

Submission to: Royal Commission into the Casino Operator and Licence, Melbourne

**From: Prof. Linda Hancock
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Melbourne
2000-2004 Chair: Independent Gambling Research Panel, Victoria [Ministerial
appointment]**

Dear Madam/Sir

Please find my submission to the inquiry in relation the terms of reference:

A. Whether Crown Melbourne is a suitable person to continue to hold the casino licence under the Casino Control Act 1991.

B. Whether Crown Melbourne is complying with the Casino Control Act, the Casino (Management Agreement) Act 1993, the Gambling Regulation Act 2003 (together with any regulations or other instruments made under any of those Acts), and any other applicable laws.

C. Whether Crown Melbourne is complying with the Crown Melbourne Contracts.

D. Whether it is in the public interest for Crown Melbourne to continue to hold the casino licence in Victoria.

E. If you consider that Crown Melbourne is not a suitable person, or that it is not in the public interest for Crown Melbourne to hold the casino licence in Victoria, what action (if any) would be required for Crown Melbourne to become a suitable person, or for it to be in the public interest for Crown Melbourne to continue to hold the casino licence in Victoria.

F. Whether Crown Resorts is a Suitable Associate of Crown Melbourne.

G. If you consider that Crown Resorts is not a Suitable Associate of Crown Melbourne, what action (if any) would be required for Crown Resorts to become a Suitable Associate of Crown Melbourne.

H. Whether any other existing associates of Crown Melbourne are not Suitable Associates of Crown Melbourne.

I. If you consider that any other existing associates of Crown Melbourne are not Suitable Associates of Crown Melbourne, what action (if any) would be required for those persons to become Suitable Associates of Crown Melbourne.

J. Whether you consider changes to relevant Victorian legislation, including the Casino Control Act and the Victorian Commission for Gambling and Liquor Regulation Act 2011, as well as the Crown Melbourne Contracts, are necessary for the State to address your findings and implement your recommendations.

K .Whether there are any other matters necessary to satisfactorily resolve the matters set out in paragraphs A to J, above.

To address the Commission's terms of reference, there are a number of issues that weigh heavily upon Crown's suitability to hold a casino licence. This is a brief submission as I do not wish to duplicate evidence presented to the Bergin NSW Inquiry WA Commission Inquiry or other submissions, so I will highlight these areas, relate comments and recommendations to particular research and provide more information, as requested.

Is Crown fit to hold a licence?

The most central issue is whether Crown Casino is fit to hold a casino licence. Based on systemic, repeated and deep-seated actions and multiple contraventions of Crown's licensing conditions over a substantial period of time, its failure on community standards of duty of care to customers and employees, enforcement of its own code on responsible gambling and responsible service of alcohol, and breaches of its obligations on anti-money laundering, crown is not a suitable person to hold a casino licence.

To this submission I bring specific gambling and public policy experience as:

- **Chair of the independent Victorian Gambling Research Panel (2000-2004);** appointed by the Bracks Labor Government to commission independent research into gambling, problem gambling and the community impact of gambling. During this four-year appointment, I met with Gambling and Social Welfare Ministers, participated in Ministerial Roundtables, commissioned and oversaw a research program with an annual budget of \$800,000-\$1 million per year for four years. This position gave valuable insights into the prevailing research on gambling, the research required to address gaps in research and brought me into close contact with Crown Casino management and Responsible Gambling. During this time I observed industry lobbying of Government and heard from various advisors about their close access to the Minister. The Brumby government's decision to abolish the panel and take gambling impact research back into government, was disappointing and served to revert funded research back into areas protective of business as usual. The subsequent establishment of the Victorian Responsible Gambling Foundation led until recently, to a limited research agenda (See Auditor General's account of the limitations of VCGF research in its 2021 report)¹
- **International research appointments including:**
 - International Gambling Policy Advisory Panel (Singapore Government) [2 years]
 - Head of Research for the Responsibility in Gambling Trust [UK charity] and oversight of £1 million RIGT-ESRC/MRC national UK research program [4 years]
 - Consultant: Fairer Gambling UK [charity]: submissions to regulator reviews of fixed odds betting terminals in bookmakers shops and regulation of gambling [2 years]
 - Consultant invited advisor to Canadian provincial policy makers and research institutes.

¹ See VAGO 2021 at: <https://www.audit.vic.gov.au/report/reducing-harm-caused-gambling?section=33780--appendix-b-acronyms-and-abbreviations&show-sections=1#33780--appendix-b-acronyms-and-abbreviations>

This submission addresses the following:

1. Crown's contravention of anti-money laundering provisions under its license

It took media reports by ABC's Four Corners back in 2014, and a Channel Nine investigation five years later in 2019, exposing allegations of criminal activity and links to known criminal within Crown Casino Melbourne, to confirm what many already knew. It took another state regulator to establish an inquiry (Bergin NSW), the findings of which were extremely damning for both the Casino Management and Board and for the Victorian Regulator.

Whistleblower footage provided to Independent Senator Andrew Wilke of a gambler, also an alleged associate of known criminals, exchanging wads of cash for chips and shortly after, exchanged back for laundered cash, in a presumably undisclosed transaction, are in direct contravention of anti-money laundering and reporting requirements and of the Crown Responsible Gambling Code requiring payouts over \$2000 to be paid by cheque. The Code [further discussed at 2] states:

“Except for lawful exceptions, EGM winnings or accumulated credits above \$2,000 must be paid by cheque and not made out to cash. Crown will not provide credit or lend money to Australian customers for the purpose of gaming” (Crown Code, Payment of Winnings, Credit and Lending.

So how ‘lawful’ might exemptions of laundered money be from pay-out by cheque? Crown has operated under a political consensus with by-partisan support, focused on revenue, tourism and jobs, that has resulted in wilful blindness by both Crown Resorts and Board and the VCGLR, of multiple occurrences of money laundering and transactions/bet under-reporting to AUSTRAC, over a sustained period of time. That exposure of these events, often the subject of conjecture, was only possible when exposed by independent inquiries with powers to compel witnesses, is itself an indictment of the integrity of Crown Management/Board, the regulator and successive governments over long periods of time.

This constitutes systemic and deep-seated purposeful behaviour and multiple contraventions of Crown's licensing conditions over a substantial period of time, indicative of a management/board culture of dismissal of key ruling conditions of its license. These practices are clear evidence of Crown Board members' and Executives' siloed risk management that would appear to constitute a wilful blindness and inadequacy of claims to no knowledge of patterns of corporate misbehaviour related to concealment of improper recording of monetary transactions, lack of proper consumer protections and malfeasance, that enabled systematic practices of money laundering over a protracted period. Cancellation of Crown's license and an overhaul of the regulator's terms of reference, sanctioning limits and resourcing follow from these findings.

2. Crown's abysmal performance in RG and RSA and a culture of non-compliance

In 2011, I was invited by the LHMU [United Voice] to undertake interviews with their members working at Crown Casino, to ascertain their views on matters raised by the Productivity Commission 2010 report into Gambling. We conducted interviews with 225 Crown Casino gambling, bar, food and beverage and security staff, via LHMU membership and private phone contact and ran focus groups with security, food and beverage and gambling floor staff to ascertain more qualitative feedback. The research focused on awareness and implementation of Crown's responsible gambling (RG) code, awareness and implementation

of Crown's responsible service of alcohol (RSA), staff perceptions of safety in the workplace and the workings of Crown's in-house staff training in RG and RSA.

The findings were subsequently published in my 2011 book, *Regulatory Failure*.²

Key findings indicating shortfalls in Crown's enforcement of RG and RSA and inadequate in-house training include:

A breakdown in enforcement of RG

- a lack of staff awareness of even the limited number of 'signs' of problem gambling included in the Crown Code of Conduct that are meant to trigger staff reporting of problem gambling;
- interpretation of signs like 'gambling for long periods of time' to mean 24 hours or more;
- ambiguity in the 'upward report-to-supervisor' process resulting in low rates of floor staff interventions in problem gambling – because they are told not to intervene.
 - 65.3% of casino employee interviewees say they do not advise customers to take regular breaks in play;
 - 55.3% say they would not intervene when customers are in a distressed state while they are playing; and
 - 81.2% say they do not approach people whom they think are having problems with their gambling.

A breakdown in enforcement of RSA

- a breakdown in implementation of responsible service of alcohol;
- about half (47.8% of staff) say they DO NOT approach people to stop gambling when they appear intoxicated.
 - Some don't see the point of telling supervisors because of the lack of effective response and refer to managers turning a 'blind eye' to intoxication.
 - A number questioned the worth of informing supervisors – when little eventuated as a result.

Alarming rate of perceived lack of safety in the workplace

- 20.9% do not 'always feel safe at work'
- Staff are concerned about the impact of intoxicated aggressive patrons on the surrounding community when, for example, patrons are 'cut off' from alcohol (ie denied sale of alcohol) and are exited from the casino premises.
 - 74.5% said: 'Customers who have been evicted from the venue could be a hazard to people outside the venue'
 - 66.2% agreed: 'I sometimes worry intoxicated patrons evicted from my venue may be a danger to people outside the venue'.

These findings indicate that even a decade ago, Crown Casino had an embedded culture of lack of protection of patrons from harms and risk of harm in relation to gambling and alcohol consumption within the Casino/Management. The book also examines the history or

² See: Hancock, L. (2011) *Regulatory Failure: The case of Crown Casino*, Australian Scholarly Publishing, Melbourne. (2012 E-Book edition).

regulatory oversight in periodic reviews and the avalanche of subsequent concessions granted by the regulator [VCGR] to Crown and the under-use of sanctions for infringements relating to RG and RSA and the prevalence of a “tick and flick” culture within the Regulator.

These results indicate that evidence presented to NSW, Victorian and Western Australian inquiries shows that little has changed in relation to Management culture and that any pleas by Crown for leniency on grounds “we didn’t know” are a sham. The 2011 findings are testament to a large-scale casino that poses considerable risk to patrons and the community, perpetuating harmful practices under industry self-regulated Responsible Gambling Codes of Conduct and not meeting adequate community standards on RG or RSA.

3. Crown’s poor record on implementing its inadequate Code on “responsible gambling” [RG]

All gambling venues in Victorian are required by the VCGLR to operate with a “responsible gambling code of conduct”.

Crown CEO Barry Felstead states in the introduction to the current Crown Code “This Code represents our commitment to our customers and employees regarding harm minimisation and responsible gaming”. The Code states the casino will intervene when people display signs of harmful gambling. The Code purports to enforce responsible gambling but what this means operationally, falls short of community expectations. For example, the current claimed practice of interventions aimed at customers gambling up to 18 hours continuously, is a poor trigger for RG officer or staff interventions or more appropriately, a protective closing off of gambling for such individuals. An increase from seven to twelve RG officer staff to implement the Code was brought about by the VCGLR 2018 Sixth Review of Crown’s license³ which found that the seven employees allocated to RG was inadequate. In any case, the Regulator’s review reported the seven officers spent most of their time dealing with breaches of self-exclusion orders - rather than breaches of its own code and found that in 2017 and 2018 Crown’s RG officers identified an average of only 112 patrons a week exhibiting signs of problem gambling.

The 2021 updated Crown Code

The current Code has undergone numerous amendments as approved by the VCGLR and pushed by Crown itself, but successive codes have staying within the limited framing of problem gambling rather than harm prevention. The current Code is a watered-down version of the code examined in 2011, but still similar in substance with its reliance on the individual choice model, rather than a public health harm/hazard prevention approach. The code focuses on individual [gambler’s] choice, self-exclusion, access to information about the State-wide scheme YourPlay and its own Crown Play Safe Limits Program [that enables players to set voluntary money and/or time limits - although this is limited to those playing on open limit high risk EGMs and automated table games], provision of Player Activity Statements, availability of psychologists and its Customer Support Centre, offers of assistance with household budgeting and with reminders that customers can apply to revoke their self-exclusion agreements via a Gaming Resumption Information Program. The Play Safe Limits Program is useless as a harm prevention tool as players can continue to play on after they are

³ See

https://www.vcglr.vic.gov.au/sites/default/files/sixth_review_of_the_casino_operator_and_licence.pdf

notified they have exceeded time and/or money limits, which in any case are often set unrealistically high.

The Code is clearly inadequate from a public health harm prevention perspective, and needs to be overhauled, with clear guidance and examples of what is required by a casino to show it has taken adequate steps to prevent harm and detailed specification of what would trigger a regulatory determination of breach. There needs to be substantial fines and sanctions including license review. Industry self-enforced codes patently do not work when overseeing government has such a conflict of interest, and Codes based on harm prevention need to be mandated in legislation and framed by the regulator, based on public consultation and public health research and principles, not constructed by industry itself.⁴

4. Crown's failure to protect vulnerable elderly and its predatory targeting of senior's bus trips under the Red Carpet Program

An example of Crown Casino's predatory behaviour towards vulnerable groups is exemplified in its Crown Casino Melbourne Red Carpet Program and its links to Crown Rewards [formerly the Crown Signature Club] and the vulnerability of senior citizens to gambling problems.

I undertook research on the Red Carpet program when undertaking observations at Crown Casino for the research for my book *Regulatory Failure: The Case of Crown Casino* [2011, Australasian Scholarly Publishing, Melbourne] and in subsequent observational research at Crown Melbourne. I have observed busloads of senior citizens coming through the bus entry into the Crown Casino Melbourne main gambling floor area where they were welcomed by Crown representatives and on a day out on trips organised by community groups.. There were clusters of senior citizens upon entry, being guided to sign up to the Red Carpet Club and Crown's loyalty Signature Club [now Crown Rewards] or Crown staff would enlist Crown Rewards members on the bus after it arrived.

The Red Carpet Program became popular among community groups and continued up until the COVID pandemic.

The Red Carpet Program Guest Group Services brochure promotes it as:

An unforgettable and extraordinary world that is Crown.
 Within its unique combination of luxury and warm service,
 exciting elegance and non-stop spectacle, Crown offers
 you an experience that will linger in your mind forever.
 Whether you want to be dazzled by the fire displays on
 Crown's riverside or pampered in the luxurious Crown
 Spa, this is truly a place to meet your every need and
 match your every mood.
 The thrill of the gaming floor, the glamour of the nightlife,
 the sumptuous dining options, the remarkable shopping,

⁴ See Hancock, L. and Smith G. (2017) Critiquing the Reno Model I-IV International Influencenon Regulators and Governments (2004–2015)- the Distorted Reality of Responsible Gambling. *Int J Ment Health Addiction* 15: 1151 –1176; Hancock, L. and Smith G. (2017) Replacing the Reno Model with a robust public health approach to responsible gambling: Hancock and Smith's Response to Commentaries on Our Original Reno Model Critique. *Int J Ment Health Addiction* (2017) 15:1209–1220

the stylish accommodation and the friendly service come together at Crown to create the world's most exciting entertainment experience.

Crown promotion states:

Groups who book any of the tailored Red Carpet Program packages will receive the following rewards for each participant of the group:

- A meal offer
- A special rewards voucher wallet, containing discounts across selected outlets within the complex.

Plus, your group may also receive a special rebate, to go towards fundraising or the cost of your bus.

* Conditions apply.

Program packages include rebates for clubs, based on the numbers of participants.

Groups who book any of the tailored Red Carpet Program packages will receive the following rewards for each participant of the group:

- A meal offer
- A special rewards voucher wallet, containing discounts across selected outlets within the complex.

Plus, your group may also receive a special rebate, to go towards fundraising or the cost of your bus.

* Conditions apply.

Program

PACKAGES

KITCHEN	WEEKEND
WORKSHOP BUFFET	\$17.50 DINING
Monday – Friday lunch	OFFER
\$5 per participant	Saturday lunch and
Monday – Thursday dinner	Sunday lunch & dinner
\$10 per participant	\$10 per participant

REBATES	BUS ARRIVAL	OWN TRANSPORT
40 or more participants	\$150	\$100
30-39 participants	\$100	\$50
20-29 participants	\$50	–

* Conditions apply

The Inquiry could ask Crown representatives if these conditions still prevail, as Crown could not find this information currently on their website⁵ but verified that the program is active and suggested the information may have been removed temporarily due to the COVID lock down in Victoria.

Crown’s ‘Red Carpet Program’ is promoted to social clubs as an outing for groups of 10 or more, which can constitute a low-cost outing and earn clubs a rebate. This is attractive to cash-strapped community clubs seeking outings for senior citizens, as Crown’s rebate on one outing can help fund another later activity. The bus arrival rebate requires a minimum of 20 participants and can earn rebates of up to \$150 to the club for a group of 40 or more.

- Bus participants pay \$12–\$14 to participate, and upon signing up to Crown Signature Club they receive a \$5 parking voucher (for another visit), a meals subsidy voucher and a “\$5 co-contribution for \$10” gambling voucher.
- Crown stipulates a minimum stay under the program of four or six hours. ‘A four-hour minimum stay applies to qualify for rebates under the Program. A six-hour minimum stay is required when the Program is combined with other non-Crown venue events’⁶. This was the case in 2010/11, so whether this is still the current practice could be verified by Crown.

⁵ Author personal communication with Crown by telephone 27/5/2021.

⁶ See sections 21 and 22 under Rebates: <http://www.crowncasino.com.au/red-carpet-packages> ‘Red carpet’ voucher folder includes: Perfume Connection 10-15% discount, Vodafone 20% discount, Coffee / muffin offers at cafes, Krispy Kreme second item free, Orient express 30%

A Melbourne northern metropolitan health service became concerned about the vulnerability of their clients after reports of unanticipated spending by the mainly senior, pensioner, CALD, bus trip participants. A 2010 pilot survey of 204 participants on six Crown bus packages from northern suburbs social clubs found evidence of “at-risk” gambling behaviours. They reported the following⁷:

- 42.9% spent more than they had planned (participants spent up to \$500 on gambling during the visit, averaging over \$50 per person across the six trips);
- 23.7% planned to return to the casino to win back money (one of the erroneous beliefs associated with gambling);
- All groups spent more than they expected or planned to spend and the total spent on gambling over the six trips involving 204 participants was \$10,098;
- Upon arrival, participants were signed up to the Crown Signature Club and Crown staff typically filled in the form to sign participants up to ongoing marketing;
- It was observed that vouchers were not available to those not signing up to the Signature Club and free drinks were given only to the people sitting playing the poker machines

The Signature Club [now Crown Rewards] is also promoted in the Red Carpet Program. Loyalty programs enable the tracking of patterns of play and gambling inducements. By careful targeting of rewards and inducements, loyalty programs enable casinos to lure potentially vulnerable patrons.

off food, KFC offer’ Rennie, S. (2010) Incentives Offered to Participants of the Casino Bus Trip Program and Risk of Problem Gambling, unpublished. Melbourne: North East Primary Care Partnership

⁷ Rennie, S. (2010) Incentives Offered to Participants of the Casino Bus Trip Program and Risk of Problem Gambling, unpublished. Melbourne: North East Primary Care Partnership; and Rennie, S. & Casino Bus Trips Project Steering Committee (2010) Observations from the Casino Bus Trip Program, unpublished. Melbourne: North East Primary Care Partnership.



JOIN CROWN

Signature

CLUB

IT COSTS NOTHING TO BECOME A VIP

Crown Signature Club is Crown's loyalty program that recognises and rewards you with points simply for doing the things you love best.

So whether it's the excitement of the casino, world class restaurants, award winning hotels, the impressive shopping or the variety of entertainment on offer it's never been so rewarding. Present your Crown Signature Club card at participating outlets to begin earning and redeeming points throughout Crown.

Joining Crown Signature Club is free. Visit a Crown Signature Club information desk located within the complex and complete an application form and begin using your card today!

Current Crown Rewards member tiers and benefits

At: <https://www.crownmelbourne.com.au/getmedia/fdb06fc7-f488-4e9c-b713-ef1a9e87e582/Crown-Melbourne-Crown-Rewards-Five-Levels-Of-Benefits.pdf.aspx>
28/5/2021

Benefits have five tiers with benefits according to level, as shown in the following table. More particularly, Crown Rewards and customers' use of the loyalty card to record play, enables Crown Rewards electronic loyalty tracking to track patterns of play, wins and losses and enable customised tracking of the impact on play of incentives such as free hotel rooms, free alcohol and other services outlined in more detail in my second submission.

Benefits	Member	Silver	Gold	Platinum	Black
Free multi-level parking ¹⁰	✓	✓	✓	✓	Our most exclusive benefits - by invitation only
Free basement parking ¹¹			✓	✓	
Free valet parking (The Mahogany Room valet entrance) ¹²			Discounted off-peak	✓	
Birthday offer - sparkling wine and chocolates ¹³	✓	✓	✓	✓	
Special offers and promotions	✓	✓	✓	✓	
Crown Rewards partnership offers ¹⁴	✓	✓	✓	✓	
Member pricing and offers at selected restaurants ¹⁵	✓	✓	✓	✓	
Spa discount ¹⁶		10%	15%	20%	
Hotel discount ¹⁷		10%	15%	20%	
Hotel privileges - hotel welcome gift		✓	✓	✓	
Hotel privileges - free high speed Wi-Fi			✓	✓	
Hotel privileges - express registration				✓	
Platinum Reward ¹⁸				✓	
Exclusive invitations to special events				✓	
Free Premium Wi-Fi on casino floor ¹⁹	✓	✓	✓	✓	
Complimentary beverages from the dispensers on casino floor ²⁰	2 per Day ^a	2 per Day	3 per Day	4 per Day	
Access to member hotline -1300 8 CROWN	✓	✓	✓	✓	
Access to VIP services line				✓	
Dedicated host				✓	
Riverside Room access		✓	✓	✓	
Complimentary non-alcoholic beverages		✓	✓	✓	
Teak Room access			✓	✓	
Complimentary selected beverages			✓	✓	
The Mahogany Room access				✓	
Complimentary beverages				✓	
The Mahogany Room salon access				By invitation	

■ Parking
 ■ Special Member Offers
 ■ Services
 ■ Room Access

¹⁰ Member Tier must earn 25 Casino points or spend \$50 at a Crown hotel, restaurant or other participating outlets to receive free 24 hour multi-level parking on same visit. ¹¹Silver Tier must earn at least one point to receive free 24 hour multi-level parking on same visit. ¹²Member tier must earn one point in a Day to receive two complimentary drinks.

Crown Casino's Red Carpet Program targets senior citizens and sporting clubs. Senior citizens are an identified vulnerable group in relation to gambling venues.

The vulnerability of older adults to gambling disorder [problems] is well identified in the Australian and international literature. This is well-summarised in an international systematic review identifying 51 relevant existing papers written in English or French, undertaken by *Guillou Landreat et al. 2019*⁸ by searching the academic databases PubMed and PsycINFO, to identify relevant peer reviewed research published internationally from January 1990 to February 2018.

As identified by an international review, an Australian study [Tirachaimongkol et al 2010⁹] identified 3 clusters of gambling risk factors for senior citizens: *individual* (distressing situations—refusal to seek help or impose barriers to gambling); *socio-environmental* - unsupportive environment, cognitive distortions and incentives or misleading advertisements)

⁸ Guillou Landreat M, Cholet J, Grall Bronnec M, Lalande S and Le Reste JY Determinants of Gambling Disorders in Elderly People—A Systematic Review. *Front. Psychiatry* (2019) 10:837. doi: 10.3389/fpsy.2019.00837

⁹ Trachaimongkol, L C, Jackson, A. and Tomnay, J. (2010) Pathways to problem gambling in seniors, *Gerontol Soc Work*, 2010 Aug;53(6):531-46.

and *behavioral regulation factors* (disinhibition, impaired decision making and risk taking. Another Australian study [Tira et al. 2014¹⁰] identified three pathways: grief pathway with unresolved losses, habit pathway with habituation and dormant pathway with pre-existing behavioral excess or impulsivity. They also found that unresolved losses and mismanagement of life stresses resulted as the most significant predictors of late-life Problem Gambling. Another Australian study [Botterill et al. 2016¹¹] identified loneliness as a predictor of Problem Gambling in older adults.

Summarising the international review's findings:

- Women aged 60+ were identified as a particular risk group;
- *social determinants* identified were 'losses , isolation, lower and fixed income , retirement';
- *motives for gambling* included 'entertainment, enjoyment, combat boredom, fight against negative emotional states, fills a void, social connections, substitution for social support improving cognitive skills' and
- *gambling characteristics* included '(E)xpansion of legal market, availability, accessibility, targeted, intrusive marketing strategies and type of gambling: casino, continuous and limitless games (for PG)'.

In relation to Crown's marketing to senior citizen community groups, a relevant question is whether targeting vulnerable groups such as senior citizens and CALD groups constitutes predatory behaviour, and whether such marketing is inconsistent with regulatory and operator claims to minimising gambling harm or preventing it.

CALD groups were also identified as a vulnerable sub-group by the research on Northern Melbourne suburban senior citizen groups' uptake of the Red Carpet Program¹². The research found these groups included senior citizens, widows and those from a non-English speaking background.

CALD communities are seen as potentially at risk because of their experience of resettlement/migration, higher unemployment and limited access to suitable recreational opportunities. NSW research argued Crown's attractiveness to those with 'little connection with Australian sport and pub culture' ¹³(cited by Cultural and Indigenous Research Centre, 2008, p.26-27). These examples point to the potential for regulators to examine the impact of various marketing and promotional campaigns on groups linked to vulnerability to gambling-related harms and the conditions imposed by gambling operators. One such example is Crown expecting community bus trip participants in the Red Carpet Program to spend a minimum of four to six hours within Crown, or risk forfeiture of their club's rebate.

¹⁰ Tira C, Jackson AC, Tomnay JE. Pathways to late-life problematic gambling in seniors: a grounded theory approach. *Gerontologist* (2014) 54(6):1035–48. 10.1093/geront/gnt107

¹¹ Botterill E, Gill PR, McLaren S, Gomez R. Marital Status and Problem Gambling Among Australian Older Adults: The Mediating Role of Loneliness. *J Gambl Stud* (2016) 32(3):1027–38.

¹² Rennie et al., 2010

¹³ Research cited by Cultural and Indigenous Research Centre (2008) Needs Analysis of Problem Gambling

Counselling Services for NSW CALD Communities, Sydney: NSW Office of Liquor, Gaming and Racing. [p. 26-27]

Interestingly, other jurisdictions such as Singapore, have banned free shuttle services to their two casinos after it was found that the two casino operators, Las Vegas Sands and Genting Singapore, had been providing free buses from residential districts. The Casino Regulatory Authority (under the Home Affairs Ministry), ordered an immediate stop to this and banned the practice “with immediate effect”¹⁴. Community Development, Youth and Sports Minister Vivian Balakrishnan commented: “This signal is to reinforce the point that they are not supposed to go after the low-hanging fruit which the local market represents, but instead to focus their effort on winning additional tourists from abroad,” “CRA has reminded the IR (integrated resort) operators that they must comply strictly with our rules against casino advertising to locals. CRA will tighten these rules as necessary in the light of experience.”

Hence, other jurisdictions’ regulatory approaches recognize the international shift to harm prevention under a public health approach¹⁵.

The main concern of the Red Carpet Club example in relation to the current Victorian Royal Commission Inquiry, is that international and Australian research identifies senior citizens [and CALD in particular] as vulnerable risk groups in relation to gambling-related harms and for their particular vulnerability to casino gambling and continuous forms of gambling ie electronic gambling machines. It is therefore unacceptable in relation to net community benefit expected under a Victorian casino’s social licence to operate, that such groups are targeted for exposure to risk in a community outreach program by a casino. It should also be noted that when bus trips of vulnerable elderly were brought to the attention of Singapore’s regulator, the shuttle bus program was closed¹⁶. This is within the context of increasing international recognition of public health prevention of harms as a responsibility of both regulators and operators, rather than expecting vulnerable individuals to protect themselves when exposed for example, to targeted marketing strategies by industry.

5. Crown’s arguments for exemptions against public health responsibilities of businesses

Over years, Crown has secured concessions from state governments that contravene public health obligations of casinos. For example, smoking exemptions granted for on-premises smoking rooms and allowing smoking in high roller areas are a risk under tobacco laws and business obligations to protect employees and patrons from the harms of passive smoking. Also, Crown’s argument to remain open during COVID restrictions, indicates Management’s preoccupation with business as usual, rather than a commitment to public health protections, even from a pandemic.

¹⁴ Reuters 15 December 2015, Singapore may punish casinos for free buses for locals. At: <https://www.reuters.com/article/idINIndia-51507020100915>. Community Development, Youth and Sports Minister Vivian Balakrishnan commented: “This signal is to reinforce the point that they are not supposed to go after the low-hanging fruit which the local market represents, but instead to focus their effort on winning additional tourists from abroad,”

¹⁵ For example, Goyder E, Blank L, Baxter S, van Schalkwyk MC Tackling gambling related harms as a public health issue, *Lancet Public Health*. 2020 Jan;5(1)e14-e15.; Wardle H, Reith G, Langham E, Rogers RD. Gambling and public health: we need policy action to prevent harm. *BMJ*. 2019 May 8;365:l1807.

¹⁶ Cohen, M. 2015, Politics Drive Singapore's Strict Casino Regulation; Junket Ban Limits Revenue <https://www.forbes.com/sites/muhammadcohen/2015/03/01/politics-drive-singapores-strict-casino-regulation-junket-ban-limits-revenue/?sh=c7c95624266e>

6. Use of Crown Loyalty Data for Regulatory player tracking

Some of the money laundering in Crown's conventional gambling salons such as Teak and Mahogany rooms, would have been picked up if Crown's player tracking data had been subject to regulatory co-checking in real time from a parallel stream into a checking system run by a committed independent regulator. The licence-contravening practices uncovered by the inquiries demonstrate that arms-length industry self-regulation does not work for a casino. The practices allowed to take place at Crown would not have occurred in Singapore or Switzerland under very different regulatory conditions.

Crown Rewards [formerly Crown Signature Club] as shown above, gives players rewards according to a tiered status program of bronze, silver and gold membership where incentives are given based on playing spent, where harmful gambling behaviour is incentivised under loyalty schemes. Such loyalty schemes should be banned. However player tracking could, for example, be implemented under a universal identity-linked player cashless gambling card that could be effective in preventing money laundering and harmful patterns of play if subject to limits and tracking ie if designed according to harm prevention principles. Such a card could also be a means of rendering self-exclusion more effective. What cashless gambling means for account customers or whether such accounts should be allowed needs review.

Crown has not in the past to my knowledge, used player tracking to avert preventable crime where embezzlement such as that outlined in the two cases outlined below. These two cases illustrate how high spending patrons using embezzled funds, and gambling over years, became high profile clients of the Casino and were members of Crown loyalty [player tracking] programs.

1. In the case of *R. v De Stefano*, [2003] VSC 68, Supreme Court of Victoria (13 March 2003), Frank de Stefano was a solicitor and former Geelong City Council mayor who was sentenced to 10 years imprisonment for embezzling \$8.6m of clients' funds between 1994 and 2000. 'As a VIP member of a Casino, he spent 937 days there over seven years, managing to conceal his activities from his family and the community by sometimes linking business trips to Melbourne with visits to the Casino' (Drugs and Crime Prevention Committee, 2004, p. 19).
2. In the second case, a minimum term of 4 years imprisonment was given to 33 year old Kate Jamieson, Bendigo Bank employee who, over a 3 year period 'dishonestly moved over \$22 million through the Bendigo banking systems' and misappropriated a net amount of \$3,531,678. The summing up J Williams gives some insight into the sorts of inducements offered by Crown to high spending patrons:

"This increased gambling led to you becoming, at the instigation of Crown Casino, a VIP member first at a low level and subsequently through to the higher levels. This is where the snowballing really began. You were seduced by this changed lifestyle compared to what your home circumstances were. You were waited on, you were supplied with free meals, with free drinks, with entrée with friends if you wanted it to the Mahogany Room, free car and limo supply, free tickets to sporting events such at the tennis, the Melbourne Cup, the Grand Prix with extras so you could take friends if you wanted to. All the while of course you were gambling more and more, losing more and more".

At this trial, Crown Casino employees stated they had no knowledge of Ms Jamieson's position of trust within Bendigo Bank [contrary to Ms Jamieson's evidence¹⁷] and the case gave insight into Crown's intelligence of individual's gambling patterns and spend by revealing some of Ms Jamieson's loyalty data records. The plaintiff had pleaded guilty and so the hearing focused on issues related to sentencing please. Although no findings were made against Crown Casino, the judge was scathing in his critique.

Crown Casino were recording the moneys and losses that you incurred, the moneys that you wagered, the moneys that you won and the moneys you lost. Mr Allen, your counsel, was highly critical of Crown Casino for the naked encouragement obviously extended to you to increase your gambling turnover without the slightest regard for your personal circumstances and with no inquiry whatsoever regarding your means, your employment, your capacity to continue to outlay such amounts and, it might be observed, with no reference to any form of counselling or gambling help. This criticism may well have a sound basis. Certainly it would appear to be the case in this matter'.

As was evident in the Jamieson judgement, Crown loyalty data was able to show the increase in the amount spent per hour – increasing from \$291 per hour in 2001, to \$809 an hour in 2002 and in 2003-4 rates of \$2014 and \$2644 an hour (Williams.J 2006, at 21-24). This demonstrates some of the data collected, with great potential for research and harm prevention interventions.

In 2003/4 in my role as Chair of the GRP, Minister Pandazopoulos telephoned me with information that the Panel could have access to Crown's loyalty data and that this would be formally required of Crown and incorporated into the Panel's legislative remit. I called in Canadian algorithm tracking experts to look at the Crown loyalty data but nothing past some dummy anonymized data eventuated from this. Shortly after, the Gambling Research Panel was abolished in 2004 and along with that, the Panel's access to the Crown loyalty data. To my knowledge no subsequent research access to Crown's loyalty data has been possible and it would not surprise me if the government of the time was lobbied forcefully by Crown to prevent any such access.

The lack of any governmental or regulatory expectations [to my knowledge] that loyalty data or player tracking should be used for protective interventions, signals the broader issue of governments, both Labor and Liberal, being captured by Crown and their own dependence on casinos generating revenue and possibly political donations, rather than measures that would meet public health consumer protection.

Conclusions

Across all analysis involving casino, the term gambling rather than gaming, should be used to differentiate gambling from gaming not involving money. The term gaming has crept in as an industry strategy to frame policy and regulatory narratives in more benign terms.

In regard to the key terms of reference before the Committee, the evidence presented to the Bergin Inquiry, that Inquiry's findings and the evidence given to date at the Victorian and Western Australian inquiries, including Crown Management/Board's failure of a duty of care

¹⁷ Personal observations at the trial.

to its employees subsequently imprisoned in China for breaching China's gambling laws, it is hard to avoid a decision that Crown is not a suitable person/entity to hold the casino licence, that Crown and Crown Board have flagrantly and over a long period of time, flouted laws and regulations central to its licence to operate conditions. It is hard to see it is in the public interest for Crown Melbourne to continue to hold the casino licence in Victoria.

Crown's blindness to international and Australia research, points to a pessimistic conclusion that Crown, operators, regulators/governments and research agencies in Victoria have been grindingly slow to embrace independent agencies' such as VCGLR, VAGO and the Productivity Commission's critical reviews and evolving international gambling research on harm prevention or to do more than mouth platitudes about public health and harm prevention. The actions of this triumvirate have endorsed and self-interested actions designed to have the least impact on profits and business as usual, and with scant regard for public interest.

This was glaring in the Bergin Commissions findings on Crown Board governance and management and the lack of transparency, due diligence and enforcement of its licensing obligations and the existence of extensive examples of money laundering, links to organised crime and lack of duty of care to employees and patrons. It took media exposes over a period of years to trigger a proper, revealing, public exposure of a protected system that has been operating for years unstopped and driven by the vested government and business interests driving cozy deals between Crown and both Labor and Liberal governments over a 20+ year period.

Since the demise of the GRP in 2004, this culture has also affected gambling tax-funded research up until 2013 when it finally adopted a WHO emphasis on public and harm prevention, Victorian gambling-tax funded research [through the VRGF] focused on the informed consumer, individual control model and focused its tax-derived resources on treatment services and the ambulance at the bottom of the cliff, rather than harm prevention. Thankfully its 2014 funded research on reinforcing a harm prevention focus now informs regulation. But to the current exclusion of a more nuanced approach to casino problem gambling, where remote player tracking is more thorough as an addendum to the more obvious signs identified in the 2014 research, than relying on staff-led interventions.

My own and others' research has shown how Crown casino in its operations has in many ways, operated as an "exempt environment". Exempt from rules that apply state-wide to EGMs with 1000 of its EGM machines permitted to operate unrestricted at any time, its continued 24 hour operation, allowing continuous gambling for long periods of time despite the evidence that breaks in play are a crucial element of harm prevention, its rampant administration of alcohol [Crown holds 14 separate liquor licences], the low level of fines by the regulator for even serious infringements of the rules that do apply, within a protective, some would say cossetted, environment of political protection by politicians of both major parties, on grounds it is a large employer and because of its contribution to state taxes. This cluster of bad practices has permitted ongoing harm that impacts throughout the Victorian community and that can only point to a lack of trust that this condoning cultural triumvirate between operator, regulator and those politically accountable has got away with such flagrant offenses against its licensing conditions.

The Victorian Auditor General [VAGO] (1999 and 2009) and the Productivity Commission (1999, 2010) have been among the lone independent voices listing what's wrong and what

needs to be done, over a 20+ year period, yet nothing substantive seems to change in terms of action, outcomes and ordinary people continue to be harmed, some severely with life-long impacts.

There are a number of issues of concern outlined above and in evidence to the inquiries that prompt the following requests of the Commission:

1. CROWN LICENCE: That based on evidence presented to the NSW Bergin Inquiry, Victorian and Western Australian inquiries, Crown's license should be cancelled as it has not met the license conditions under the Casino Control Act 1991.
2. REGULATORY REVIEW: That the Commission consider urgently applying to the government to extend its terms of reference and reporting deadline to enable independent examination of the VCGLR in relation regulatory failure of Crown under its license conditions.
3. REVIEW OF VCGR/VCGLR REGULATION AS INADEQUATE:
 - a. That a review of the regulatory framework re-configure the overall purpose to harm prevention and consumer protection and away from the negativism of "problem gambler" and "responsible gambling".
 - b. That the Commission consider recommending that no single shareholder should own more than 10%.of any casino entity operating in Victoria
 - c. That the Commission consider requiring the Regulator to catalogue a year-by-year complete list of frequency of every sanction type, the specific sanction and where fines were given, and the fine amount for each specific breach [for the last 20 years]. This purpose of which is to inform the Commission and where relevant in relation to re-considering harsher penalties under the regime existing at the time.
 - d. That the Commission recommend areas where the Regulator needs to review Crown's breaches of acts/codes/directives supplied by Crown in 2, where public interest would indicate that the sanction was too lenient.
 - e. That the Commission consider recommendations relating to the Regulator's application of the regime of sanction/fines previously implemented by VCGR/VCGLR over the last 20 years, under the various acts and codes regulating Crown Casino/Crown Melco and upon review, retrospectively impose fines for each and every breach rather than consolidated breaches. Eg. The imposition of its most serious fine of \$1million should apply to each episode of money laundering.
 - f. Should it be within the Commission's remit, it could recommend as it sees fit, such future penalty regimes with higher maximum penalties per offence for example, \$50-\$100 million, under a strict infringement or strict tariff regime that minimizes discretion and consideration of shut-down/closure of the Casino for serious breaches [as for example, prevails in New Zealand that enabled a one week shut down of Dunedin Casino for a breach of third party exclusion requirements]. The current maximum fine of \$1 million is clearly inadequate for serious infringements.

- g. Taking into account the conflicts of interest between government casino tax income generation-protection and public interest harm prevention, the Commission might consider recommending transfer of regulation of casinos to the Commonwealth, to be located within an independent agency set up within AUSTRAC or an independent integrity commission, to prioritise independent audit of all casinos in Australia in regard to Consumer protection, public health protections and anti-money laundering and crime provisions.
- h. That any casino licensed in Victoria be compelled to be closed for at least 6 hours in 24, that ID should be a condition of entry and that the casino be obligated to demonstrate due diligence in ascertaining the probity of funds being gambled [as a defense in cases involving stolen funds for example] and that any licensee be under an obligation to trial and implement harm prevention measures as specified from time to time by the Regulator/government, with no regulatory risk penalty. ID upon entry would also be definitive evidence of who is in the casino at any one time and would mean self-exclusion could be more effective at entry.
- i. A CHANGE IN STATE-WIDE EGM REGULATIONS: To consider recommending that maximum bet per button press be limited to \$1 in clubs, pubs and any casinos in Victoria and that there be consistency applying to EGMs across the state, so that EGMs at a Victorian Casino be subject to the same rules applying to state-wide rules on EGMs in clubs and hotels and to withdraw Crown's permission to have 1000 of its EGMs operate in unrestricted mode at any one time.
- j. Remove current smoking exemptions from any casino operating in Victoria and any outside smoking areas in clubs or pubs.
- k. Following New Jersey, introduce a new licence condition to prevent Crown or its associates from political donations to Australian registered parties and to prevent employment or appointment of any senior bureaucrats or politicians for at least three years after they have retired from Parliament/office.
- 1. REVIEW OF PUBLIC INTEREST PROVISIONS IN CURRENT LEGISLATION
Singapore took the radical step of imposing a S\$100 (US\$76) casino entry fee on its citizens and permanent residents for each casino visit or S\$2,000 per year. The government also prohibited marketing of gambling to residents, broadening the definition over time, to include casino shuttle buses, and restricted access to casinos for groups from public assistance recipients to overseas contract laborers and even civil servants, who must report visiting casinos more than four times a month or buying a yearly entry pass. In January, a Singaporean Cabinet Minister announced the government was studying blanket casino exclusions for certain labour or religious groups. Since 2010, the Casino Regulatory Authority has levied \$2.6 million in fines against IR operators for mainly marketing offenses.
- 4. CASINO RESEARCH: The denial of access by Crown for the purposes of independent research needs review. (see also letter from university researchers tabled at the Victorian Commission hearing). Even on benign agendas such as an independent evaluation of its Customer Support Centre, Crown has not wanted

independent research. (Personal experience: when as Chair of the Gambling Research Panel, Crown requested the GRP allocate funds for Crown to conduct its own evaluation of its Customer Support Centre– the request was denied since the GRP only funded publicly tendered independent research).

Recommend: That any casino licensed in Victoria be required to participate in public interest independent research, in particular, assessment of early intervention harm prevention measures and gambling product specifications and usages and that researchers wishing to have access have their proposal considered by a committee constituted of VCGLR and VRGF according to criteria and principles drawn up by these bodies in public consultation with researchers resulting for a call for input. [To ensure public interest independence, this process should not include the state governments or Crown entities].

5. REGULATORY USE OF CUSTOMER PLAYER TRACKING DATA: Crown’s use of loyalty data for marketing, tracking and targeting high loss customers rather than for proactive harm prevention interventions needs review and should be disbanded. There needs to be regulatory real-time access to player tracking to detect potential criminal behaviour and reporting it to law enforcement agencies, which would be possible under a system of universal identity-linked cashless gambling card. For example, in relation to the Red Carpet Club, apart from the argument that they are targeting a vulnerable group of senior citizens with internationally known vulnerabilities, the Commission could request data from Crown to examine the links between Crown’s Red Carpet recruitment and player data in Crown Rewards Counsel could ask Crown to provide the data they have tracking Red Carpet program recruits joined into Crown Rewards. Counsel could ask if they know of cases where Red Carpet program participants stayed on at the casino and missed the bus and what efforts they make to track down people who miss their bus home.
6. On many dimensions, Crown’s failings relate to its size and intensity. Sports betting and in-house apps and sports betting need player protections linked to venue rules. Larger than Las Vegas casinos, any casino in Melbourne needs to be one quarter the size of Crown and with mandated staffing limits linked to fulfillment of harm prevention “know your customer” staff/patron ratios. In many respects, the sheer size of Crown Casino and the number of venues, automated machines and anonymity mitigate against harm prevention and in many respects, Crown has been “beyond regulation”.

Appendix

Prof. Linda Hancock

Brief CV and relevant Publications

Professor of Public Policy, Personal Chair Deakin University: Current- Honorary Professor

Australian State/Federal Ministerial appointments:

- Law Reform Commissioner (4 years);
- Social Security Appeals Tribunal (2 years)
- Chair Independent Gambling Research Panel (4 years).

Directorships

- Director, Board of Hepburn Wind (the only fully Australian owned community wind farm) (current)
- Director on ACOSS Board of Governors (5 years)
- Director VCOSS Board (10 years) and President for 5 years.

Recent fellowships

- 2016 Australia-India Institute New Delhi
- Centre for Risk and Regulation (CARR)
- Visiting Professor: London School of Economics, University of Alberta, Edmonton; Dalhousie University, Halifax Nova Scotia; University of Glasgow; University of Macau; University of California at Berkeley; Duke University Terry Sanford School of Public Policy; the OECD in Paris (Regions and Territories Division: 4 months); Essex University; Cambridge University; Austin University (Texas); University of Copenhagen; Queens University; University of British Columbia; Singapore University; along with invitations to seminars and conferences at other international universities and universities in Australia.

Book:

Hancock, L. (2011) *Regulatory Failure: The case of Crown Casino*, Australian Scholarly Publishing, Melbourne. (2012 E-Book edition).

Relevant peer-reviewed publications

Hancock, L. (2020) ‘Corporate Political Activity and Integrity challenges for protection of minors: Australian compromises on sports broadcasting betting advertising’, in Jean-Patrick Villeneuve ed. *International Sports Betting: Integrity, Deviance, Governance and Policy*, London: Routledge.

Hancock, L. and Smith G. (2017) Critiquing the Reno Model I-IV International Influence on Regulators and Governments (2004–2015)- the Distorted Reality of Responsible Gambling. *Int J Ment Health Addiction* 15: 1151 –1176.

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Hancock, L. and Orford, J. (2015) 'FOBTs beyond regulation?' *New Statesman* Fixed odds betting terminals – are we gambling with our nation's wellbeing? 14-22 May pp. 10-12.

Hancock L., Hao, Z and Thompson, W. (2014) 'In search of best practice in Responsible Gaming', *Gaming Law Review and Economics* 18 (4) pp. 361-8.

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Hancock. L. (2012) 'Whatever happened to the Commonwealth Gambling Agenda?' *Dissent*, Issue 38.

Hancock, L., Schellinck T and Schrans, T. (2008) 'Gambling and corporate social responsibility (CSR): Re-defining industry and state roles on duty of care, host responsibility and risk management, with *Policy and Society*, vol. 5.

Working papers

Hancock, L. (2015) "State construction and regulation of "dangerous consumptions": Re-regulating State Casino Capitalism, *Jerusalem Papers in Regulation and Governance*, Hebrew University. WP no. 59, pp. 1-34. (12,000 words).