



A statutory board established under the Gaming and Liquor Administration Act 2007

Our ref: DF20/002394

<p>The Company Secretary Crown Sydney Gaming Pty Limited Level 3, Crown Towers 8 Whiteman Street Southbank VIC 3006 [REDACTED]</p>	<p>Cc: Ms Helen Coonan Chairman Crown Resorts Ltd [REDACTED]</p>
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15 February 2021

By email, by fax [REDACTED] and by post

To the Company Secretary

**Notification of unsuitability of Crown Sydney Gaming Pty Limited (ACN 166 326 843) and invitation to consult**

Background

By Instruments of Appointment dated 14 August 2019 and 23 June 2020, the Independent Liquor & Gaming Authority (**the Authority**) arranged for the holding of an inquiry, pursuant to s 143 of the *Casino Control Act 1992 (Act)*, by the Hon. P.A. Bergin SC into the matters referred to in the Instruments of Appointment.

On 1 February 2021, the Hon. P.A. Bergin SC reported the results of the inquiry to the Authority (**the Report**).

Unsuitability

Having regard to the contents of the Report, the Authority presently considers that Crown Sydney Gaming Pty Limited (ACN 166 326 843) (**GamingCo**) is no longer a suitable person to give effect to the restricted gaming licence and the Act.

Consultation

In accordance with the Authority's obligation to consult with GamingCo under clause 14(b) of the VIP Gaming Management Agreement (**the Agreement**), executed 8 July 2014, the Authority invites GamingCo to address the Authority on the Authority's present view that GamingCo is no longer a suitable person.

While the Authority envisages a flexible consultation process with GamingCo, as a starting point, the Authority requires GamingCo to address the Authority on the following matters:

1. whether GamingCo accepts that it is presently not a suitable person to give effect to the restricted gaming licence and the Act;
2. whether there are other matters that GamingCo wishes to draw to the Authority's attention in relation to the conclusions and recommendations in the Report;
3. what actions are proposed by GamingCo to make GamingCo a suitable person (with a view to such steps being made Rectification Steps in a Notice of Concern to the extent that they are outstanding at the date of issue of any Notice of Concern);
4. the period of time that GamingCo would require to implement those actions.

Unless a later date is agreed by the Authority, written correspondence addressing these matters should be received by the Authority no later than 15 March 2021.

The Authority puts GamingCo on notice that, unless otherwise agreed between the Authority and GamingCo, the Authority may consider it appropriate in the exercise of its functions to inform relevant personnel in government, including persons employed in the Department of Customer Service, Treasury and the Department of Premier and Cabinet, and the Ministers to whom those persons are responsible, of the progress of this consultation. The Authority will consider any representation by GamingCo as to the treatment of confidential information communicated in the course of this consultation but in doing so will not fetter or prejudice its statutory functions, duties or powers.

#### Further observations

The Authority trusts that GamingCo will embrace the consultation process in the pro-active manner envisaged by the Hon. P.A. Bergin SC in the Report (see eg paragraphs 4.6.[9], 4.6.[18], 4.6.[27] and 4.6[36]).

Consistently with the approach of the Hon. P.A. Bergin SC (see eg at paragraphs 4.2[26] and 4.5[2]-[4]), the Authority considers that the conduct of GamingCo's close associates, including Crown Resorts Limited, is relevant to consideration of GamingCo's suitability.

The Authority notes that it considers GamingCo's response to the Report, and the nature of its participation in the consultation process, is also relevant to the consideration of GamingCo's suitability. As the Hon. P.A. Bergin SC observed in the Report, at paragraph 4.3[2], suitability involves consideration of a corporation's character, which in turns "involves a recognition not only of its strengths but also of its willingness to: (i) accept the existence of its failures; (ii) to analyse the reasons for such failures; (iii) to remove the cause of its failures; and (iv) to commit to a reformation that will remove the likelihood of a repetition of such failures".

Although the Authority considers it appropriate, in the first instance, that GamingCo nominate actions that it proposes to take to ensure that it is a suitable person to give effect to the restricted gaming licence, the Authority is also actively considering what actions should be taken. The measures under consideration include (without limitation) those identified in Chapter 4.4 and 4.6 of the Report. To assist GamingCo in its approach to the consultation process, the Authority notes that it presently considers it important that consultation, and rectification, address (at a minimum) the following matters:

- The forensic audit of all of GamingCo and Crown's accounts;
- The proposals to be put forward by Mr Blackburn;
- GamingCo and Crown's relationship with junket operators;
- GamingCo and Crown's proposed remediation action plan and undertakings;
- Controls on the influence of James Packer and CPH Crown Holdings Pty Ltd;
- The corporate culture of GamingCo and Crown and its relationship with the Authority;
- Board renewal;
- Senior Executive renewal;
- GamingCo and Crown's corporate governance;
- Recovery of the costs of the Inquiry;
- Amendment to the agreements entered into with GamingCo, Crown and related entities under s 142 of the Act;
- GamingCo's acceptance of its liability to pay the casino supervisory levy under s 115A of the Act; and
- Agreement that GamingCo, Crown or other any other related entity has no entitlement to compensation in respect of any proposed rectification steps or the implementation of the recommendations of the Hon. P.A. Bergin SC.

The Authority also puts GamingCo on notice of its position that the Inquiry was necessitated by, and was caused or contributed to by, GamingCo's breach of clause 14(a) of the Agreement. The

Authority reserves its position in relation to other suspected or alleged breaches of the Agreement including, but not limited to, breach of the Undertaking in clause 2.4(b) of Schedule 1 of the Agreement. The Authority further considers that the costs of the public inquiry were properly incurred by the Authority in exercising, enforcing, preserving, or attempting to enforce or preserve, rights under the Agreement against GamingCo for the purposes of clause 19.1(c) of the Agreement. The Authority is considering remediation actions in respect of the cost incurred in funding the public inquiry. The Authority reserves all its rights in this respect, including (without limitation) its rights under clauses 6.4, 14(b)(2), 16.2(b)(2) [ie, the second clause so numbered, being the last clause on page 30 of the Agreement], and 19.1(c) of the Agreement.

At the same time as issuing this letter, the Authority will give GamingCo an Obligation Default Notice under clause 16.2(b). The Authority acknowledges that the requirements of the Obligation Default Notice, in whole or in part, will be subject to the Authority having issued a Notice of Concern under clause 14(b) of the Agreement. Clause 14(b) requires the consultation proposed in this letter take place prior to the issue of a Notice of Concern.

Nothing in this letter or in the Obligation Default Notice is intended to prejudice the consultation required by clause 14(b) of the Agreement.

For the avoidance of doubt, the Authority is continuing to consider whether other disciplinary or regulatory action is appropriate against GamingCo or other persons, including in respect of the matters addressed in the Report.



Philip Crawford

**Chairperson**

For and on behalf of the Independent Liquor and Gaming Authority