casino applies only in relation to persons outside the casino (the regulations contain a provision prohibiting certain gambling inducements in relation to persons inside the casino)
- section 70(2) was amended to insert a reference to the *Anti-Money Laundering and Counter Terrorism Financing Act 2006* (Cwth)
- section 76 concerning junkets and inducements was amended in relation to the definition of junket so that it includes an arrangement involving a person, or a group of people, who is introduced to a casino operator by a promoter who receives a commission based on the turnover of play in the casino attributable to the persons introduced by the promoter (or otherwise calculated by reference to such play)
- amendments to s.79 and s.81 require the Commissioner of Police to notify the relevant authorities in other States and Territories when an order is made (at the direction of the Commissioner) excluding a person from a casino. The Commissioner is also to provide the relevant authorities with the name of the person subject to the exclusion order and,

where practicable, a photograph of that person and notify the relevant authorities when an order is revoked

- section 81A was introduced which requires the Commissioner of Police to give a direction that a person be excluded from a casino if the person is subject to exclusion from another casino following the making of a similar direction under a corresponding law of another State or a Territory
- sections 85 and s.85A were amended to bring the legislation into line with clubs and hotels and confers a limited protection from legal liability in respect of the implementation of the casino's exclusion requirements. It does not extend to anyone whose negligence causes personal injury or the death of a person
- section 164 was amended and it changed the requirement to seek Authority approval for simulated gaming to giving the Authority notice
- section 168A, as amended, provides that the amount of a penalty prescribed for a penalty notice offence must not exceed the maximum amount of penalty which could be imposed for the offence by a court.

Casino Control Regulation 2009

This new regulation replaced the *Casino Control Regulation 2001* with only minor amendments. The new regulation commenced on 1 September 2009 and required gambling contact cards be made available to patrons. The cards are to contain information about problem gambling, help options and self-exclusion from the casino. They are to be clearly seen while playing a gaming machine that is part of a bank of gaming machines or when approaching a bank of gaming machines. The card-holder is to be a clear, plastic see-through container.

The Regulation also amended the warning advice on the gambling warning and problem gambling notices.

IMPLEMENTATION OF 2006 SECTION 31 INVESTIGATION RECOMMENDATIONS

The first recommendation concerned the provision by the Authority to AUSTRAC of the names of and transactions conducted by individual junket participants to AUSTRAC. That recommendation was not implemented and is made again in chapter 3.

The second recommendation was that the Authority pay particular attention to the systems in place at Star City in respect of preventing employees from working in areas in which they are not licensed. As set out in chapter 4, the Authority has taken disciplinary action against the casino operator in relation to these systems and the Act has been amended to provide more flexibility in this regard.

The third recommendation was that Star City be permitted to provide lists of those people excluded by it, to its Queensland properties. That recommendation has been implemented.

The fourth recommendation concerned the implementation of the AML/CTF requirements. The Star's procedures in this regard are periodically assessed by AUSTRAC and the regulator's reports are set out in chapter 6.

The fifth recommendation was that Tabcorp provide leadership in the area of gambling for an excessive period. In chapter 7, a recommendation is made concerning the guidelines introduced by The Star in response to the 2006 recommendation.

The final recommendation concerned smoking in the PGR. The Department of Health is satisfied with the operations of The Star in relation to smoking, as set out in chapter 7.

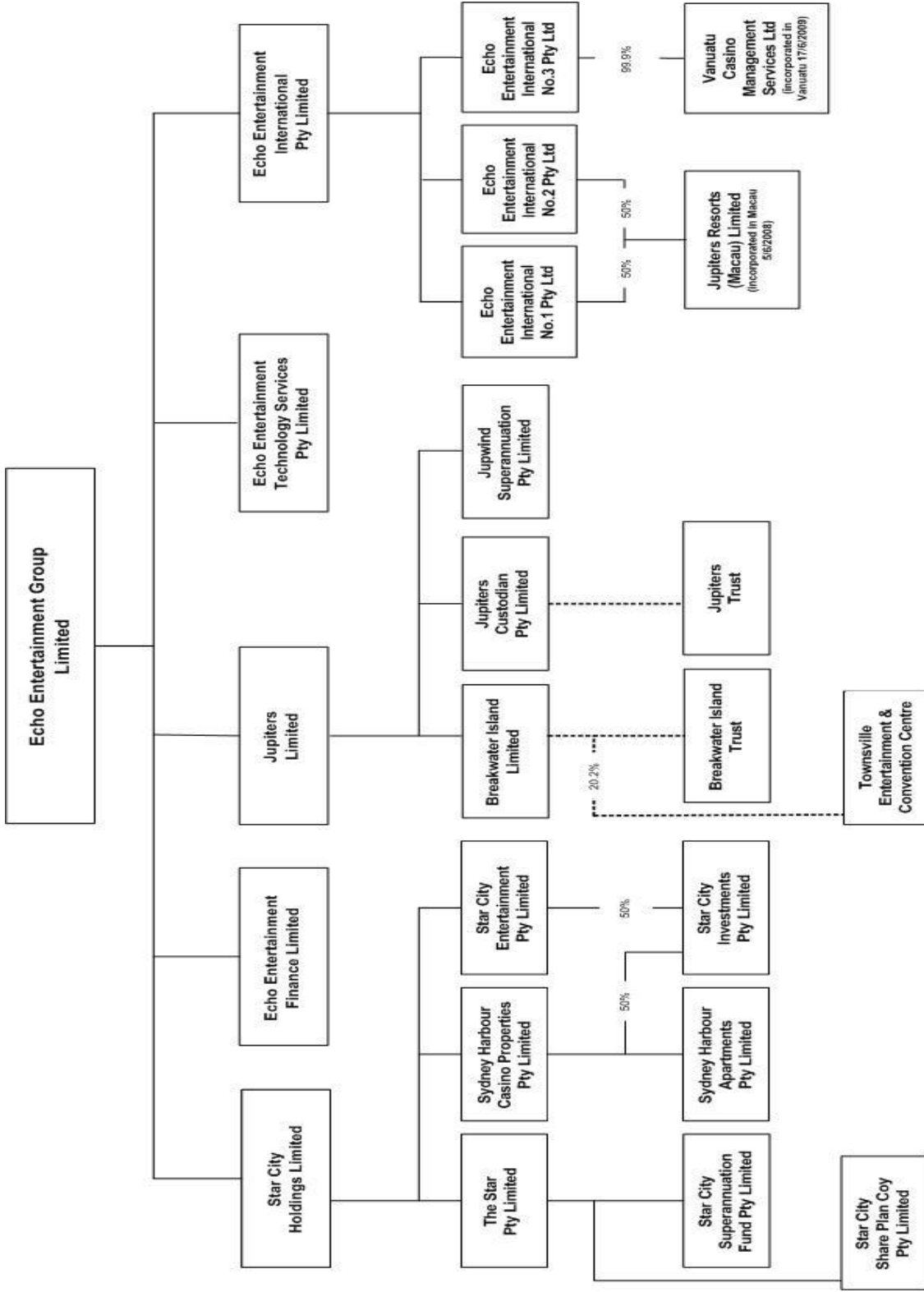
ANNEXURE 1

SUBMISSIONS

1. Tourism & Transport Forum
2. The Star Pty Limited
3. Responsible Gambling Fund Trustees – Reverend Harry Herbert, Chairperson
4. Confidential submission.

ANNEXURE 2

CORPORATE STRUCTURE



ECHO ENTERTAINMENT GROUP

ANNEXURE 3

KEY CLOSE ASSOCIATES

- Echo Entertainment Group Limited
- Echo Entertainment Finance Limited
- Echo Entertainment International Pty Limited
- Echo Entertainment Technology Services Pty Limited
- Star City Holdings Limited
- Sydney Harbour Casino Properties Pty Limited
- Star City Entertainment Pty Limited
- Sydney Harbour Apartments Pty Limited
- Star City Investments Pty Limited

- John Douglas Story
- Lawrence Joseph Mullin
- Matthias Michael Bekier
- John Anthony O'Neill
- Brett William Fisher Paton
- Paula Maree Martin
- Siddarth Vaikunta Ramasubramanian

ANNEXURE 4

SUMMARY OF AGREEMENTS

CASINO OPERATIONS AGREEMENT

This agreement is between the Authority and The Star Pty Limited and related companies and promises that the ongoing management and operations of the casino and other casino complex site facilities will function in a properly regulated, effective and integrated manner.

The Casino Operations Agreement Lease Terms, annexed to the Agreement, applies to the casino complex site and governs a number of aspects in relation to the operations of the casino such as rent and other payments, use of premises, the application of the Liquor Licence, maintenance, repairs, renovations and insurances whilst the site is operated as a casino.

CASINO EXCLUSIVITY AGREEMENT

Under the original agreement of 14 December 1994, the Authority granted The Star exclusive licence to conduct table games on the temporary casino site and Sydney casino site for a period of 12 years from completion of construction of the temporary casino. This Agreement expired on 14 September 2007.

On 30 October 2007, the Treasurer of NSW announced an extension to The Star's exclusivity period for 12 years from 14 November 2007 to 13 November 2019 for a fee of \$100 million. Following negotiations, this Amended Exclusivity Agreement was executed on 5 June 2009.

Under the Exclusivity Agreement Amendment Deed, the State will agree to pay damages to The Star if an action occurs during the protection period (which runs until 2024). Principally, these actions broadly are:

- a. legislation being enacted prohibiting or which has effect of prohibiting or no longer permitting casinos in NSW
- b. the number of gaming tables that The Star are allowed to operate be reduced below 500
- c. the number of electronic gaming machines that The Star are allowed to operate be reduced below 1500, or
- d. the casino being prohibited from operating for less than 24 hours, seven days a week.

CASINO REGULATORY AND COMPLIANCE DEED

The Casino Regulatory and Compliance Deed sets out the arrangements under which the Authority will assist The Star to facilitate the day to day operations of the casino. Pursuant to the Deed The Star was required to pay the \$100million for extension of its exclusivity period in two lump sums of \$50 million each.

ECHO DEED

This agreement was entered into following the Tabcorp demerger and is based on the previous Tabcorp Deed and contains similar covenants, undertakings, representations and warranties.

This Deed sets out the terms and conditions on which the Authority gives its approval to Echo and other entities entering into Agreements with The Star and others. The Deed also contains a number of key obligations on the part of Echo, including:

- a. to keep the Authority informed of all material aspects of the operation or management of the casino of which they are aware which would materially adversely affect the casino
- b. to notify the Authority of any litigation, arbitration or other dispute subject to a resolution process to which it is a party or with which it is involved which could materially affect its ability to perform its obligations under the Echo Deed
- c. to allow the Authority to inspect records and access the premises
- d. under certain circumstances to allow the Authority to require The Star to dispose of shares in itself held by Echo in accordance with the procedures set out in The Star's constitution.

CASINO LICENCE

This licence grants the right to conduct and play table games and use gaming machines at the casino site subject to provisions of the Act and the conditions set out in the casino licence.

The licence lasts for a period of 99 years from the date of issue unless cancelled by the Authority or surrendered by The Star. The licence confers no right of property on the holder and is incapable of being assigned or mortgaged, charged or otherwise encumbered.

Under the Act no right of compensation arises against the Authority or the Crown for the cancellation, suspension or variation of the terms and conditions of the licence, although the provisions of the Casino Exclusivity Agreement give rise to compensation in certain instances.

CASINO DUTY AND RESPONSIBLE GAMBLING LEVY AGREEMENT

This agreement is between the Treasurer of the State of New South Wales and The Star Pty Limited, as licence holder.

This agreement sets out the obligations of The Star to pay various duties and levies to the Authority. In particular, s.114(1) of the Act specifies that a casino duty is to be paid to the Authority in respect of each casino licence. Further, s.115(1) provides that a responsible gambling levy is to be paid to the Authority in respect of each casino licence. This agreement sets out the amount and method of payment of the payments to the Government, including Rebate Player Duty Arrangements.

The agreement requires the licence holder to pay a Responsible Gambling Levy of 2% of Gross Revenue (as defined under the Agreement) from the conduct of gaming.

CASINO TAXES AGREEMENT

This agreement is complementary to the Casino Duty Benefit Levy Agreement, which contains the primary obligations of The Star regarding the payment of duty. This agreement:

- a. requires The Star to effect and maintain a policy of insurance in respect of the loss of anticipated casino tax and community benefit levy
- b. provides that The Star agrees to indemnify the Authority in respect of any shortfall of any moneys required to be paid under the Casino Duty and Community Benefit Levy Agreement
- c. provides that the Authority charge shall secure The Star's obligations under Part 8 of the Act, the Casino Duty and Responsible Gambling Levy Agreement and this agreement.

CASINO CONTROL AUTHORITY CHARGE

The charge gives the Authority a fixed and floating charge over all the assets and undertakings wheresoever, both present and future, of each of The Star assets.

The charge secures a payment of all monies and the performance of all obligations, which The Star has to the Authority and secures the punctual performance, observance and fulfilment of the obligations to the Authority.

CONTINUITY AND CO-OPERATION AGREEMENT

This agreement was previously between the Authority, The Star and the Commonwealth Bank of Australia (CBA) but was varied on 29 June 2005 to remove the CBA as a party and add Tabcorp Investments Pty Ltd as a party. CBA ceased to be the funding provider and Tabcorp Investments became a party to the agreement, providing a shareholder loan to refinance the CBA facility.

One of the purposes of this agreement is to enhance and give practical effect to the protections afforded to the Authority pursuant to s.28 of the Act which gives the Authority the ability to appoint a receiver to operate the casino if the casino licence is suspended, cancelled or surrendered. Any receiver appointed to the The Star group pursuant to all the asset charges held by the Authority would be appointed for the purposes of both the Corporations Act 2001 and s.28 of the Act.

The agreement also places reporting obligations on The Star in respect of the level of all indebtedness within the group.

Following the Tabcorp demerger this agreement was amended to add "Echo Entertainment Finance Limited" as a party and release Tabcorp Investments from the agreement. Following the demerger Tabcorp Investments does not have any further obligations under the agreement and all the rights and obligations of Tabcorp Investments under the agreement have been transferred to Echo Finance. The shareholder loan previously provided by Tabcorp Investments to The Star has been replaced with "intercompany loans" provided to The Star Group by Echo Finance or any member of the Echo Group.

