

Stephen Mayne final submission to the Crown Resorts Royal Commission

Crown Resorts Royal Commission
 C/- Commissioner Ray Finkelstein
 By email to contact@rccol.vic.gov.au

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Stephen Mayne is a Melbourne-based journalist, shareholder activist and part-time politician who has been following Crown closely ever since the licence was awarded in September 1993 when he was working in Premier Jeff Kennett's office as press secretary to then Treasurer Alan Stockdale.

He later covered Crown extensively as business editor of the Herald Sun from June 1994 until June 1997, including dozens of meetings and phone calls with then Crown CEO Lloyd Williams as the main complex was being developed and then opened.

As a shareholder advocate and independent publisher (Crikey, Mayne Report etc) since 2000, he has written extensively on Crown and asked questions at numerous Crown AGMs over the years, including the past 3 years.

He also dealt with the company when serving as a City of Melbourne councillor from 2012-16. Stephen chaired the Finance and Governance committee for 4 years and Crown was the largest ratepayer.

This personal submission is partly informed by a 90 minute meeting Stephen held with James Packer at Crown Melbourne on December 24, 2014, in his capacity as both a shareholder advocate and as the then deputy chair of the City of Melbourne Planning Committee.

He also held a number of meetings with Crown personnel such as then CFO Ken Barton, former Crown Melbourne boss Barry Felstead, responsible gaming manager Sonja Bauer, public affairs chief Karl Bitar and independent director Prof John Horvath during his two year stint as Communications Adviser for the Alliance for Gambling Reform up until July 2019.

 This Victorian Royal Commission into Crown has to report by October 15, 2021, so well done on securing the extra time and money to make this a thoroughly worthwhile exercise across 36 days of hearings.

As was stressed in my pre-RC submission, I still believe the most important recommendation should be a hard 10% limit to be placed on all Crown Resorts shareholders, therefore triggering a sell-down by 37% major shareholder James Packer. Based on the evidence, Mr Packer is not fit to control Crown and should be forced to sell before the end of 2021-22 as part of the accountability requirements given the numerous scandals which have beset the company in recent years. It was a shame Mr Packer wasn't called to give evidence to explain himself.

During his evidence to the Bergin Inquiry, Packer clearly felt that a hard 10% cap was coming, so he must have been relieved when ILGA went to water in April and [struck a deal](#) which allows him to keep his 37% stake.

After hearing about dubious practices such as underpayment of pokies tax and illegal loans to gamblers through a Hong Kong credit card, it is clear that Mr Packer is not fit to control an Australian casino. It is not good enough just to remove his director nominees – force him to sell down in a timely manner.

As Helen Coonan detailed during her evidence, "Old Crown" was dominated by the aggressive, secretive and combative culture fostered by James Packer through his selection of key executives and directors over many years.

James Packer has a history of treating regulators with contempt in terms of who he believes should own Crown and control its destiny. As Commissioner Finkelstein has pointed out, Crown arguably breached its agreement with the Victorian Government when it branched out interstate, first into Perth in 2003 and later into Sydney.

I like the idea of Crown Melbourne being demerged from Crown Resorts and having an independent board and shareholder structure which is wholly focused on maximising the performance of Crown Melbourne.

Whatever happens, do not allow a foreign predator to buy Crown Resorts or Crown Melbourne. The ASX is the most transparent place where Crown should be owned, it just needs to become a normal company with no controlling shareholder.

No single shareholder should own more than 10% and if Mr Packer won't voluntarily sell down to institutional investors then state governments need to make it happen.

Clearly it is impractical to close Crown Melbourne or permanently takes its licence away. However, a suspension of VIP gaming until Crown Sydney opens would be an appropriate sanction for the large scale money laundering which has been tolerated over many years.

A merger with Star Entertainment is another obvious solution although this would require the support of all four state governments which may not be forthcoming. Each state government having the right to appoint one director to the Crown-Star board might go a good solution to ensure the casino behemoth would not go rogue like Crown did.

Ten suggested recommendations for the Royal Commission to make

Below are ten specific suggested recommendations:

1. Helen Coonan is overloaded and she should be held accountable for her share of the problems during her decade on the board. She should retire from the board no later than the conclusion of the 2021 Crown AGM in October, particularly in light of the ABL letter to the Victorian Gaming Minister dated July 2.
2. Steve McCann is suitable to remain as the cleanskin new CEO of Crown Resorts, but at least 2-3 more new independent directors need to be sourced. Xavier Walsh should depart as CEO of Crown Melbourne.
3. Cashless gaming through the use of a loyalty card is the best way to reduce money laundering and also potentially tackle gambling addiction so please make a strong recommendation in favour of this, particularly given NSW Gaming Minister Victor Dominello appears to be struggling to win Cabinet approval for this long overdue reform.
4. Recommend that Crown's advisory committee supporting its journey with responsible gambling should include academics who are not known for taking gambling industry funding.
5. Call for the establishment of a dedicated national casino regulator with all states having input into the design and funding.
6. Recommend that Victoria legislate to restrict any individual shareholder in the Melbourne casino to a shareholding of no more than 10% and that this limitation also be written into the Crown Resorts constitution.

7. The maximum bet on Crown poker machines is to be reduced from \$10 to \$5, in line with the maximum applying across the rest of Victoria in pubs and clubs.
8. Embrace UK-style "know your customer" regulations around VIP gamblers where all customers must be identified and any signs of unexplained wealth reported to the authorities.
9. Impose a new licence condition which prevents Crown or its associates from making donations to registered Australian political parties and also from hiring former members of Parliament in any capacity for at least two years after they have retired from Parliament. A similar provision applies to elected representatives in New Jersey.
10. Crown Melbourne should be demerged from Crown Resorts through a transaction structured to minimise James Packer's ongoing shareholding in Crown Melbourne.

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