



**NEW SOUTH WALES  
CASINO CONTROL AUTHORITY**

**Media Release  
21 December 2006**

**Casino Control Authority Releases 3 Yearly Report on Star City Casino**

The Acting Chairperson of the Casino Control Authority, Mr Talal Yassine, today announced the release of the Authority's report regarding the latest statutory 3 yearly Investigation of the casino under section 31 of the Casino Control Act 1992.

In conducting the Investigation the Authority was assisted by Mr Bret Walker SC and Ms Gail Furness of counsel.

Mr Walker and Ms Furness have concluded: *"we have come to the view that Star City is a suitable person to continue to give effect to the casino licence and that it is in the public interest that the casino licence continues in force. In particular, we are satisfied that Star City has in place suitable policies and procedures to ensure that the casino remains free from criminal influence or exploitation"*.

Mr Yassine said that when the Authority released the 2003 report, it stated then that it was satisfied that the deficiencies of the casino management culture, identified in 2000, had been addressed. This investigation has affirmed this is still the case.

The report states: *"Over the last three years, Star City has continued to operate in a manner consistent with the objectives of the Act and the principles established by the previous triennial Investigations"*

Mr Yassine added: "The report has identified a small number of matters that need further consideration. The Authority will ensure that these will be addressed."

A copy of the report can be obtained by contacting 82348800 or down loaded from the "Authority News" page of the Authority's website: [www.casinocontrol.nsw.gov.au](http://www.casinocontrol.nsw.gov.au)

Also available on the website is a copy of the non-confidential public submissions made to the Investigation.

Enquiries: Mr Brian Farrell 82348822



**NEW SOUTH WALES  
CASINO CONTROL AUTHORITY**

**REPORT OF INVESTIGATION PURSUANT  
TO  
SECTION 31  
OF THE  
NEW SOUTH WALES CASINO CONTROL  
ACT 1992**

**SYDNEY, DECEMBER 2006**



**NEW SOUTH WALES  
CASINO CONTROL AUTHORITY**

15 December 2006

The Hon Grant McBride MP  
Minister for Gaming and Racing  
Level 13, 55 Hunter Street  
SYDNEY NSW 2000

Dear Minister

I wish to advise that the Authority has completed its investigation of the casino operator pursuant to sec 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 Bret Walker SC and Gail Furness to assist in the conduct of the Investigation and their Report is attached. The Authority has accepted their findings and conclusions.

The Authority will now take the necessary action it considers appropriate in light of the findings and conclusions.

Yours sincerely

A handwritten signature in black ink, consisting of a large, stylized 'T' followed by a horizontal line.

**Talal Yassine**  
Acting Chairperson

7 December 2006

Mr Talal Yassine  
Acting Chairperson  
NSW Casino Control Authority  
Level 17, 309 Kent Street  
SYDNEY NSW 2000

Dear Mr Yassine


We enclose our Report of our Investigation conducted pursuant to sec 31 of the *Casino Control Act 1992*. The Report details our findings, conclusions and matters for further consideration with respect to the terms of reference provided by the Authority. We advise that in our opinion, for the reasons set forth 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



Bret Walker SC

  
Gail Furness



**NEW SOUTH WALES  
CASINO CONTROL AUTHORITY**

**REPORT OF THE INVESTIGATION  
BY  
BRET WALKER SC  
AND  
GAIL FURNESS**

**SYDNEY, DECEMBER 2006**

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# GLOSSARY

<b>Act</b>	Casino Control Act 1992 (NSW)
<b>ATM</b>	Automatic Teller Machine
<b>AUSTRAC</b>	Australian Transaction Reports and Analysis Centre
<b>Authority</b>	NSW Casino Control Authority
<b>Authority inspectors</b>	Authority employees appointed as inspectors pursuant to sec 106 of the Act
<b>Buy ins</b>	The purchase of chips for cash or cash equivalent
<b>Cage</b>	The financial transaction centre of the casino, where patrons redeem gaming chips for cash or use cheque and deposit account facilities
<b>Cash ins</b>	Obtaining cash or cash equivalent for chips
<b>CBA</b>	Commonwealth Bank of Australia
<b>CID</b>	Casino Information Database
<b>Endeavour Room</b>	Part of the Private Gaming Rooms
<b>Front Money Account</b>	An account established for a patron to deposit cash, gaming chips or cheques for gaming purposes in accordance with sec 75 of the Act
<b>Harrah's</b>	Harrah's Entertainment Inc
<b>IGS</b>	Integrated Gaming System
<b>Inner sanctum</b>	A number of gaming rooms within the Private Gaming Rooms area for the use of individual high limit players, including premium players and junket participants
<b>IPART</b>	Independent Pricing and Regulatory Tribunal

<b>MGF</b>	Main Gaming Floor
<b>Past post wager</b>	Placing a wager in a winning bet after the result is known
<b>PCIU</b>	Police Casino Investigation Unit
<b>PGR</b>	Private Gaming Rooms
<b>Pittrack system</b>	A table inventory system linked to IGS through which table financial information is entered and inventory movements are requested
<b>Regulation</b>	Casino Control Regulation 2001
<b>RGF</b>	Responsible Gambling Fund (previously known as the Casino Community Benefit Fund)
<b>RSA</b>	Responsible Service of Alcohol
<b>Show Cause notice</b>	Notice issued by the Authority pursuant to sec 23(2) of the Act
<b>Star City</b>	Star City Pty Limited
<b>TAB</b>	Totalisator Agency Board
<b>Tabcorp</b>	Tabcorp Holdings Limited
<b>TIPS</b>	Tabcorp Integrity Protection Service
<b>Union</b>	Australian Liquor, Hospitality and Miscellaneous Workers Union
<b>2000 Report</b>	Report of Second Investigation conducted in 2000 pursuant to sec 31 of the Act
<b>2002 Review Report</b>	Report of the Review recommended by the 2000 Report
<b>2003 Report</b>	Report of Third Investigation conducted in 2003 pursuant to sec 31 of the Act

# **SUMMARY AND MATTERS FOR FURTHER CONSIDERATION**

This Investigation has been conducted to assist the Authority in forming the opinion required by sec 31 of the Act as to whether Star City, 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. The Investigation has been conducted in accordance with the detailed terms of reference provided by the Authority.

Over the last three years, Star City has continued to operate in a manner consistent with the objectives of the Act and the principles established by the previous triennial Investigations.

In 2005, part of its compliance program was, deservedly, recognised with a national industry award. Training in responsible gambling, the responsible service of alcohol, illegal and undesirable behaviour and the code of conduct is now conducted on-line and provided at regular intervals. Further measures have been taken to equip staff to better deal with players who exhibit signs of problem gambling. Responsible service of alcohol principles continue to be adhered to, although this is an area which requires constant vigilance.

Some structural and personnel changes have occurred as a result of the merger with Jupiters Limited. A number of key staff, including the then Compliance Manager and Chief Operating Officer, now hold positions in Tabcorp with responsibility in their relevant areas, for the operation of all four casinos, including Star City. In addition, Star City has re-introduced its International Junket/Premium player program.

For the reasons set out in the Report, we have come to the view that Star City is a suitable person to continue to give effect to the casino licence and that it is in the public interest that the casino licence continues in force. In particular, we are satisfied that Star City has in place suitable policies and procedures to ensure that the casino remains free from criminal influence or exploitation.

The casino continues to make a significant contribution to the recreational opportunities for the many residents and tourists who enjoy this form of entertainment.

A number of matters are identified, which may be the subject of further consideration by the casino operator and/or the Authority. In the order in which they appear in the Report, they are as follows:

1. We are of the view that the Authority's provision of the names of and transactions conducted by individual junket participants to AUSTRAC would be consistent with the administration of each agency's respective legislation. It could be achieved by the Authority considering and forming the view that it was necessary in the public interest that the report it receives pursuant to cl 22 of the Regulation be divulged to AUSTRAC pursuant to para 148(2)(a) of the Act or the Authority could seek the amendment of Schedule 7 to the Regulation inserting AUSTRAC as a prescribed authority for the purposes of para 148(2)(b). (Chapter 3)
2. We recommend 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. (Chapter 4)
3. We can see real value in Star City being permitted to provide lists of those people excluded by it, to its Queensland properties. Those excluded following a suspicion of or knowledge of involvement in criminal or other undesirable activities should be known to the Jupiters' casinos to enable them to decide whether they wish those persons to gamble in the casinos. In our view, this can be achieved by the Authority approving a person (which may be a designated position in Tabcorp's Casinos Division) for the purpose of receiving that information, which, pursuant to para 83(3)(g) of the Act, would render the passing of that information lawful. Alternatively, a person or authority can be prescribed by the Regulation (para 83(3)(i)). (Chapter 5)
4. We recommend that the Authority obtain information from Star City, once the *Anti-Money Laundering and Counter-Terrorism Financing Bill* 2006 has been enacted

and is in force (we understand there will be a transition period) to ascertain the measures Star City has in place to ensure compliance. (Chapter 6)

5. Given that Tabcorp, in the educative material it makes available to staff and publicly, has identified a concern with gambling for an excessive period, it seems to us that it should provide leadership in the area. We note the Responsible Gambling Manager's evidence and recommend that the Authority monitor Star City's activities in this area. (Chapter 7)
  
6. Star City should monitor the operations of the private gaming rooms to ensure that any matters of occupational health and safety, associated with passive smoking are addressed. (Chapter 7)

# CHAPTER ONE

## INTRODUCTION

### BACKGROUND

Every three years, the Casino Control Authority (“the Authority”) is required by sec 31 of the *Casino Control Act* 1992 to investigate and form an opinion as to whether or not 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. The Authority is to report its findings and opinion to the Minister for Gaming 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 held by Star City Pty Limited (“Star City”) was granted on 14 December 1994. This is the fourth triennial Investigation under the Act.

The Authority engaged the authors of this Report, Bret Walker SC and Gail Furness, to assist it in conducting the fourth triennial Investigation. Ms Furness was appointed under sec 143 of the Act to interview staff of the casino licence holder and Mr Walker conducted interviews with senior managers. An Inquiry under sec 143 of the Act allows the person presiding to require evidence to be given on oath to obtain information as he or she sees fit. Submissions made and evidence given attracts absolute privilege. This Report details our findings and opinions, and the reasons for those findings and opinions.

Between May and August 2005, the Authority carried out an interim assessment of the matters which had been reported on, following the 2003 Investigation. The findings made by the Authority and the response of Star City have been taken into account in this Investigation.

## THE INVESTIGATION

As has been previously reported, the Act gives little guidance to the Authority in conducting its 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 sec 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; and
- (e) such other matters as the Authority considers relevant.

The Act was amended in 2000 to remove as an object of the Authority the promotion of tourism, employment and economic development generally in the State. This matter remains to be considered when determining applications for a licence, and accordingly, is a matter which would be an appropriate subject of consideration in relation to a triennial review. However, given the clear intention of Parliament that tourism, employment and economic development no longer be an object of the Authority, its relevance would not be critical in any decision with respect to the existing licence. In any event, nothing we have learned contradicts the critically intended and apparently realised positioning of the casino as a major drawcard.

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; and
- (c) management expertise in casino operations.

Close associates are addressed in sec 13 of the Act. It 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 sec 13 of the Act.

The Authority established a team of four people to assist it and us in carrying out the Investigation. They are Ron Harrex, Director, Major Projects and Investigations; David Brearley, Manager, Casino Review; Mark England, Research Officer; and Julie Ditrich, Information Manager.

## **TERMS OF REFERENCE**

The Authority determined that the following would comprise the terms of reference for the 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 Star City 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 impact of the use of the casino premises on tourism, employment and economic development generally in Sydney and NSW.
  4. 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:
    - 4.1 its obligations under the Act;
    - 4.2 its obligations under the casino licence; and
    - 4.3 legal agreements between the Authority and the casino operator.

5. The effect of the casino in relation to the public interest including, but not limited to:
  - 5.1 the impact or potential of findings by the Authority in relation to the matters referred to in paragraphs 1 to 4 above; and
  - 5.2 the impact or potential impact of casino operations on individuals who attend, or who may attend the casino and their families; and
  - 5.3 the impact or potential impact of the casino on the public interest, having regard to submissions made to the Authority by the public.
6. The maintenance and administration of systems by the casino operator to:
  - 6.1 ensure that the management and operation of the casino remains free from criminal influence or exploitation;
  - 6.2 ensure that gaming in the casino is conducted honestly; and
  - 6.3 contain and control the potential of the casino to cause harm to the public interest and to individuals and families.
7. Issues referred to in the 2000 sec 31 Report and the 2002 sec 31 Review Report concerning the presence and detection of illegal and undesirable activities and people in the casino.
8. The recommendations in the 2003 sec 31 Report.
9. Such other matters as the Authority considers relevant.

The Authority wrote to a number of individuals and organisations advising them of the terms of reference of the Investigation and seeking their input. On 10 June 2006, advertisements were placed in Sydney and national newspapers and information was posted on the Authority website indicating the terms of reference and inviting submissions by 28 July 2006. Ten 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.

## **COURSE OF THE INVESTIGATION**

Thirty-nine staff employed by the casino licence holder were interviewed over twelve days in September and October 2006 at the Authority's premises, including staff and management working in VIP Services, Food and Beverage areas, Cage Operations, Security, Surveillance and Gaming. In addition, Star City's managers in charge of Responsible Gambling and Investigations, and the General Managers responsible for the operations of the private gaming rooms, table games, finance, legal, property services and assets protection, and compliance gave evidence. The Managing Director-Star City and Chief Executive Casinos-Tabcorp Holdings Limited have also given evidence. All of these interviews have been recorded and all of the witnesses were sworn.

We also met with Matthew Slatter, Managing Director and Chief Executive Officer, Tabcorp Holdings Pty Limited.

Information was sought from Star City in May 2006 and at other stages of the Investigation. Material held by the Authority was also accessed. In addition, the Investigation benefited from visits to Crown Casino in Melbourne and Conrad Jupiters and Conrad Treasury casinos in Queensland. Discussions were held with the regulators in each of those States. Of particular interest to the Investigation was comparing the standard of the facilities offered by each casino visited with that of Star City.

We interviewed Allison Johnson, Manager and Leah Boulter, Gambling Counsellor with the Wesley Financial and Gambling Counselling Service. We also interviewed a resident of Pymont who had made a submission.

We met with representatives of law enforcement agencies including the New South Wales Crime Commission ("NSWCC") and the Australian Crime Commission ("ACC") each of whom provided valuable assistance in understanding the relationship between the casino and crime in this State. In addition, we met with the Detective Superintendent and the Detective Inspector responsible for the NSW Police Casino Investigation Unit ("PCIU") and the NSW Police Commander of the City Central Local Area Command. Their views have been taken into account in this Report.

AUSTRAC, the federal agency with responsibility for the administration of the financial transactions reports legislation, has informed the Investigation of its dealings with the casino operator.

# **CHAPTER TWO**

## **CASINO OPERATOR**

### **CHANGES IN STRUCTURE**

Since 2003 there have been no changes to Star City's corporate structure. Annexure 2 indicates its current corporate structure.

### **TABCORP**

Tabcorp Holdings Limited ("Tabcorp") wholly owns Star City and is a public company listed on the Australian Stock Exchange. Tabcorp's major shareholders are some of the largest financial institutions in Australia and are well known within the Australian business community. The major shareholders at the time of writing this Report are listed in Annexure 3.

Tabcorp's directors are Messrs M B Robinson, J D Story, A G Hodgson, M J Slatter, P G Sartre, and Z E Switkowski and Ms P J Dwyer. In 2005 Mr W V Wilson, and in 2006 Messrs R F E Warburton and L J Willett ceased to be directors of Tabcorp.

In November 2003, Tabcorp merged with Jupiters Limited. As a result, Tabcorp acquired three Queensland casinos, namely Conrad Jupiters on the Gold Coast, Conrad Treasury in Brisbane and Jupiters Townsville.

Tabcorp has created a Casinos Division, of which Star City casino forms part. The Managing Director-Star City (previously titled the Chief Executive Officer and then Chief Operating Officer) now reports to the Chief Executive of that Division. In addition, a number of key senior managers employed at Star City, have or shortly will take up new positions in Tabcorp with responsibility for aspects of the operation of all the casinos owned by Tabcorp. Jim L'Estrange, formerly Chief Operating Officer and currently Managing Director-Star City has been appointed to the position of Divisional

General Manager-Casino Product. A new Managing Director for Star City has been selected but not yet been appointed. Mr Paul Arbuckle was, until recently, General Manager-Table Games for Star City. He now holds the position General Manager-Gaming Product with the Casinos Division. Mr Tony Pieris will shortly leave the position of General Manager-Property Services and Assets Protection at Star City to take up the position of General Manager-Property Development within the Casinos Division. Sylvia Aloizos is now General Manager-Compliance within the Casinos Division and she retains responsibility for compliance at Star City.

### **Clause 10 Tabcorp Deed**

Clause 10 of the Tabcorp Deed dated 6 October 1999 provides that Tabcorp cannot take advantage of information obtained solely in connection with its interest in Star City (including information relating to the identity of players and player preferences) to undertake any business practice in relation to another casino (including any advertising, marketing or promotional activities, the offering of complimentary services, inducements, commission rebate programs or the organising, promoting or conduct of junkets) which results in, or is intended or designed to result in, a net loss of gaming revenue to the State of NSW.

The clause of this deed has effect until the current Casino Taxes Agreement expires in September 2007.

Tabcorp has informed us that it has developed guidelines to assist staff in identifying information use that is prohibited and that which is acceptable. It has described as the most obvious example of a breach where a Jupiters' casino uses Star City's player information to conduct direct marketing or advertising in the Jupiters' properties in an attempt to attract domestic players from Star City.

It has identified the following information use as normally acceptable:

- (a) exchange of business procedures or precedents;
- (b) sharing of information in relation to bad debts and credit rating;

- (c) sharing of information concerning international and interstate VIP players who choose to visit a Jupiters casino, that is the sharing of information which will not influence the player's choice of where they play;
- (d) use of Star City confidential information in connection with Star City's international rebate business of interstate VIP players; and
- (e) non gaming advertising of the Jupiters' properties such as the Jupiters' hotels in the casino magazine.

The General Manager-Compliance is responsible for ensuring that Clause 10 of the Tabcorp Deed is not breached. A register of activities that are acceptable or not permitted is maintained. In addition, relevant office holders are required to complete and sign an acknowledgement that they have attended a training session and read and understood the policy. Then each quarter a designated departmental manager will certify to the General Manager-Compliance that they have complied with their obligations in connection with the policy.

We understand that Tabcorp proposes to create a single sales and marketing team for international rebate business which would market both Star City and Jupiters' properties. In addition, it proposes to combine the NSW and Queensland interstate sales teams to create one sales team for both Queensland and NSW properties.

Tabcorp is also considering the creation of a single casino division loyalty scheme and including Queensland casino non gaming advertisements in the Star City magazine. It is also intended to create a data warehouse to store records off site.

In November 2005, Tabcorp had an internal audit report prepared in relation to compliance with Clause 10. That report concluded that adequate controls were present with respect to compliance with the provisions of Clause 10. It noted that the General Manager-Compliance had identified that training in privacy obligations could be strengthened and as a result training packages were being reviewed.

It concluded that staff awareness of the Clause 10 requirements was strong, although it noted that the four casino properties had been operating under Tabcorp control for a relatively short time.

It reported that management should ensure that there are clear policies and procedures in place prior to the implementation of the international rebate business to ensure that staff are aware of obligations in handling requests of that nature. Further, there should be proper audit trails in relation to any actions undertaken on a patron's behalf who requests to facilitate visits to other properties. It was also recommended that Legal and Compliance review the impact of the re-introduction of the international rebate business on Clause 10 compliance.

Star City advise us that a subsequent audit in October 2006 concerning revenue, confirmed that staff are aware of the policies currently in place. The revised approach to the international rebate business, as discussed below, followed a review undertaken by Legal and Compliance.

We asked Tabcorp to provide us with a submission stating its proposals in relation to the sharing of information between Star City and its other Queensland properties.

A submission dated 27 October 2006 was received. In relation to having a single international sales force, Tabcorp's Casinos Division advised that customers in that market segment are well known to all casinos in the international business and that knowledge cannot be said to be the confidential information of Star City. Further, there will be no financial motivation for the international sales team to move business from Star City to any of the Queensland casinos.

It noted that the international market revenue in Brisbane is very small compared with Star City. The Gold Coast property is more difficult to get to by international flights and therefore Star City is more desirable.

Tabcorp told us that it has "*embraced Star City as its main international rebate business casino and has not resisted the decline in the Conrad Jupiters Gold Coast international business*". Star City has forecast that during the remainder of 2006 there will be a transfer of international business from the Gold Coast to Star City in the order of just under \$30 million dollars gross revenue.

It also advised that tax rates payable on international rebate players are eleven per cent in Queensland including a levy and ten per cent in NSW.

Tabcorp submitted that the adoption of casino best practice across the Tabcorp Casinos Division does not shift revenue from Star City because the best practice initiatives focus on cost efficiencies across the businesses, driving margin and profit improvement not revenues.

There is no suggestion that Tabcorp has not, to date, fulfilled its obligations under Clause 10 of the Deed. It is accepted that its intention and, probably practice, is currently designed to increase Star City's earnings and therefore the taxes payable to the NSW Government.

## **PROBITY**

A list of those considered to be key close associates of the casino operator is shown in Annexure 4.

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, the Australian Competition and Consumer Commission and the Office of Fair Trading in respect of Tabcorp and its associated entities. Checks made on each of the office holders of Tabcorp and subsidiary companies over the past twelve months, have also been taken into account.

No matters of an adverse nature have been identified.

## **MANAGEMENT**

Star City has an agreement with Harrah's Entertainment Inc ("Harrah's") through which it accesses Harrah's knowledge and experience in operating casinos. It also provides Tabcorp with a mechanism to measure aspects of the operations of the casino complex against Harrah's hotel and casino operations.

Changes have occurred in the senior management of Star City since the 2003 Report. They are set out earlier in this Chapter.

Notwithstanding these changes, we are satisfied that there are sufficient persons among the managers of Star City who have demonstrated experience in the management and operation of a casino.

## **FINANCIAL MATTERS**

In considering the suitability of Star City, we are to have regard to its financial background and financial resources.

Brian James, chartered accountant, was engaged by the Authority to review the financial performance of Star City and Tabcorp.

Mr James reported that each of Star City and Tabcorp is of sound and stable financial background and that Star City has financial resources that are both suitable and adequate for ensuring the financial stability of the Sydney casino.

## **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.

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; and
- (c) the suitability of the applicant to perform the type of work proposed to be performed by the applicant as a licensee.

Pending a final determination of a licence application, the Authority is empowered to issue provisional licences. Between 1 January 2004 and 27 November 2006 the Authority issued 915 special employee licences, 747 provisional licences, renewed 1617 licences and refused to grant a licence to four applicants.

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

Prior to the Authority making a final decision to refuse a licence application, it provides each applicant with a minimum of fourteen days to make submissions as to why he or she believes they should be granted a licence.

Between 1 January 2004 and 27 November 2006, the Authority took disciplinary action against seventeen licence holders for various reasons, including the licensee being the subject of a criminal charge, for failing to advise the Authority of a criminal charge and not being able to demonstrate financial stability. Two licences were cancelled, four licences were suspended and the remaining licence holders were subjected to a letter of censure.

One licence holder 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.

The Authority is also required by the Act to consider applications for variation of the functions that a person may exercise in the casino pursuant to their licence. Between 1 January 2004 and 27 November 2006, the Authority has approved 537 variations to special employee licences which have permitted the licence holders to exercise different functions in connection with the casino.

## **CONTROLLED AND NOTIFIABLE CONTRACTS**

Where the casino operator proposes to enter into a contract with a person or organisation for the

- (a) supply or maintenance of security or surveillance equipment worth \$110,000 or more;
- (b) supply of any other goods or services to a casino for \$550,000 or more; and/or
- (c) supply or maintenance of gaming equipment worth \$11,000 or more

the casino operator must provide to the Authority written notice of the details of the proposed contract. These contracts are known as “controlled contracts”. The amount over which contracts are “controlled” was increased in 2004 from \$11,000 to \$110,000 and from \$330,000 to \$550,000, with the value of gaming equipment contracts remaining unchanged.

Under sec 37 of the Act, the Authority has the power to object to any proposed controlled contract. The Act specifically excludes construction contracts, contracts of employment and other contracts including those relating to the supply of legal and other advisory services from the controlled contract provisions.

Between 1 April 1995 and 27 November 2006, 470 controlled contracts have been entered into by Star City. The controlled contracts relate to a wide range of goods and services including gaming equipment, security and surveillance equipment, cleaning, hotel services and food and beverage supplies.

During the time under review, no contracts have been objected to by the Authority.

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 2004 to 27 November 2006, fourteen people who are associated with various controlled contractors have been required to apply for and have been granted a special employee licence.

The casino operator is also obliged to advise the Authority of contracts entered into by the casino operator for the provision of general goods or services to the casino for less than \$550,000. These are known as “notifiable contracts”. There is no power for the Authority to object to such contracts. There are currently 794 contracts which have been notified to the Authority.

## **CONCLUSION**

Having regard to the information before the Investigation and subject to the comments and recommendations made elsewhere in this Report, we are 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; and

- 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, Star City 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 Star City in the last three years and the nature and standard of the facilities associated with the casino. In addition, Mr Davison’s advice was sought on Star City’s compliance with the best practices covenant.

Star City consists of the casino, a 351-room hotel, 131 serviced apartments in the apartment building, convention, seminar and meeting facilities for 900, the 2000-seat Lyric Theatre and 1000-seat Showroom and a number of bars, restaurants and shopping facilities. Parking for 2500 vehicles and sixteen tourist bus spaces are also provided in the complex.

The Authority was satisfied with the standard and nature of the permanent casino and its facilities following the 1997, 2000 and 2003 triennial Investigations.

### **MAJOR WORKS**

Since January 2004 a number of major works have been undertaken by Star City. They include the following:

- (a) refurbishment of the Astral bar and restaurant;
- (b) the construction and fit-out of a new slot lounge for VIP players;
- (c) re-carpeting the main gaming floor (“MGF”);
- (d) refurbishing all standard hotel rooms;
- (e) the conversion of a vacant space to a new VIP table games and slot lounge;  
and
- (f) refurbishing the old Harbour View Bar.

In 1997 Star City entered into an Agreement with the Authority to lease an adjoining site known as the Switching Station Site. The Agreement required Star City to construct a Hotel Convention Centre on that property. The period stipulated for construction has since expired and no construction has taken place. The relevant penalty payments have been made. Star City has indicated an intention to develop the site which will, at the least, require planning approval and renegotiation of the lease.

#### **CASINO, HOTEL, RECREATION AREAS, CONVENTION AND MEETING FACILITIES, BARS AND RESTAURANTS**

We are satisfied from the consultant’s report and our observations that the casino facilities are being maintained to an appropriate standard. In particular, we note that Star City retains Harrah’s to provide advice which enables it to measure itself against a first-class international standard and that Star City has received a number of awards in relation to its hotel, apartment, restaurants and entertainment venues.

#### **LYRIC THEATRE AND THE SHOWROOM**

Star City operates the Lyric Theatre and the Showroom with combined seating capacity of 3000. The Lyric Theatre attracted just fewer than 1 million patrons in the 2003-2006 financial years while the Showroom had attendances of over 330,000 in that same period.

Mr Davison advises that the Lyric Theatre has won several awards including best entertainment venue 2004 and best variety venue 2006 and is being operated and maintained in a first-class international manner. He further advises that the Showroom

has advanced stage machinery and production technology and that the facility is in good condition.

## **GAMING**

### **Casino Table Games**

The maximum number of gaming tables permitted to be operated in the casino is 200. An additional ten tables are permitted for international players.

Section 66 of the Act provides that games played at Star City must be conducted in accordance with rules approved by the Authority by Order published in the *NSW Government Gazette*.

The approved rules of games are available on the Authority's website. In addition, Star City 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:

- (a) Baccarat, Even Money Baccarat and Three Card Baccarat;
- (b) Big Wheel and Rapid Big Wheel;
- (c) Blackjack, Pontoon, Pontoon Pandemonium, Super Sevens and Perfect Pairs;
- (d) Caribbean Stud Poker;
- (e) Craps;
- (f) Double Chance;
- (g) Let It Ride;
- (h) Pai Gow;
- (i) Poker, Three Card Poker, Four Card Poker and Charity Tournament Poker;
- (j) Roulette, Double Zero Roulette and Rapid Roulette;
- (k) Sic Bo and Rapid Sic Bo; and
- (l) Two Up.

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. Rapid Sic Bo was introduced in December 2003 and Rapid Big Wheel in February 2006. These games, as with the previously approved Rapid Roulette, enable players to place wagers on an electronic layout at individual player terminals.

In November 2004, the game of Poker commenced in the casino with the game variations of Draw Poker (Ante), Draw Poker (Blind), Five Card Stud, Seven Card Stud, Two Card Manila, Three Card Manila, Texas Hold Em and Omaha. The Poker game rules contain provision for the conduct of tournaments, and the first Poker tournament was held at Star City in July 2006, using the game variation of Texas Hold Em.

Charity Tournament Poker was introduced to provide for the playing of a “Joker Poker” celebrity challenge tournament, and was withdrawn after the completion of the event.

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. In addition, the operator is restricted to installing the same type of gaming machines with the same range of games and bet/prize limits as are approved by the NSW Liquor Administration Board for use in registered clubs.

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, in January 2001, the Authority issued a “blanket” approval of the use in the casino of all “X” standard gaming machines (and related games and software/hardware modifications) approved by the Liquor Administration Board for use in registered clubs.

## **Tournaments**

Under the revised rules of games, which became effective on 1 July 2003, rules relating to tournaments have been included within the rules for the games Baccarat, Blackjack and Roulette. Thus the Authority is not required to approve each tournament. Some 22 tournaments have been conducted in Blackjack, Baccarat, Roulette, Poker and Pontoon over the three year period under review.

## **Approvals and Variations**

Pursuant to sec 124 of the Act 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 secs 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 three year period under review, the Authority approved eight new games or game variations, various amendments to the rules of existing games (including the additional optional wagers of Perfect Pairs and Dragon Bonus within Baccarat, and Triplestar within Roulette) 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.

## **Keno**

Star City introduced the game of Keno to the casino on 26 November 1998. The Agreement with the Keno operator, Jupiters Gaming (NSW) Pty Limited, allows for a commission to Star City based on turnover.

## **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.

The principal difference between these programs and those offered to local players and the general public is that the international rebate business attracts a reduced taxation rate.

The Authority has in place controls regulating the way in which this business is transacted. In particular, the Authority approves junket operators and receives notification of prospective junket participants and of player settlements following the completion of play (Part 4, Division 1 *Casino Control Regulation* 2001 (“the Regulation”)).

Information about transactions is recorded in the name of the junket operator rather than the individual participants, although some aspects of the details of individual play are available to Star City and the Authority on the casino operator’s Integrated Gaming System (“IGS”).

We have discussed the operations of junkets with relevant law enforcement agencies and AUSTRAC. AUSTRAC administers the *Financial Transactions Reports Act* 1988 (Cwth), which has as a principal object the facilitation of the administration and enforcement of taxation laws. Further objects are to facilitate the administration and enforcement of laws of the Commonwealth and of the Territories and to make information collected available to State authorities to facilitate the administration and enforcement of the laws of the States (sec 4).

AUSTRAC currently receives reports from Star City about junkets when individual cash transactions exceed \$10,000, when there is a suspicion about a transaction and when international fund transfers occur. It does not receive information about other individual transactions.

Consistently with the objects of the Act it administers, representatives from AUSTRAC expressed an interest in receiving from the Authority the names of and transactions conducted by individual junket participants. The NSWCC and the ACC, each of which can receive that information by virtue of sec 149 of the Act, agreed that it would be beneficial to law enforcement goals for the AUSTRAC database to hold information of that nature.

We are of the view that the Authority's provision of that information to AUSTRAC would be consistent with the administration of each agency's respective legislation. It could be achieved by the Authority considering and forming the view that it was necessary in the public interest that the report it receives pursuant to cl 22 of the Regulation be divulged to AUSTRAC pursuant to para 148(2)(a) of the Act or the Authority could seek the amendment of Schedule 7 to the Regulation inserting AUSTRAC as a prescribed authority for the purposes of para 148(2)(b).

In 2000 it was recommended that:

*Star City should be required to record and provide to the Authority details of the buy ins and cash ins by each member of a junket and the amount of the final settlement to which they are entitled. These details should be provided for transactions over \$10,000 regardless of whether they were in cash or some other form.*

We are informed by the Authority that amendments were made to the Internal Controls and Procedures for International Junkets/Premium Players in late December 2005 to address this recommendation. The junket operator is required to provide details for the front money provided to and contributed by each participant and the casino operator tracks the gaming play of each participant and is required to provide an estimate of their win/loss and their entitlement at settlement.

We are satisfied that this addresses the recommendation made in 2000.

## **CASINO BOUNDARY**

During the period 1 January 2004 to 30 June 2006, the casino boundary was amended on four occasions to accommodate new outdoor balconies and to incorporate the old Star Lounge and the Lightning Ridge Bar on the mezzanine level.

## **CONCLUSION**

We are 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 Star City. These Agreements are summarised in Annexure 5.

As part of the Investigation, Star City has advised of its compliance with its legal obligations. Star City's response has been assessed and we are satisfied that there has been general compliance by Star City with its obligations under the relevant legal agreements.

### **LITIGATION**

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

For this Investigation we sought details of legal proceedings in which Star City was involved. As occurred in the 2003 Investigation, the information provided differed in some respects from that advised to the Authority pursuant to sec 35 of the Act. One debt recovery matter which had not been advised to the Authority had been disclosed to this Investigation.

Many of the proceedings Star City instituted concerned debt recovery related to gaming. Of those proceedings taken against it, most concern matters of public liability. There have been an expected number of workers compensation actions commenced or finalised within the time period.

The proceedings commenced by Alexander Preston against Star City and referred to in the last two sec 31 Investigation Reports have not yet been finalised.

The proceedings taken by the family of Peter Dalamangas against Star City have been finalised with an out-of-court settlement.

In November 2005, proceedings were instituted in the Federal Court against Star City in which the applicant claimed the casino operator had engaged in misleading and deceptive conduct and was negligent or breached its statutory duty by excluding the applicant from the casino and not detecting him re-entering the casino or if they did detect him, not removing him as soon as practicable.

In March 2006, proceedings were instituted against Star City in the District Court by a patron who has made similar claims to those made in the Federal Court proceedings referred to above.

Neither of these proceedings has concluded.

## **MINORS**

The Act places specific obligations on Star City to ensure that minors do not gain access to the licensed gaming areas of the casino complex.

If a minor enters the casino, Star City has committed an offence with a maximum penalty of \$5500. 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 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 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 measures taken by the casino operator to prevent minors gaining access to the gaming and liquor facilities in the casino include:

- (a) the five public entrances to the casino are staffed by security officers;
- (b) training of security officers to detect and prevent minors from accessing the casino;
- (c) training of relevant food and beverage and gaming staff to check identification; and
- (d) disciplinary action against staff who permit minors to gain access.

According to Star City, between 1 January 2004 and 30 June 2006, there were some 108 instances of minors detected after having gained access to the licensed area of the casino. About one-half of the minors were under thirteen years with the remainder being teenagers. This represents about one-third of the instances which occurred in the period covered by the last triennial Investigation.

Between January 2004 and 30 June 2006, Star City received nearly 22 million visitors and refused entry to about 17,000 minors.

Almost 500 proof-of-age documents were confiscated by Star City in the belief that they had been falsified, altered or did not belong to the person presenting them.

When interviewed for this Investigation, all bar attendants and security officers demonstrated a knowledge of which proof-of-identity documents were acceptable. Nearly all staff interviewed, including from Food and Beverage, Table Games, Electronic Gaming, Cage, Surveillance and Security Departments, were able to give us recent examples of seeking identification from a patron or calling Security to do so. In most cases, the patron was of sufficient age.

The following incidents came to the attention of and resulted in intervention from the Authority.

In March 2004 a minor was detected in the casino. After having been refused entry for producing false identification, the minor gained entry through another entrance. The minor gambled for about twenty minutes before being detected by a security officer. Disciplinary action was not taken by the Authority after the receipt of submissions by Star City.

A warning letter was issued to Star City in July 2004 following another minor entering the casino and gambling.

In April 2005, the Authority issued a letter of reprimand to Star City for a minor being permitted to gamble in the casino for about 50 minutes.

In June and October 2005, after Show Cause notices were issued, disciplinary action was taken against the casino operator for breaches of sec 94 of the Act. In each case the minor gambled while in the casino; in one the minor gained entry without producing evidence of proof-of-age, in the other the minor produced evidence indicating that the minor was not eighteen years of age. In each case the Authority issued a letter of censure.

In January 2006, the Authority issued a Show Cause notice in relation to a minor who produced evidence of proof-of-age, which on later inspection, had been altered. The minor gambled while in the casino. The Authority accepted submissions by the casino operator that, among other matters, the alteration was not readily apparent and decided that no disciplinary action would be taken.

In response to the two recent Show Cause notices, a report on the measures employed by Star City to prevent minors accessing the casino was presented to the Tabcorp's Management Compliance Committee (see Chapter 8).

Between 1 January 2004 and 30 June 2006, the Authority's inspectors issued penalty infringement notices in relation to about 250 offences involving minors using false evidence of age or consuming or attempting to consume alcohol on licensed premises. Most of them were paid.

While an outcome in which no minors access the casino is desirable, the realities of the large number of patrons entering the casino and the number and nature of the points of entry, permit us to conclude that Star City has in place adequate mechanisms to minimise the instances of minors entering the casino.

## **HONEST GAMING**

Cheating is an offence under sec 87 of the Act with a maximum penalty of \$11,000 or imprisonment for two years or both. Between 1 January 2004 and 30 June 2006, the Authority's inspectors issued 38 Penalty Infringement Notices and prosecuted three persons for alleged cheating.

Statistics provided by Star City show that approximately 117 persons were excluded from the casino for gaming related incidents. These included chip theft, retracting or changing a bet after the result is known and the theft of credits from unattended machines. Most thefts were opportunistic.

It is not unexpected that there will be people who will attempt to dishonestly obtain benefit from Star City or other patrons. However, given the number of people who visit the casino on a daily basis, the number of instances where this occurs is very small and we are satisfied that Star City takes swift action to limit their endeavours.

## **INVESTIGATIONS**

In 2000 and 2003 it was recommended that the adequacy of the resources available to the casino Investigations Department be monitored to ensure it is able to function effectively. This recommendation followed the evidence of its Manager in 2000 that his resources were stretched and concern that this Department would have significant responsibility for implementing the changes arising from the 2000 Report.

Since that time, an investigations officer has been employed and he and the Manager assured this Investigation that they had adequate resources to carry out their functions. In addition, the Investigations Department has been relocated and new software incorporated to assist in the operation of the Department's database, known as iBase.

There appears to be no cause for concern at this stage about the resources available to the investigators.

## **Feedback**

In 2003 we reported:

*We are told by each of Star City and the Investigations Manager that the Manager regularly provides feedback to staff where appropriate. Those comments are recorded. A random selection of those comments reveals that many of them merely contain acknowledgements of the information received rather than advice as to the outcome. Similarly, of those interviewed for this Investigation who had provided information or reported suspicions of illegal or undesirable conduct, none indicated they had received feedback as to the outcome. All expressed the view that they would value receiving that advice.*

*It is accepted that there are many good reasons why advice as to outcome cannot always be provided, including involvement of law enforcement and the fact that the information provided little more than intelligence. However, the principle which was expressed in 2002 remains applicable. Attention needs to be given to this important function.*

Star City has adopted a feedback register which is incorporated into iBase. In addition, the Investigations Manager, in his monthly report to his manager, records instances where feedback has been delivered.

We are satisfied that Star City is giving adequate attention to this issue.

## **SECURITY AND SURVEILLANCE**

### **Security**

The Security Department is responsible for the protection of Star City's assets, its employees and its patrons. There were approximately 140 security officers employed at Star City casino at the time of the 2000 Investigation and by June 2003, those numbers had reduced to about 110 with a budget for 114. As at July 2006 there were about 123 full time equivalent security officers

Since 2004, there have been a number of changes to the operation of the Security Department including:

- (a) closing various entry points and thus reducing the number of security officers at entry points;
- (b) reducing the number of contract security officers;
- (c) reducing security staff in the retail arcade; and
- (d) the Security Department now reports to the Property Services and Asset Protection section.

One of the key changes since 2003 affecting security resources has been the closure at Star City of the Cave nightclub in 2005 and Karimas in 2006. Karimas, previously located in the retail arcade, was the cause of additional security staff being rostered on the weekend.

Star City staff interviewed for the Investigation consistently praised the work of security officers in carrying out their functions. There was no evidence before us of incidents being inappropriately handled by reason of an inadequacy in the resources available to the Security Department.

Star City introduced hand-held metal detectors in June 2004 at all casino entry points.

In 2003 we reported:

*The potential for harm where there is the combination of the presence of guns and knives, alcohol and the emotion associated with losing or winning money, is obvious. Whether that potential is likely to be realised is not a matter on which we can express a firm opinion. From the information provided by the Union and the comments by Star City, it seems that there have not been many incidents at Star City. That, however, may be only one factor, albeit of some significance. We note Star City's advice that it is monitoring this matter and expect that Star City will be alert to any emerging information and take appropriate action to ensure the safety of employees and visitors to the casino.*

Standard operating procedures and training have been implemented in their use. Interviews with security officers revealed different methods for determining in what circumstances the metal detectors are used. However, each officer interviewed appeared to have adopted a sensible approach to their use. It does not appear that many metal implements have been detected, although a few patrons, we have been told, have been deterred from entry by the detectors.

### **Coroner's Finding on the Death of Peter Dalamangas**

On the morning of 31 January 1998, Peter Dalamangas died following an incident when a group of five men including Mr Dalamangas was asked to leave the casino premises by casino security staff. In June 2000 a Coroner's jury found that the restraint used by Star City security officers on Mr Dalamangas was initially justifiable but that it was then imposed and maintained for longer than was necessary and utilised force that was unjustifiable and in the absence of adequate supervision by responsible officers of Star City casino.

The Coroner recommended that Star City submit a specific training course for security supervisors and managers. In May 2002, the Authority advised the Coroner that it had approved a new training program for security shift supervisors and managers, known as "Advanced Conflict Resolution and Incident Management", and that it was of the view that that satisfied the Coroner's recommendation.

In 2003 we reported:

*During the course of the interviews it appears that some security officers act in supervisory positions for a period up to and exceeding 12 months. Those officers who so act are not required to receive the specific training provided to permanent supervisors. The Security Manager informed us that an acting supervisor would not be working on his or her own, that another supervisor and duty manager also would be present. In order for the Coroner's recommendations to be properly observed, such supervisors would need not to be in a position of sole authority during an incident of any severity.*

*Having regard to the findings of the Coroner, we recommend that the Authority satisfy itself that the responsibilities of security officers acting as supervisors for any significant length of time are commensurate with their level of training.*

In 2005, the Authority conducted an interim review of matters arising from the 2003 Report. It confirmed that all security supervisors had undertaken the required training, however, there was a sixteen month gap between the conduct of courses which was not consistent with Star City's assertion, in response to the 2003 Report recommendation that courses were run every six months.

In response to the 2005 interim review, Star City accepted that the delay had occurred and gave reasons including rostering and that there were not sufficient officers acting in higher duties to justify more courses being conducted.

We interviewed a number of security supervisors, both current and former. Generally their experiences pre-dated the period being covered by this Investigation.

The new Security Manager, who had only been in the position a short time, accepted that current arrangements for training higher duty officers were only short term. He is in the process of preparing a comprehensive training document.

We are satisfied that the current security supervisors are adequately trained.

### **Surveillance**

The Surveillance Department is responsible for ensuring the protection of Star City's assets, and safety of its staff and patrons. The surveillance system has approximately 1100 cameras. About two-thirds of those cameras, 650, monitor gaming areas. The remaining cameras observe activities in outside areas such as the car park, the hotel and external perimeter areas.

The major change in the operations of the Surveillance Department has been the creation of a new database, Casino Information Database (CID) in which all tasks and daily logs are entered as well as details of excluded persons. It is available to other

departments, including VIP Services and Security. In addition, Surveillance management now report to a different senior manager.

We are satisfied that the casino has adequate surveillance capacity to perform its functions.

## **PATRON AND STAFF COMPLAINTS**

Star City provided the Investigation with details of complaints received by casino patrons and staff, as well as complaints by others.

Most gaming complaints by patrons concerned credit theft on the electronic gaming machines, followed by incidents with wagers such as “past post” wagers, removing losing wagers before they are acted upon and the theft of chips. The interpretation of the rules in Roulette has been the cause of most complaints concerning the operation of table games.

Of the complaints investigated by the Authority’s inspectors in relation to gaming matters, most were resolved in favour of the casino operator. The presence of the cameras assisted considerably in determining disputes.

A small number of non gaming complaints were made to the Authority’s inspectors. They included membership disputes and being asked to leave the casino.

Tabcorp’s General Manager-Compliance analyses customer complaints data. It appears, as with the previous three years, most complaints concern trade practices, followed by food, unsafe premises and the behaviour of dealers. There are relatively few complaints about intoxication, security or customer service.

Complaints about smoking decreased significantly after the 50 per cent smoking ban was implemented in July 2005. All of those interviewed for the Investigation described the smoking restrictions being generally complied with by patrons and none had experienced any real difficulty with the changed requirements.

In March 2005 complaints handling became part of the compliance function and Tabcorp's Management Compliance Committee receives monthly reports of complaints received.

Staff complaints were not large in number and generally concerned harassment and bullying, with the Food and Beverage Department staff being the source of most complaints.

During the interviews with Star City staff for this Investigation, many had experienced harassment or bullying or were aware of allegations made within their department. From what we have been told, the response by management to those allegations was appropriate. Further, policies are in place which provide guidance on the action to take once an allegation is made.

Star City has a number of methods by which staff can make comments or complaints, including by contacting TIPS, formerly the Compliance Hotline and helpdesk. In addition, employee opinion surveys are conducted with recent surveys completed in October 2004 and April 2006.

### **Customer Service Audits**

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

In November 2004, Star City commissioned a new customer service monitoring program, 20/20 Vision. The objectives of 20/20 Vision are:

- (a) To gain a better breadth and depth of understanding of satisfaction, attitudes and behaviours of Star City Membership Base;
- (b) To determine gaps in service delivery and priorities for improving the customer experience from the customers' point of view;
- (c) To determine a loyalty profile of the membership and determine drivers of and barriers to more frequent visitation;

- (d) To gain a greater understanding of customer cross utilisation of product offerings on the property; and
- (e) To compare satisfaction of Star City with customer competitor set.

The program involves mystery shopping and quarterly interviews using both computers and face to face techniques.

The reports generated cover 44 departments within Star City including all bars, restaurants and gaming areas. They provide a score out of twenty for each department as well as a comparison to the last period reviewed and a twelve month trend graph. Areas for improvement are highlighted along with the score results of each question applicable to that department and whether it is an improvement or not from the last period.

In addition to the 20/20 Vision program, Star City has a customer feedback process where customers are invited to complete the feedback cards located on the gaming floor.

Star City advises that the customer feedback system is designed to ensure that there is consistent and transparent response to all customer complaints or problems. It:

- (a) resolves any in-person feedback at the first point of contact when possible;
- (b) responds to routine general written feedback within 48 hours;
- (c) resolves any feedback that requires investigation within five working days;  
and
- (d) keeps the customer informed of the feedback timeframe if the feedback requires more time than five days.

## **Conclusion**

We are satisfied that Star City has in place appropriate policies and procedures to deal with complaints by patrons and staff, and that the number and nature of complaints made do not give rise to concern.

## **DISCIPLINARY ACTION AND BREACHES**

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 Star City is given the opportunity to show cause why disciplinary action should not be taken (subsec 23(2)).

### **Disciplinary Action**

In October 2004, an audit conducted by the Authority found that between September 2001 and October 2004, Star City did not notify the Authority in writing of 30 minor changes to the remuneration of some of its employees and in one instance it reported the event outside the required timeframe.

It was also found that staff records of six casino employees were stored and maintained at Tabcorp in Melbourne and not at the casino, without appropriate exemption.

In December 2004, the Authority served a Show Cause notice on Star City concerning:

- (a) its failure to provide in writing within fourteen days changes in remuneration of certain employees (s.35(1)(d)); and
- (b) its failure to store casino records at the casino (s.129(1)(a)).

Star City did not contest the facts and indicated that appropriate systems had been put in place to ensure compliance in the future. The Authority decided there were grounds for taking disciplinary action and that action was to impose a pecuniary penalty of \$20,000.

The disciplinary action taken in respect of minors accessing the casino is dealt with earlier in this Chapter.

## **Breaches**

On three occasions in October and November 2004, the Authority's inspectors referred to the Authority violations they had detected of the rules of the games of Craps, Rapid Roulette and Baccarat. The Authority determined not to initiate disciplinary action. Warning letters were issued.

On five occasions, one each in 2004 and 2005 and three in 2006, a special employee exercised functions for which he or she was not licensed, contrary to subsection 44(3) of the Act. On each occasion the Authority decided to issue a letter of reprimand.

Three of these occasions involved staff dealing the game of Pontoon for which they had not been trained. Star City advised that, to prevent further occurrence, it will make enhancements to the Pittrack system by which the dealer is required to swipe his or her access card at the gaming table.

In July and September 2006, Star City advised the Authority that it had not complied with sec 37A in that it had not notified the Authority of three contracts which were required to be notified. The Authority determined not to take disciplinary action and issued a letter of reprimand.

On 4 August 2006, the Authority identified a breach of sec 35 when Star City failed to provide notice of a minor change in state of affairs within the required fourteen days, in respect of the remuneration paid to an employee. The Authority determined not to take disciplinary action and issued a letter of reprimand advising firmer action would be taken if future breaches of this type occurred.

On 7 August 2006, Star City advised the cessation of duties of two licensed employees outside the seven day notification period required under the Act, in breach of para 62(1)(c) of the Act. The Authority determined not to take disciplinary action and issued a letter of reprimand advising firmer action would be taken if future breaches of this type occurred.

**Conclusion**

Special employees exercising functions for which they are not licensed are not isolated events at Star City. The casino operator advises that it has appropriate systems in place including staff training, however, the breaches continue.

We recommend that the Authority pay particular attention to the effectiveness of systems in place at Star City in respect of preventing employees from working in areas in which they are not licensed.

# CHAPTER FIVE

## EXCLUSIONS

### INTRODUCTION

The power to exclude is a significant tool in achieving the objects of the Act and of the Authority. Those objects are to:

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

The prompt and appropriate exclusion of patrons identified as acting inconsistently with one or more of those objectives is necessary to ensure the effective use of the power.

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.

## **SELF EXCLUSIONS**

Star City has excluded 466 patrons at their own request between the period 1 January 2004 to 30 June 2006, about ten per cent fewer than the previous three years.

Once a person seeks exclusion, senior security officers are responsible for providing information on problem gambling counselling services, obtaining a photo of the person, completing the exclusion order and escorting them from the casino. Pamphlets advising patrons of the casino self exclusion program are available throughout the casino and are in twelve community languages, as well as English.

In 2003 we recommended that it may be prudent for Star City to consider whether tailored training is required to enable security staff to handle the sensitive and important role of assisting those patrons who wish to self exclude.

In response, Star City engaged Wesley Financial and Gambling Counselling Service to develop tailored training which was delivered to security managers and supervisors in December 2005.

In addition, Star City has introduced additional training for a small number of senior staff, including security staff, to act as responsible gambling liaison managers in the casino. The training takes place over two days and is offered by Wesley Financial and Gambling Counselling Service. The role of the responsible gambling liaison managers is to act as the first point of contact for staff when issues concerning responsible gambling arise.

We interviewed a number of managers who had undertaken the training and each was positive about the information learned and the skills acquired through the course. In addition, other senior security officers we interviewed reported approaches by patrons for self exclusion and described their dealings with them.

We are satisfied that the training in place is adequate to properly equip security staff to deal with persons who wish to exclude themselves from the casino.

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 Wesley Financial and Gambling Counselling Service for that assessment. While such exclusions are issued for an indefinite period, generally Star City will only entertain an application for revocation after twelve months, providing there has been no detected entry to the casino during that period in breach of the exclusion order.

The casino has revoked 24 self exclusion orders in the period 1 January 2004 to 30 June 2006.

In 2004, the Authority issued one self exclusion order at the request of a patron.

## **NON VOLUNTARY EXCLUSIONS**

### **Commissioner of Police**

Between 1 January 2004 and 30 June 2006, the casino operator excluded 91 people from the casino at the direction of the Commissioner of Police. This was about double the number excluded in the previous three years. The increase seems likely to have occurred as a result of the police completing a large number of probity checks on the Private Gaming Rooms ("PGR") members and making recommendations for exclusion to the Commissioner of Police.

The NSW Police has informed us that the Commissioner considers the following criteria in directing that exclusions are made:

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

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 prostitution.

The Commissioner of Police has not revoked any of the exclusion orders he has directed to be made, although seven applications have been made seeking revocation.

### **Star City**

In the period 1 January 2004 to 30 June 2006, Star City excluded 661 patrons, about seven per cent fewer than during the previous three years. The main reasons for exclusion included theft, cheating, fraud, offensive or abusive behaviour or problem gambling.

A small number of patrons were excluded for suspected substance abuse and property damage. Twenty-two patrons were excluded by the casino operator specifically for illegal or otherwise undesirable activity and one for prostitution.

Star City has determined that exclusions may be indefinite for activities such as unattended children in the car park, serious assault, the sale of illegal drugs, premeditated major theft, loan sharking and prostitution. Conduct such as abusive behaviour, refusal to leave the premises, opportunistic theft, or habitual drunkenness, usually attracts an exclusion order which Star City tell us is for a period of between three and twelve months. Up to twelve months exclusion may apply for sexual harassment, vandalism, use of illegal drugs and fighting or minor assault.

The casino has revoked 74 exclusion orders made in the relevant period, some of which related to exclusion orders made prior to 2004. This was significantly fewer than in the previous three years.

Star City has established the Executive Exclusion Committee to authorise the issue of exclusion orders as a result of information obtained about a person's alleged criminal or unacceptable behaviour on casino premises or elsewhere and to review requests for revocation of those orders.

In 2003 we recommended that the casino operator develop written guidelines concerning the exercise of the Executive Exclusion Committee's discretion to exclude or revoke exclusion orders.

Star City's exclusion orders policy now contains remarkably broad criteria which govern the exercise of the Executive Exclusion Committee's discretion. They include:

- (a) the nature of the incident;
- (b) the source and veracity of the information obtained;
- (c) information about the patron;
- (d) views of operational areas; and
- (e) the recommendations of the Investigations Manager.

No material has come to our attention during the course of this Investigation which suggests that the process and the exercise of the discretion by the Committee is working other than well.

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

We can see real value in Star City being permitted to provide lists of those people excluded by it, to those Queensland properties. Those excluded following a suspicion of or knowledge of involvement in criminal or other undesirable activities should be known to the Jupiters' casinos to enable them to decide whether they wish those persons to gamble in the casinos.

In our view, this can be achieved by the Authority approving a person (which may be a designated position in Tabcorp's Casinos Division) for the purpose of receiving that information, which, pursuant to para 83(3)(g) of the Act, would render the passing of that information lawful. Alternatively, a person or authority can be prescribed by the Regulation (para 83(3)(i)).

## **The Authority**

The Authority has not excluded any person from the casino in the period covered by the Investigation.

The Authority can review a decision by Star City to exclude if the excluded person makes the necessary application. In the period from 1 January 2004 to 30 June 2006, the Authority received 164 requests from persons seeking to have their exclusion orders reviewed. Of this number, the Authority let 115 orders stand and overruled nine orders. Thirty-five applications for review were received out of time. Five orders are awaiting decision by the Authority.

## **THE DETECTION OF RE-ENTRIES**

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

The means by which that can be currently achieved 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. We are told that some staff are particularly skilled in this task, most notably surveillance operators and security officers.

In addition, in November 2004, Star City developed the CID which is the sole electronic database recording exclusions and breaches by minors. We are told it enables security officers to quickly determine the status of a patron, it records instances of re-entries and alerts the PGR of any excluded person seeking to access those rooms.

An Exclusion Hot List has also been introduced which is published and distributed to relevant departments. Apparently, Tabcorp is currently assessing facial recognition technology in its other properties and Star City will consider the results of that assessment.

The casino operator advises us that between 1 January 2004 and 30 June 2006, it detected 1192 incidents of an excluded person in the casino; a figure comparable to the previous three years. Of this number over half were self excluded, with most of the remainder having been issued with a non voluntary exclusion order by Star City. A small number of excluded persons constantly re-enter the casino. On about 95 per cent of those occasions when a person was detected re-entering the casino, an Authority inspector attended for the purpose of interviewing the patron.

Under sec 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 twelve 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.

Star City warns self excluded persons identified as having breached the order on numerous occasions that the next re-entry may result in the casino issuing an exclusion order under sec 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 61 people for about 90 offences which occurred in the period under review. Of these all were offences against sec 84 of the Act concerning the re-entry of excluded persons. A significant number of people charged were unable to be served, of those served many did not appear. The results varied, with most being fined between \$500 and \$1000. Compared with the results from 2001-2003, a greater number were required by the Court to attend counselling. Many persons charged were represented by the legal section of the Wesley Financial and Gambling Counselling Service.

## **CASE STUDIES**

*A self excluded patron re-entered the casino during an investigation of his involvement in a gaming chip theft of \$200. As a consequence, Star City casino determined to revoke the voluntary exclusion order and issue a non voluntary exclusion order.*

*On eight occasions a self excluded patron was detected re-entering the casino. On one of these occasions the patron provided a false name, claiming she was not excluded and had no identification with her. Her distinctive tracksuit and features identified her as the self excluded patron.*

*When detected in the casino, an excluded patron failed to produce any identification. After considerable discussion the patron produced a Medicare card and a health care card. The two cards had the same name which was different from the name recognised for the patron. A bank book was subsequently located in the patron's bag with the patron's real name.*

*When detected at the casino, a patron claimed he was not aware of having been excluded. The exclusion order had been returned to Star City when it was posted to him. The patron claims it was returned because he was in gaol at the time. A new exclusion order was issued to the patron.*

*An excluded patron was found to have re-entered the casino. When checked for identification, the patron produced a valid casino Star Card in the name of a non excluded patron. The patron explained he had changed his name and used his passport as identification when applying for Star Card. The Star Card was retained by security.*

*A patron rang the casino inspectors from the MGF with a complaint. The patron was identified as self excluded when he complained of collusion between the dealer and gaming supervisor on roulette. The patron had previously been caught re-entering the casino and was subsequently found re-entering the casino on two more occasions.*

# CHAPTER SIX

## CRIMINAL AND UNDESIRABLE BEHAVIOUR

### BACKGROUND

In 2000 a significant issue arose as 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. Mr McClellan reported:

*Star City must ensure that it embraces a culture which actively discourages the presence of criminals, illegally obtained funds, loan sharking, soliciting and other undesirable conduct. Effective procedures must be in place... to avoid any influence by criminals and their money.*

In 2003, we concluded in respect of this issue:

*Many staff interviewed commented that the private gaming rooms had been “cleaned up” and the number of “dodgy characters” had diminished. That is certainly consistent with the information received from law enforcement and is indicative of a positive cultural change within Star City. Similarly, the approach by Star City and its staff to adherence to the principles of responsible service of alcohol illustrates that the appropriate change has occurred.*

### MEASURES TAKEN BY STAR CITY

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

#### **Access to the Private Gaming Rooms**

Star City instituted a procedure whereby all those in the PGR are known. Persons wishing to have access to the PGR must complete an application form and provide adequate photo identification. They are issued a PGR 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, also with 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 (or their 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, famous sports people, business associates etc.

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.

The Investigators check guests against their database at regular intervals and have conducted audits to determine whether guest passes are being “swapped”. While that occurred during the period under review, we are satisfied that current systems, including audits, are adequate to limit that occurrence.

In 2003, we concluded that *“there has been considerable laxity, at least of late, in complying with this (access) policy”*.

We recommended that the Authority monitor compliance with the access to the PGR policy, with the assistance of audits, if necessary.

We understand that audits were carried out by KPMG for Star City in August and December 2004 and in July 2005. KPMG also reviewed Star City’s internal audit of access to the PGR, which was done in November 2004. In addition, the Surveillance Department conducted a number of audits during the review period.

The results of these audits were that the number of patrons accessing the PGR without appropriate checking from staff reduced from 50 per cent in 2004 to one per cent in 2006.

We interviewed a number of staff with responsibilities for monitoring access to the PGR. Each understood their responsibilities and, from examples they gave of the operation of the system, appeared vigilant in ensuring compliance with the access policy.

In 2003 we recommended that Star City develop a transparent policy governing re-admission to the PGR following revocation of an exclusion order. It was expected that any policy would contain a discretion, as well as the principles, which should underpin the exercise of that discretion.

Initially, Star City introduced a policy which imposed a waiting period on access to the PGR for those patrons who had been excluded when the exclusion had expired. Those patrons, upon the lifting of the exclusion were permitted to gamble on the main MGF. The policy has recently been amended to permit temporary access while the application for membership to the PGR is being processed. Thus no discretion will reside in the management or staff of the PGR as to access. On revocation, all previously excluded patrons will be treated identically and access will be permitted to the casino including the PGR, while membership of the PGR is being determined.

We are satisfied that Star City has adequate controls in place in respect of access to the PGR and re-admission following revocation of an exclusion order.

### **Staff Training**

Star City 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 and the need to report and to whom to report any such observed activity is emphasised. The modules have been examined during this Investigation and found to be comprehensive and appropriately targeted. Refresher training is provided at regular intervals with surveillance operators undergoing more frequent training in illegal and undesirable activities.

The staff interviewed all reported having received training and, importantly, demonstrated knowledge of the matters covered.

Those who had observed unacceptable behaviour had reported it, generally to a supervisor or the Security Department, with appropriate outcomes. Others expressed confidence in their supervisors taking action on receiving a report.

### **Compliance Hotline and TIPS**

During the period under review, Star City had a compliance hotline and helpdesk to which matters, including concerns about illegal and undesirable behaviour in the casino, could be reported. From August 2006 it was replaced with the Tabcorp Integrity Protection Service (TIPS), an anonymous whistleblower hotline available to all Tabcorp staff, former staff, contractors and directors. TIPS is operated by Deloitte whose staff receive the complaint and then email it to the Tabcorp General Manager-Compliance with a recommendation as to the appropriate action to take. She then has various timelines to adhere to in responding to the complaint. As at October 2006, one complaint had been received through TIPS.

In December 2005, Star City ran a “Be Alert” campaign to raise awareness of the compliance hotline and the Manager responsible for it. It can be said from our interviews that knowledge of the hotline has improved since the Interim Review conducted by the Authority in 2005. It is, however, not well known.

### **Incident Reporting**

The incident reporting system in place during the previous Investigation remains. A daily meeting between Surveillance, Security and Investigation managers is held to review incidents which occurred over the previous 24 hours. Each participant told us that the meetings were useful, productive and ensured information was shared and acted upon.

### **PROSTITUTION AND LOAN SHARKING**

Soliciting for the purposes of prostitution is an offence if it takes place within the liquor licensed areas of the complex. Most reports of suspicions of soliciting arise from the

hotel area and are appropriately dealt with by Star City. There is no evidence of which we are aware of any organised soliciting in the PGR or on the MGF.

Reports of money and other valuables being exchanged in the casino, particularly in the PGR, are made from time to time. Some no doubt are exchanged between friends or associates with the expectation that the money would be repaid without any charge. Some, however, may be made on a commercial basis 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.

The number of loan sharking or money lending reports by staff is low and consistently so, save for increases after awareness campaigns by Star City and taking into account seasonal activities. They appear to be appropriately scrutinised by Star City investigators.

Earlier this year, an PGR member was observed to be lending money to others and recording what appeared to be amounts in a note book. Ultimately, she was spoken to by the VIP Services Manager who, on confirming that she lent money but only to friends, and on being shown her notebook with amounts of \$5000 noted and a name, suspended her from the PGR.

The PCIU established a Strike Force in relation to money lending and conducted an investigation into this female patron. It was accepted that she was not lending for profit and Star City issued her with a warning and revoked her suspension.

We are satisfied that Star City has in place procedures to ensure that soliciting and loan sharking is detected and appropriate action taken when identified.

## **THE PRESENCE OF CRIMINALS IN THE CASINO**

The PCIU continues to vet members of the PGR at the casino. During the period in review, over 4800 probity checks were carried out. Exclusions result when necessary.

In addition, the Investigations Department undertakes checks upon prospective members.

At regular intervals the Authority directs Star City to supply a range of lists of top players. The Authority then provides those lists to law enforcement agencies. This permits those agencies to undertake any inquiries each considers useful in relation to those who are known to gamble large amounts of money at the casino.

The combination of these measures and the incident reporting system and training modules in place at Star City, as well as a culture which supports reporting suspicious behaviour, should ensure that the presence of criminals in the casino is minimised, and importantly, not tolerated.

There is, and we suspect often will be, a small number of gamblers on the MGF who are of interest to the police. However, the procedures in place should ensure that appropriate action is taken.

## **MONEY LAUNDERING**

Any person engaging in any transaction that involves, under State legislation, the proceeds of crime or, under Commonwealth legislation, the proceeds of a serious offence commits the offence of money laundering.

The potential for money launderers using the casino remains a concern for law enforcement agencies. They identify that the reporting of suspect transactions, dealt with below, by the casino operator assists in identifying such activity. In addition, each of the representatives of those agencies with whom we spoke advised that the casino operator was most co-operative when access to records or the casino was sought. They commended the casino operator for its attitude and approach towards the serious issue of money laundering and other criminal endeavours.

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 significant and suspect cash transactions to AUSTRAC.

### **Significant Cash Transactions**

Star City has obligations under the *Financial Transactions Reports Act* 1988. Those obligations include reporting cash transactions over \$10,000, termed significant transactions, to the federal agency AUSTRAC. It must report the details for both the person conducting the transaction, as well as the person on whose behalf the transaction was conducted. The details to be reported include the name, address, occupation, date of birth, the method used to verify the identity of the person and whether the transaction was conducted on behalf of another person. If the transaction was for another, the name, address and occupation of that other person are also to be reported.

Star City has reported over 46,000 significant cash transactions between 1 January 2004 and 30 June 2006, an increase of over 30 per cent from the previous three years.

### **Suspect Cash Transactions**

Star City must also report suspect cash transactions to AUSTRAC. Under the legislation, a suspect transaction is where a cash dealer has reasonable grounds to suspect that the transaction may be relevant to criminal activity.

Suspect 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 significant cash 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.

Star City has reported over 2800 suspect transactions between 1 January 2004 and 30 June 2006, an increase of some 30 per cent over the previous three years. Most of these transactions have been for suspected structuring of transactions to avoid the \$10,000 reporting limit. The principal reason for the increase is the decision by Star City to report all cash transactions between \$9000 and \$10,000 as suspicious.

AUSTRAC is satisfied from the information available to it, that Star City complies with its obligations under the legislation. It remains of the opinion expressed to us in 2003 that the casino operator is a “*benchmark cash dealer among casinos*”.

Generally, relevant staff have a good knowledge of the transactions of which they should be suspicious and they receive regular training.

KPMG carried out an audit of Star City’s compliance with the *Financial Transactions Reports Act 1988* in June 2004. It made recommendations that controls be strengthened to ensure timely reporting of blocked and unblocked accounts. No concerns were raised about reporting suspicious transactions.

### **Conclusion**

We are satisfied that Star City has in place adequate procedures to ensure compliance with its reporting obligations with respect to cash transactions.

## **ANTI-MONEY LAUNDERING AND COUNTER-TERRORIST FINANCING BILL**

In 2003, we reported on the Financial Action Task Force on Money Laundering. It was an inter-governmental body which set standards and developed policies to combat money laundering and terrorist financing.

In 2003, the Task Force developed a comprehensive framework which contained recommendations and called upon all countries to take the necessary steps to bring their national systems for combating money laundering into compliance with those recommendations, some of which were directed at casinos.

In response in 2004, the Commonwealth Government issued a paper on anti-money laundering reform for the gambling industry. In October 2005 an evaluation report was issued on anti-money laundering and combating the financing of terrorism in Australia.

The *Anti-Money Laundering and Counter-Terrorism Financing Bill 2006*, which was then drafted, has been the subject of consultation with, among others, the casino industry. As at November 2006, it is before the Commonwealth Parliament.

In summary, the Bill requires casinos to carry out procedures to verify customers' identities before providing a gambling service other than low risk services. In some cases the procedure may be carried out after providing the gambling service. There are modified identification procedures for certain customers. Casinos must carry out ongoing customer due diligence. Cross border movements of physical currency must be reported to AUSTRAC, a Custom's Officer or a Police Officer if the total value moved is above the threshold of \$10,000. Funds transfer instructions must also include certain particular information.

In relation to gambling services, the customer is the person making the bet, the person on whose behalf the bet is made, the person who wishes to place a bet and a person who wishes to place a bet for another person, the person to whom winnings are paid, the person whose money is exchanged for chips or tokens or chips or tokens are exchanged for money or the person to whom winnings are paid or prizes awarded.

Casinos must have and comply with an anti-money laundering and counter-terrorism finance program. That is a program designed to identify, mitigate and manage the risk a casino may reasonably face that the provision by the casino of particular services might involve or facilitate money laundering or financing terrorism.

AUSTRAC has issued draft Consolidated Rules to accompany the proposed legislation. Of particular note, the information which may be required by the casino from a customer includes the customer's source of funds, the customer's financial position and details of income or assets available to the customer.

Tabcorp's General Manager-Compliance is a member of the working party from the Australian Casino Association which is making submissions to AUSTRAC and others with respect to the Bill and proposed Rules. She advised us that Star City has acquired a system called World Check which is an online consolidation of all the various terrorist lists around the world to assist with customer due diligence checking. In addition, the working party has engaged an external lawyer to develop a program which will be designed to comply with the program currently required under the Bill.

While the final form which the legislation will take is obviously not known, it seems evident at this stage that it will require significant change to the way Star City operates with respect to certain of its customers.

It is equally evident that Star City has commenced the process of considering systems which it is likely to need to comply with the proposed legislation.

We recommend that the Authority obtain information from Star City, once the legislation has been enacted and is in force (we understand there will be a transition period) to ascertain the measures Star City has in place to ensure compliance.

### **DRUG RELATED ACTIVITY**

We are satisfied on the evidence and other information we have received that while activities associated with the use of drugs take place in the casino, the relevant authorities and Star City are taking appropriate action.

### **RETAIL ARCADE**

In the 2003 Investigation, we reported on an increase in incidents of violence and aggression in the Star City complex retail arcade area between Pymont Street and Pirrama Road. Star City engaged contract security officers on Friday and Saturday and installed barriers at each end of the retail arcade between about midnight and 4am or 5am on weekends.

As reported earlier, the closure of the Cave nightclub and Karimas has eliminated the need for both barriers and the contract security staff.

### **INTOXICATION**

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

Further, Star City 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.

All staff interviewed by the Investigation had received training, and if relevant, refresher training in RSA. They generally understood their responsibilities and appear to actively monitor for breaches of the principles. Most staff were able to give a recent example of intervention they had initiated to ensure RSA and identified the signs of intoxication of which they were informed in their training. They reported appropriate responses from supervisors and security.

A Responsible Service of Alcohol Committee is in place, which comprises senior staff. Star City has recently undertaken a RSA awareness campaign and reviewed liquor signage.

We spoke with the NSW Police Commander of the City Central Local Area Command, who identified Star City as one of the top ten venues at which alcohol related incidents occurred. However, after taking into account the size of Star City and the number of visitors to the casino, he was not critical of the operator in relation to RSA issues. He expressed the view that the systems in place were effective in not permitting entry to those affected by alcohol.

A project initiated by the NSW Police following the NSW Summit on Alcohol Abuse, audited Star City for compliance with RSA. While the first report was not positive, the second showed an improvement.

In September 2004, Star City engaged the consultants, Barrington, to review the RSA and the responsible conduct of gambling at Star City. The conclusions were positive and no incidences were observed which those conducting the review considered to be in breach of those principles.

In March 2005, a further review was conducted by Barrington. The conclusions were similar to the previous year, although a large number of young patrons who appeared to be affected by alcohol were observed. The author of the report noted that "*most patrons*

*were able to conceal their intoxication levels whilst they (security staff) were in attendance”.*

Again in April 2006 a review was conducted, however, the conclusion reached was quite different. It was concluded that *“standards of policing responsible service of alcohol by staff has lessened”*. Those conducting the review witnessed persons in varying states of inebriation walking through the gaming and bar areas and did not observe staff take any action against those persons even when they were clearly affecting the enjoyment of other patrons in the near vicinity.

A particular incident was observed and reported in which a pit manager prevented a player from ordering further alcohol but did not stop him from gambling. The player then also continued to drink in the view of the pit manager.

In May 2006, a benchmarking exercise was carried out by Barrington with Crown Casino, the results of which were very positive for Crown Casino.

In June 2006, Barrington was engaged to again review staff adherence to RSA and responsible gambling at Star City. Those conducting the review concluded that the number of visible security personnel was higher than the previous review and that security acted appropriately to observed incidents.

Star City reviewed the adverse Barrington report of April 2006 in detail and viewed the video footage. It disagreed with some of the observations made by Barrington based on the video footage and staff interviews. Star City noted that Barrington’s April visit coincided with Anzac Day when staffing was less than would be usually rostered for a weekend. It referred to the positive results in customer feedback concerning security. Star City also noted that 22 patrons were asked to leave during the two days the casino was under observation.

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 RSA and responsible gambling are clearly intertwined. Star City’s training, both initial and by way of refresher,

has staff being trained in RSA and responsible gambling on the same occasion. This is both appropriate and necessary.

While those interviewed were in the main impressive in terms of their understanding of the principles of RSA and in the illustrations they were able to give of the occasions upon which they had taken action in conformity with those principles, the inter-relationship between gambling and intoxication was not always well understood.

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

We note that in the period covered by the Investigation, nearly 22 million people entered the casino and about 27,000 were refused entry or asked to leave for being intoxicated.

No disciplinary action has been taken against Star City since 2003 for infringements of its liquor licence.

We are satisfied that Star City has in place appropriate procedures to fulfill their obligations in relation to the RSA.

### **Other Licensees**

No action was taken by the Authority against any other licensee which operated within Star City.

## **CONCLUSION**

A security supervisor told us:

*I'd say it's changed about 1000 per cent because when I first got there [1998], I just thought, "Oh, God", you know, "I can't believe that they're turning a blind eye to that." Just the Endeavour Room and the way it was run. It was all run on, you know, "Oh, don't speak to these people. Don't annoy them. They're spending a lot of money here", and this and that. It just – it looked dodgy. But now it's brilliant because there's just everything; you know, security is called up for it, things are*

*stomped out straight away. They're using the exclusion procedures better. There's new things in place for people who get suicidal or want to exclude themselves. With any illegal or undesirable activity, straight away we're called into the buying room and the Endeavour Room and they're usually excluded upon investigation. It's great now because it means that you can't just come in and go, "Hey, I've spent a lot of money here. I can do whatever I want."*

We are satisfied that Star City 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 us 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.

### LEVEL OF GAMBLING AND ECONOMIC BENEFITS

Star City has 1500 gaming machines and 210 gaming tables. In addition to Star City, legal gaming in NSW is conducted in nearly 1400 registered clubs operating over 75,000 gaming machines, with over 1800 hotels operating more than 24,000 gaming machines, and with 300 bookmakers on 209 race courses. There are many charity games of chance, the NSW Lotteries, the TAB network of agencies, and over 1000 clubs connected with Keno.

In 2004-2005, total gambling expenditure in NSW was \$6.888 million; that is \$1336.22 per adult. In that year in NSW, 0.28 per cent of household disposable income was spent on casino gambling. The casino gaming expenditure share of the NSW gambling market was nine per cent while gaming machines comprised 81 per cent.

In the period under review, Star City has paid \$219.3 million in gaming taxes to the NSW Government, \$34.3 million to the Responsible Gambling Fund (formerly the Casino Community Benefit Fund), \$470.3 million in salaries and wages and total taxes of nearly \$300 million.

In 2004-2005 total gaming expenditure at Star City was \$544 million dollars or \$105.51 per adult. That represents a modest increase of 1.8 per cent since 2001-2002.

In its 2005 report *Economic Implications of an Ageing Australia*, the Productivity Commission suggested that two major demographic factors will influence spending on gambling in the future. First, the "Adult Effect" which is that the adult share of the

population is expected to increase over the next 40 years for all jurisdictions. This will increase a proportion of the population that gamble and result in an increase in gambling expenditure. Secondly, the ageing effect which will offset increasing gambling expenditure as older groups have a relatively lower propensity to gamble.

As at the end of 2005-2006 financial year, Star City employed over 3100 people.

## **IPART REPORT**

In July 2003, the Independent Pricing and Regulatory Tribunal (“IPART”) was tasked by the NSW Government with reviewing the effectiveness of existing gambling harm minimisation measures and considering further harm minimisation measures which had been identified or proposed for adoption. It reported in June 2004.

In its report, IPART concluded that it was generally accepted that prevalence rates for problem gambling are around 1.5 to 2.5 per cent of the population. It recommended that ongoing prevalence studies be conducted into problem gambling to assess, and monitor over time, the extent of problem gambling, its geographic spread and the profile of problem gamblers.

It found that the effectiveness of gambling harm minimisation efforts in NSW would be improved by developing a coherent, integrated responsible gambling policy framework. It said “*The Tribunal considers that the overall aim of the integrated policy framework should be to promote a ‘culture of responsibilities’ in relation to gambling*”.

There were three main areas of recommendation:

- (a) Promoting the level of “informed choice”. IPART was of the view that consumers should have adequate information on which to base their gambling decisions and that there should be improved community awareness of the risks and foreseeable consequences of gambling. It recommended that the measures that promote G-line (NSW) and responsible gambling should be grouped as an “informed choice package”

and that the messages in the package should be reviewed to increase their effectiveness.

- (b) Protecting gamblers to discourage risky behaviours and reduce the prevalence and negative consequences of problem gambling. IPART assessed existing and proposed measures to protect gamblers on the basis of the availability of credible evidence or stake holder consensus. Where the existing evidence and stake holder consensus supported a measure, IPART recommended that it be introduced, retained or amended.
- (c) Improving the effectiveness and efficiency of the problem gambling counselling program in NSW. IPART recommended that the then Casino Community Benefit Fund's existing policy framework for counselling should be prioritised including that there be a requirement for accreditation of individual counselling services.

A raft of minimisation measures was not recommended by IPART for adoption. They include:

- (a) the display of payout ratios;
- (b) requirements to provide information on individual gambling sessions on gaming machines;
- (c) sound limits on gaming machines;
- (d) restrictions on double up or other similar game features;
- (e) further controls on gaming machine artwork;
- (f) slower reel spin speeds;
- (g) mandatory cash out based on session length;
- (h) forcing the payment of winnings once a certain level is reached;
- (i) a requirement for natural light to be provided in gaming areas;
- (j) requirements for gamblers to be visible from outside the gaming area;
- (k) compulsory shut down of individual machines; and
- (l) requirements on the maximum number of carded games per reel.

IPART recommended that players should be encouraged to use pre-commitment cards on a voluntary basis where they are available. Research into pre-commitment mechanisms, including cards, should be conducted at a national level.

It also recommended that further research be conducted into a range of areas including modifying note accepters and lower ATM cash limits.

## **STAR CITY'S RESPONSIBLE GAMBLING STRATEGIES**

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

- (a) displaying information concerning chances of winning prizes;
- (b) providing player information brochures;
- (c) providing player information in community languages;
- (d) displaying warning notices of the dangers of gambling;
- (e) displaying signage about the availability of counselling;
- (f) clocks are required to be visible from gaming machines;
- (g) advising patrons that prize money in excess of \$1000 is available by cheque and not disclosing the identity of certain prizewinners;
- (h) providing player activity statements under player reward schemes;
- (i) not displaying gaming machine related advertising and signs;
- (j) providing problem gambling services;
- (k) permitting voluntary exclusion orders;
- (l) not providing gambling inducements; and
- (m) providing training courses for employees in responsible gambling.

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

- (a) the production of brochures which, inter alia, provide information about behaviour indicators of a gambling problem;
- (b) information about self exclusion and contact details for gambling counselling;
- (c) additional signage;
- (d) some gaming machines have been installed on the MGF which are equipped with clocks;
- (e) prize money and accumulated credits paid by cheque are not redeemable for 24 hours;

- (f) retaining Wesley Financial and Gambling Counselling Service to provide 24 hour crisis intervention for distressed patrons and other services;
- (g) self excluded persons are required to attend a gambling counselling session before the order is considered for revocation;
- (h) signage warning not to leave children unattended;
- (i) in 2006 it issued a reviewed *Responsible Gambling Code*;
- (j) a Responsible Gambling Committee has been established to monitor the quality and effectiveness of responsible gambling programs;
- (k) a Responsible Gambling Manager has been appointed and a register created;
- (l) staff training in responsible gambling;
- (m) selected senior employees have been trained in Responsible Gambling Management; and
- (n) A *Responsible Gambling Manual* has been developed.

In 2003, we reported that *“there are no effective measures in place to determine whether the staff training is effective and whether the responsible gambling principles adopted by management are being applied by staff and if so, with what result.”*

In 2004 and 2005, Star City engaged KPMG to conduct surveys to assess the knowledge of staff of the Responsible Gambling training program. In 2004 about five per cent of staff completed the questionnaire and KPMG formed that view that the level of understanding of responsible gambling practices was strong. However, a significant number of staff did not believe or were unsure how supervisors/management would handle responsible gambling issues and, importantly, many were unable to identify unacceptable behaviour. For example, 40 per cent were unsure or thought it acceptable for patrons to gamble while intoxicated and about one quarter were unsure or thought it acceptable for patrons to fall asleep at an electronic gaming machine.

About nine per cent completed the questionnaire in 2005 and the responses were generally positive as to the effectiveness of the training received. Improvements were also recorded in the numbers of staff who believed Star City was committed to responsible gambling and, significantly, more staff were able to identify unacceptable behaviour.

An internal audit was carried out in May 2006 on compliance with human resources legislation. It was found that responsible gambling training was comprehensive.

Generally, there was a good understanding by those interviewed for this Investigation of the content of the training they had received. Many staff interviewed gave examples of occasions on which they had spoken to a patron about any problems they may have had with gambling. Usually, but not always, the conversation is initiated by the patron.

A casino duty manager told us:

*A gentleman the other morning was in tears on the table. We immediately looked into it to see what was going on. It seems he'd had a rather terrible divorce situation happening. His father was accompanying him. I spoke to his father and said, "Look, I'm concerned, I'm not happy that he's gambling in this condition. I'm going to ask him to stop playing. Can I offer you breakfast?" – because they were staying in-house – "what can I do?" Basically, it was very late in the day, he'd probably been playing all night. He said, "He is upset over his marriage." I went and had a chat to the bloke and said, "I am not happy with you playing in this condition. It's all right when you're winning but when you're losing you have two problems then" so I stopped his play, offered him breakfast, and tried not to embarrass him in asking him to return to his room.*

While the staff interviewed for this Investigation had all received the training, initial or refresher required, understanding differed as to an important responsible gambling principle. In the *Responsible Gambling Code of Practice*, Tabcorp states that an inappropriate practice and a characteristic commonly associated with gambling related problems includes playing for an excessive period of time.

For VIP services staff, some thought a patron playing for eight or more hours warranted intervention; for another it was the presence of a patron over two shifts, for the VIP Manager it was sixteen to eighteen hours. For a dealer, four hours was enough for her to intervene, a games supervisor believed that eighteen hours at a table did not warrant his concern, an electronic gaming supervisor thought 24 hours deserved her attention. A surveillance operator thought ten hours was a problem and a security duty manager

who has been appointed a responsible gambling liaison manager said four or five hours.

For others it depended on whether the patron was a local or not.

A casino duty manager recalled that about ten incident reports about patrons gambling for lengthy periods of time had been completed over the past twenty months.

The Responsible Gambling Manager told us that Star City is considering tracking play through the IGS system and creating an alert after sixteen hours of play is recorded.

Given that Tabcorp, in the educative material it makes available to staff and publicly, has identified a concern with gambling for an excessive period, it seems to us that it should provide leadership in the area. We note the Responsible Gambling Manager's evidence and recommend that the Authority monitor Star City's activities in this area.

## **WESLEY FINANCIAL AND GAMBLING COUNSELLING SERVICE**

Wesley Gambling Counselling Service has a contractual arrangement with Star City to provide a range of services including training to Star City staff. Its main work is in assessing those who have been self excluded. Self excluded persons are required by Star City to attend counselling sessions and obtain a recommendation from the counsellor that they should be permitted to re-enter the casino before Star City will consider revoking the exclusion order.

From 1 January 2004 to 30 June 2006, 99 assessments were carried out in relation to persons referred by Star City. The Service provides ongoing counselling to 55 persons who were referred by Star City.

In addition, Wesley provides a 24-hour on call service. Counsellors were contacted once in 2004 and once in 2005 and on five occasions in 2006. The increased training of selected senior staff and security officers since late 2005 may well account for the greater number of calls in 2006.

## **G-LINE**

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. IPART described G-line as one of the most significant harm minimisation strategies introduced in NSW.

More than \$7 million in funding from the Responsible Gambling Fund has been directed to its operations since the launch of the service in 1997. The G-line (NSW) service provider is McKesson Asia-Pacific Pty Limited.

Calls from target customers have increased in 2005-2006 by some seven per cent over the previous year to almost 9500. Over two-thirds of callers identify themselves as gamblers.

G-line does not specifically collect and/or analyse statistical information in relation to Star City casino.

In its submission to the Investigation, the Salvation Army advised that over the past year, its Careline has experienced a ten per cent increase in calls relating to gambling.

## **RESPONSIBLE GAMBLING FUND (FORMERLY THE CASINO COMMUNITY BENEFIT FUND)**

From 16 December 2005, the Casino Community Benefit Fund was renamed the Responsible Gambling Fund ("RGF").

The 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 (formerly the Casino Community Benefit Levy) of two per cent on all casino gaming revenues.

IPART carried out a review of the aims and resources of the Fund's research, counselling, community awareness and education and community projects programs.

It made a series of recommendations and comments including noting that funding for non gambling related community projects should be discontinued. In its response to the IPART report, the Government stated that the Fund would no longer fund non gambling related community projects.

In 2005-2006, the RGF expended nearly \$10 million. Large grants were made to St Vincent's Hospital, Wesley Gambling Counselling Services and the Multicultural Problem Gambling Service.

### **ILLEGAL GAMING**

The NSW Police has informed us that they have no real concerns in relation to the presence of illegal gaming within Sydney.

### **CRIME AND UNDESIRABLE BEHAVIOUR IN PYRMONT**

The NSW Police advise us that there are no general concerns about criminal, anti-social or otherwise undesirable behaviour in the Pyrmont area of the casino complex.

Authority staff recently met with Star City's Responsible Gambling Manager to determine the work done since the NSW Summit on Alcohol Abuse which was held in August 2003 and the Pyrmont Safety Audit in July 2003. It appears from that meeting and from discussions we have held with the police and Star City staff that the closure of the Cave nightclub and Karimas has significantly reduced late night noise in the area. Further, a number of additional cameras have been placed in Pirrama Road.

We received a number of submissions from residents, and interviewed one such resident. Their concerns relate to anti-social behaviour from residents and guests in the apartment blocks, the casino ejecting intoxicated people, rubbish and parking.

The Lord Mayor of Sydney made a submission in which she acknowledged the work of Star City over the past three years to improve compliance and reduce alcohol related incidents. She noted that complaints about intoxicated persons leaving the casino were still being received and suggested courtesy bus services. In addition, she advised that

the City had received complaints from residents about noise from the open rooftop area of Star City, as late as 1am. She recommended that the entertainment venues arrangement be re-evaluated.

The submission also noted that the casino was not a member of the Sydney CBD Licensing Accord and recommended that the responsibilities referred to in the submissions be conditions of the casino's liquor licence.

In response to the written submissions, Star City advised that it has a policy banning large groups or parties in all hotel and apartment rooms. Security officers are also posted at the apartment entrance each Friday and Saturday night and patrol each floor of the hotel and apartments.

In the last twelve months the number of patrons evicted has been reduced by more than 50 per cent as it says it has improved methods of dealing with unruly customers. They are usually taken to the nearest practical exits and the police can be called.

Star City has recently been given approval by the City of Sydney to allow casino employees to park in the casino car park during the day which, Star City says, should discourage them from parking in local streets. It noted that security staff are not authorised to patrol surrounding streets.

Star City said that there are already extensive transport services from Star City, however, it is about to upgrade its shuttle bus services. In relation to noise, Star City advised that it has received only nine noise complaints in the last twelve months.

Star City became a member of the CBD Liquor Accord in 2006, which we understand is the same as the Accord referred to in the Lord Mayor's submission.

## **Conclusion**

The conclusion we expressed in 2003 remains the same. Anti-social behaviour associated with alcohol is obviously a community wide issue of significant concern. As part of the community and the operator of a 24-hour licensed venue, Star City has

obligations to take measures within its control to deal with the social impacts of its presence.

The closure of the Cave nightclub and Karimas has made a significant and positive difference. The retail arcade no longer poses the challenges to security and the surrounding areas, it once did. Star City's membership of the CBD Liquor Accord should also result in a co-ordinated approach between all the licensed outlets in the area.

## **PASSIVE SMOKING**

Star City has been required to have 75 per cent of its premises non smoking since July 2006. From July 2007, all enclosed public spaces will be required to be non smoking, with the exception of the PGR.

From interviews with staff, it appears that patrons have generally accepted the restrictions and there have been few complaints. From our observations of the casino, the areas in which smoking is and is not permitted are well signposted.

In 2003 we recommended that it would be expected that Star City would respond appropriately to emerging information concerning any matters of occupational health and safety, in particular the effects of passive smoking.

We are satisfied that Star City is complying with its obligations under the *Smoke-Free Environment Act* 2000 and note that shortly, smoking will not be permitted within the casino, with the exception of the PGR. We note that sec 11C of the *Smoke-Free Environment Act* requires the Minister to review annually the exemption for a casino private gaming area and to report the outcome to Parliament.

Star City should monitor the operations of the PGR to ensure that any matters of occupational health and safety, associated with passive smoking are addressed.

# CHAPTER EIGHT

## COMPLIANCE AND OTHER MATTERS

### COMPLIANCE

Star City continues to have in place an effective compliance program. The program is overseen by Tabcorp's Management Compliance Committee which comprises the Chief Executive Casinos; Managing Directors of each of the Casinos; General Manager-Risk and Internal Audit; Group General Manager-Legal and Regulatory; and General Manager-Compliance, Casinos Division.

The Committee meets quarterly and receives a monthly exception report from the General Manager-Compliance on all outstanding compliance issues including legal and undesirable activity, liquor licences and RSA, financial transaction reporting legislation and other matters. The responsibility of the Committee is to review all compliance reports received, make recommendations and report to Tabcorp's Risk and Compliance Committee, monitor compliance by each casino and foster a culture of compliance throughout the organisation.

The major change with respect to responsibility for compliance since the last triennial Investigation is as a result of the re-structure of Tabcorp and the creation of the Casinos Division. The Compliance Manager for Star City is now the General Manager-Compliance, Casinos Division with responsibility for the other properties acquired with the merger with Jupiters Limited. The General Manager-Compliance now reports to two senior managers in Tabcorp.

A *Compliance Master Manual* has been created. It is an impressively comprehensive document dealing with management responsibility, resources, complaints handling, record keeping, reporting and education and training. We are informed that a new *Manual* is under preparation to comply with an Australian Standard which has recently been issued.

In recognition of the high standard of the compliance program at Star City, the General Manager-Compliance was recently awarded with a National Industry Award by the Australasian Compliance Institute.

Compliance culture surveys were undertaken in 2005 and 2006 with the conclusion being expressed in 2006 that, since 2005, there had been a nine per cent improvement in the compliance culture of Star City. The results of both surveys are generally positive.

In May 2004 and in July 2006, Star City engaged Neil Buck & Associates to review of the compliance program in light of the current Australian Standard. It concluded on both occasions that that the program was strong and well embedded in the organisation and that it was a competent, mature and effectively led program which met the compliance requirements.

In 2006, it concluded that the company had a very competent Compliance Manager, strong management and Board commitment and a broad awareness across the company of the risks of compliance failure.

## **LAW ENFORCEMENT**

Following a recommendation arising from the 2000 Investigation, a police unit was established in relation to the casino. During the period under review it has changed its title from the Police Casino Intelligence Unit to the Police Casino Investigation Unit. The PCIU is part of the Firearms and Regulated Industries Crime Squad within State Crime Command. It is co-ordinated by a Detective Inspector and is staffed by two Detective Sergeants and six Detective Senior Constables. In addition, there are three police intelligence analysts and three analysts seconded from the Authority.

The PCIU 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.

No specific major and/or systemic criminal issues with respect to the casino have been identified by the PCIU within the last three years.

In earlier chapters we have indicated that the representatives of law enforcement agencies with whom we spoke were each approving of the co-operation received from Star City when called upon to provide access or other assistance.

There are regular meetings at various levels between the NSW Police, Star City and the Authority to facilitate the exchange of information and the timely exclusion of appropriate people.

### **Executive Intelligence Meetings**

Executive Intelligence Meetings are held bi-monthly. They are attended by the Authority's Chief Executive, the Detective Superintendent in charge of the NSW Police Firearms and Regulated Industries Crime Squad, responsible for the PCIU and the General Manager-Legal, Star City.

We understand that these meetings permit full and frank discussions with appropriate action being taken by the casino operator when required.

### **Operations Intelligence Meetings**

This fortnightly meeting is attended by Star City's Investigations Manager, staff from the Operations branch of the Authority and representatives from the PCIU. We understand that in the main, the meeting achieves its objective. From a perusal of the minutes of the meetings, appropriate matters are raised, information is shared, patrons are monitored and where appropriate excluded.

### **Meetings with Local Police**

Star City's Security Manager and the Chief Executive and Operations Manager of the Authority meet with police from the City Central Local Area Command each month. We understand that they discuss matters relating to local crime including liquor licensing issues, thefts, assaults and the like, and relevant trends.

### **The Authority Intelligence Committee**

The Chief Executive and Chairman of the Authority meet several times a year with the Detective Superintendent in charge of the NSW Police Firearms and Regulated Industries Crime Squad.

## Conclusion

We are satisfied that the structures which are in place should enable appropriate communication between the NSW Police 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.

## ERICK TJANDRA

Erick Tjandra is an Indonesian born Australian who became a member of the PGR at Star City in June 2005. At that time he was 31 years of age.

In the three or so years prior to his membership, he had gambled infrequently at the casino with small wins or losses. He had had a front money account since 1998.

His gambling substantially increased from about May 2005. Set out below is the number of visits he made to the casino in each stipulated month, the amount he either lost or won over that period and the bank cheques he presented.

<b>Dates</b>	<b>Casino Visits</b>	<b>Amount Won/Lost</b>	<b>Cheques Presented</b>
May 2005	16 days	Loss \$72,654	\$25,000
June 2005	15 days	Loss \$46,336	\$70,000
July 2005	19 days	Win \$26,500	\$40,000
August 2005	12 days	Win \$94,000	\$50,000
September 2005	17 days	Win \$290,000	\$100,000
October 2005	16 days	Loss \$1.278 million	\$770,000

November 2005	18 days	Loss \$1.755 million	\$1.705 million
December 2005	11 days	Loss \$587,000	\$1.355 million
January 2006	11 days	Win \$1.94 million	\$1.82 million
February 2006	14 days	Loss \$5.47 million	\$3.95 million
March 2006	9 days	Loss \$1.6 million	\$2.6 million

At about 5.30pm on 21 March 2006, Erick Tjandra was arrested by NSW Police and charged with a number of offences.

Mr Tjandra had stolen \$10,421,507.71 from his employer, the Commonwealth Bank of Australia. According to submissions made by his counsel when he was sentenced by the Court, about \$1 million was repaid by Mr Tjandra during the time he was gambling and slightly more than \$1 million was recoverable from an account at Star City, leaving a total loss in excess of \$8 million, all of which was spent on gambling.

He admitted his guilt to police and pleaded guilty to 37 counts of obtaining money by deception pursuant to sec 178A(a) of the *Crimes Act* 1900. Mr Tjandra was sentenced on 31 October 2006. Before Judge Armitage was a report from a clinical psychologist in which she recorded being told by Mr Tjandra that he was gambling towards the end out of habit and not out of any pleasure and was overwhelmed by fears of detection of his crime and could not sleep or eat.

In addition, before the Court were reports from a psychologist from Wesley Gambling Counselling Service and a psychiatrist which indicated Mr Tjandra suffered from a psychiatric condition or was a pathological gambler as outlined in the *Diagnostic and Statistical Manual of Mental Disorders IV* (2000).

Judge Armitage said:

*Quite frankly, I regard it as the height of irresponsibility for the Casino to have placed such a vulnerable person in the situation of gambling in what is called the Kerry Packer Room against the House. He was not Kerry Packer, he was not an Asian prince, as I remarked in my earlier exchange with counsel when sentencing. He was a humble bank clerk who unfortunately, developed a gambling addiction beyond his means.*

*It is fair to say that the Casino has obviously had no opportunity to present evidence in this case, and it may be that there are extenuating circumstances for all I know, but on the face of it the Casino should have made enquiries long before it did as to this man's source of funds and certainly not placed him in a situation where, purely and simply because he was prepared to gamble large sums of money, the source of which the Casino did not know, he was allowed into the Kerry Packer Room to gamble against the House. Those who had reservations about the foundation of the Casino in this city, to my mind, have had their fears amply confirmed by this course of events.*

*Having said that, it is to the credit of the Casino that it was that body that eventually brought the offender's gambling to the attention of police, and it was only then that his employer found out what had happened and about the funds it had lost.*

Mr Tjandra was sentenced to a non parole period of, effectively, three years.

The relevance of Mr Tjandra's activities to this Investigation lies in the approach taken by Star City to a patron who, in 2005, was its top or close to its top player and who significantly increased his gambling habits over a short period of time. Thus, issues of responsible gambling as well as the detection of illegal activity, namely gambling with the proceeds of crime, arise.

What follows is a chronology largely derived from information provided by Star City and obtained as a result of a review conducted by Star City's Legal Manager, following the charging of Mr Tjandra.

Mr Tjandra came to the attention of Star City managers in mid 2005. His name had appeared on the Top 100 Turnover List for the six months prior to 30 June 2005 and he had been granted membership of the PGR. The List was also provided to the PCIU by the Authority.

As is clear from the table above, the months of September and October 2005 represented a significant increase in Mr Tjandra's play. At around that time it was brought to attention of a manager that Mr Tjandra was laying significant bets of between \$20,000 and \$40,000 per hand. He also began gambling in the inner sanctum, a private gaming room available to high end PGR members.

In October 2005, his name appeared at number three on the Top 25 by Player Loss List for the three months to 30 September 2005.

In late October 2005, a manager of the PGR began to wonder whether Mr Tjandra was involved in any illegal activity given his "*dramatic*" increase in betting. He caused an inquiry to be made with the PCIU, an officer of which apparently advised that Mr Tjandra's name was not known in any suspicious context to the NSW Police.

At about this time Mr Tjandra was brought to the attention of the Responsible Gambling Manager by PGR managers. They did so because he was a relatively new patron about whom very little was known and he was a young man gambling large amounts of money. It was also thought that he was "chasing his losses" which is an indicator of a problem with gambling. The pattern of play was that "*he had some months of large wins and then he lost all the wins and started losing his 'own' money*".

The Responsible Gambling Manager took no particular action nor did she on the two subsequent occasions, in December 2005 and January 2006, when his play was raised with her.

During late 2005, various employees of the casino, including managers, monitored Mr Tjandra for indications of a gambling problem. None of them found any such indicators. It appears they were primarily looking for agitation or distress, abusing casino staff, drinking alcohol, attempting to borrow money and the like. However, a number commented on his calm manner, most thinking it was odd rather than reassuring. No one knew from where Mr Tjandra got his money.

Throughout 2005, the cheques presented by Mr Tjandra were all Commonwealth Bank bank cheques which, at least initially, were verified with the Commonwealth Bank prior to the funds being made available to Mr Tjandra and Star City.

In late 2005, Mr Tjandra stayed at the casino hotel with, among others, his father, who was recorded as buying in for \$200,000.

Between October and December 2005, Mr Tjandra lost over \$3.5 million and in January 2006 recouped some of his losses with wins of nearly \$2 million.

In January 2006, Mr Tjandra's name appeared as number one in the Top 100 Turnover List for the six months to 31 December 2005.

In early February 2006, an Authority inspector observed Mr Tjandra playing in the inner sanctum. He followed him, with the aid of the cameras, and thought it odd that a player who had lost \$3 million in 2005 and won \$2.5 million so far in 2006, left the PGR, collected his bag from the cloak room and caught a taxi. In his experience, high rollers rarely used taxis and were usually accompanied by an entourage. The inspector passed his concerns on to the PCIU on 3 February 2006.

In February 2006, Mr Tjandra presented cheques for nearly \$4 million and lost nearly \$5.5 million.

By late February 2006, a number of staff members had raised concerns about Mr Tjandra's increasing level of play. It was noted that he was secretive about his sources of income and displayed no emotion when gambling. Earlier, in October 2005, the Managing Director had satisfied himself that appropriate inquiries had been made of

the PCIU concerning Mr Tjandra. In late February 2006, he became involved again and sought further information from his managers.

In early March, Star City, in a more determined fashion, attempted to find out more about Mr Tjandra. One employee thought Mr Tjandra's mood had changed; one of the indicators of problem gambling. A number of senior staff, including the Responsible Gambling Manager, spoke to him in an effort to determine his source of funds and whether he had a gambling problem. From Mr Tjandra's responses there was no indication to those who had spoken to him that he had a gambling problem, largely because he displayed no obvious signs and he denied having such a problem.

A further inquiry was made of the PCIU with the same response as before. The Investigations Manager conducted various inquiries, none of which revealed anything of value.

On 16 March 2006, at a meeting between Mr Tjandra and two senior managers, the purpose of which was to elicit the source of his funds, Mr Tjandra said that his funds came from a family company in Indonesia that deals in birds' nests.

The following day, 17 March 2006, employees working in the Cage decided that Mr Tjandra's bank cheques were suspicious. This seems to be based on a realisation that the heading on the facsimile which he sent to the casino with a copy of the cheque he proposed to present at his next visit contained the words "Prudential Corp". We understand that these words had appeared on all the facsimiles he had sent over the preceding months. This was unusual in the experience of the Cage. They also thought the story Mr Tjandra had told about the source of his funds was "*ludicrous*".

Cage staff telephoned a report about Mr Tjandra's most recently presented cheque to a federal law enforcement agency.

It appears that the information contained in the report was given to the Anti-Money Laundering Unit of the NSW Police, officers of which contacted the Commonwealth Bank. On being informed that Mr Tjandra was an employee, the officers undertook further inquiries which resulted in his arrest two working days later.

Star City has conducted a detailed review of the events described above. It has made a number of changes in its operations. First, it has amended the application for PGR membership to include provision for an applicant to state his or her occupation. Secondly, a monthly meeting, known as the Top 100 Meeting has been initiated. Attending is the Investigations Manager and Officer, VIP Services Manager and the person to whom he reports, and a representative from the Cage. The purpose of the meeting is to review the Top 100 List and pay particular attention to players who show a significant increase in play. A number of players have since been monitored and inquiries made about the source of their funds.

Star City management are of the view that its staff acted appropriately in its dealings with Mr Tjandra. They rely on the following:

- (a) the PCIU and the Authority were aware of Mr Tjandra's gambling through receipt of the Top 25 and 100 Lists as early as mid 2005;
- (b) the PCIU had carried out law enforcement checks on him when he applied for PGR membership in mid 2005;
- (c) inquiries were made of the PCIU in October 2005 and in February 2006, each of which was negative;
- (d) he cashed bank cheques which, in each case, were honoured by the bank;
- (e) he gambled with, and stayed in the hotel with his family, including his father and wife;
- (f) he used his membership card when gambling, ensuring that his play was recorded;
- (g) he did not display the obvious signs of a problem gambler;
- (h) he was monitored by a number of senior staff from the last quarter of 2005; and
- (i) a report was made to a federal law enforcement agency which resulted in his arrest at the casino.

We appreciate the distinct advantages in reviewing the conduct of Star City with the knowledge obtained from Mr Tjandra's conviction. It is understood that the detection of a problem gambler requires intuition as much as science. It is also the case that ultimately it was the actions of Star City which resulted in Mr Tjandra's fraud being

detected by law enforcement and that the casino operator was entitled to rely upon the advice of the PCIU.

However, concerns remain about aspects of Star City's dealings with Mr Tjandra. He was, at times, the casino's top player and since mid 2005 at the very least, was a significant player.

First, conversations could have been had with Mr Tjandra in 2005 about the change in his gambling habits. The Responsible Gambling Manager told us that, with hindsight, she would have spoken to him earlier and requested that he have a problem gambling assessment.

We understand that in 2005, prior to Mr Tjandra coming to Star City's attention, the wife of a PGR player approached casino staff, concerned about her husband's gambling. The Responsible Gambling Manager then approached the player, whose time at the casino and level of play had increased sharply. The Manager suspended the patron from the PGR until he had undergone a gambling assessment with Wesley Financial and Gambling Counselling Service.

While no member of Mr Tjandra's family approached the casino, the remarkable rise in the amounts he bet and the cheques he presented in September and October 2005 would seem to have warranted similar attention.

Secondly, the significant increase in play, the amounts cashed and the enormous wins and losses in the last quarter of 2005 could have given rise to sufficient suspicion to alert federal law enforcement months earlier.

Thirdly, an inquiry could have been made with the Commonwealth Bank about the increasing and significant amount of the bank cheques being presented by Mr Tjandra.

We accept that, currently, there is no requirement for Star City to have detailed knowledge about the source of players' funds, although this may change with the proposed federal legislation (see Chapter 6). It is expected that the casino operator's

Top 100 Meetings will, in future, generate action being taken sooner, should similar circumstances arise.

# CHAPTER NINE

## IMPLEMENTATION OF THE 2000 and 2003 RECOMMENDATIONS

A number of recommendations were made in the 2000 and 2003 Reports. This chapter reports on the progress of the implementation of those recommendations. Where the text discussing the issue under consideration appears elsewhere in this Report, the appropriate reference is provided.

### 2000 RECOMMENDATIONS

In 2000 it was recommended that:

*Each buy in and cash in conducted within the Endeavour Room and in the high limit pits on the main gaming floor by members of the Endeavour Room only occur after production of his or her membership card and on the satisfaction that the person conducting the buy in or cash in is the card holder. Further, that the Authority and Star City determine a method by which this can be achieved.*

That recommendation was made in the context of better identifying the person undertaking the transaction in order to reduce opportunities for money laundering.

Star City advised that it had implemented this recommendation by requiring members to provide their membership card for buy ins of \$5000 or more. If a card is not produced a suspect transaction report to AUSTRAC is prepared.

In 2003, we found that staff generally understood that transactions of \$5000 and over were to be reported to their supervisor, as distinct from reported to AUSTRAC. However, the need for a membership card or other form of identification was not apparently known other than at the duty manager level. We say that it may be that gaming staff would benefit from a refresher on this topic.

From the interviews conducted in 2006, it appears that staff generally ask patrons to produce a membership card. They then advise their supervisor of the transaction and, in the absence of a membership card, provide a description of the patron.

Star City advised that of the numbers of PGR members transacting over \$5000 on the MGF, about one per cent refuse to give identification. In those circumstances, we understand that a suspect transaction report is forwarded to AUSTRAC. Further, in the period under review, about 40,000 transactions over \$5000 are completed in the PGR compared with less than 3000 by PGR members on the MGF.

We are satisfied that this issue is being satisfactorily addressed by Star City.

In 2000 it was recommended that:

*Star City should be required to record and provide to the Authority details of the buy ins and cash ins by each member of a junket and the amount of the final settlement to which they are entitled. These details should be provided for transactions over \$10,000 regardless of whether they were in cash or some other form.*

This matter has been satisfactorily addressed and is dealt with in Chapter 3.

In 2000 it was recommended that:

*The federal agencies considering the draft reform proposals in relation to imminent suspect transactions have discussions with Star City and the Authority to determine whether international transfers of funds undertaken by or from Star City on behalf of its patrons can be effectively the subject of the draft reform proposals.*

In 2003 we reported that following correspondence between the Minister for Gaming and Racing and the Federal Minister for Justice, the latter advised the Authority in December 2003 that the Commonwealth was considering ways to implement the recommendations of the Financial Action Task Force on Money Laundering.

This matter is addressed in Chapter 6.

## **2003 RECOMMENDATIONS**

1. Monitoring of the resources available to the Investigations Department should continue.

This matter has been satisfactorily addressed and is dealt with in Chapter 4.

2. Further attention needs to be given by Star City to the important function of providing feedback to those who report suspicions of inappropriate behaviour.

This matter has been satisfactorily addressed and is dealt with in Chapter 4.

3. We expect that Star City will be alert to any emerging information concerning the need for non-intrusive metal detectors at the casino and will take appropriate action to ensure the safety of employees and visitors to the casino.

This matter has been satisfactorily addressed and is dealt with in Chapter 4.

4. Having regard to the findings of the Coroner in relation to the death of Peter Dalamangas, we recommend that the Authority satisfy itself that the responsibilities of security officers acting as supervisors for any significant length of time are commensurate with their level of training.

This matter has been satisfactorily addressed and is dealt with in Chapter 4.

5. We recommend that the casino operator develops written guidelines concerning the exercise of the Executive Exclusion Committee's discretion to exclude or revoke exclusion orders.

This matter has been satisfactorily addressed and is dealt with in Chapter 5.

6. We recommend that the Authority monitor compliance with the access to the private gaming rooms policy, with the assistance of audits, if necessary.

This matter has been satisfactorily addressed and is dealt with in Chapter 6.

7. We recommend that Star City develop a transparent policy governing re-admission to the private gaming rooms following revocation of an exclusion order.

This matter has been satisfactorily addressed and is dealt with in Chapter 6.

8. Star City may wish to measure and evaluate the success of its responsible gambling training.

This matter has been satisfactorily addressed and is dealt with in Chapter 7.

9. It may be prudent for Star City to consider whether tailored training is required to enable security staff to handle the sensitive and important role of assisting those patrons who wish to self exclude.

This matter has been satisfactorily addressed and is dealt with in Chapter 7.

10. We expect Star City management to consider the community views, in so far as they are relevant to and actionable by Star City, as expressed in the Pymont Safety Audit Report and in the Alcohol Summit.

This matter has been satisfactorily addressed and is dealt with in Chapter 7.

11. It is expected that Star City would respond appropriately to emerging information concerning any matters of occupational health and safety, in particular the effects of passive smoking.

This matter has been satisfactorily addressed and is dealt with in Chapter 7.

12. The Authority needs to pay close attention to the operation of Star City's compliance program.

This matter has been satisfactorily addressed and is dealt with in Chapter 8.

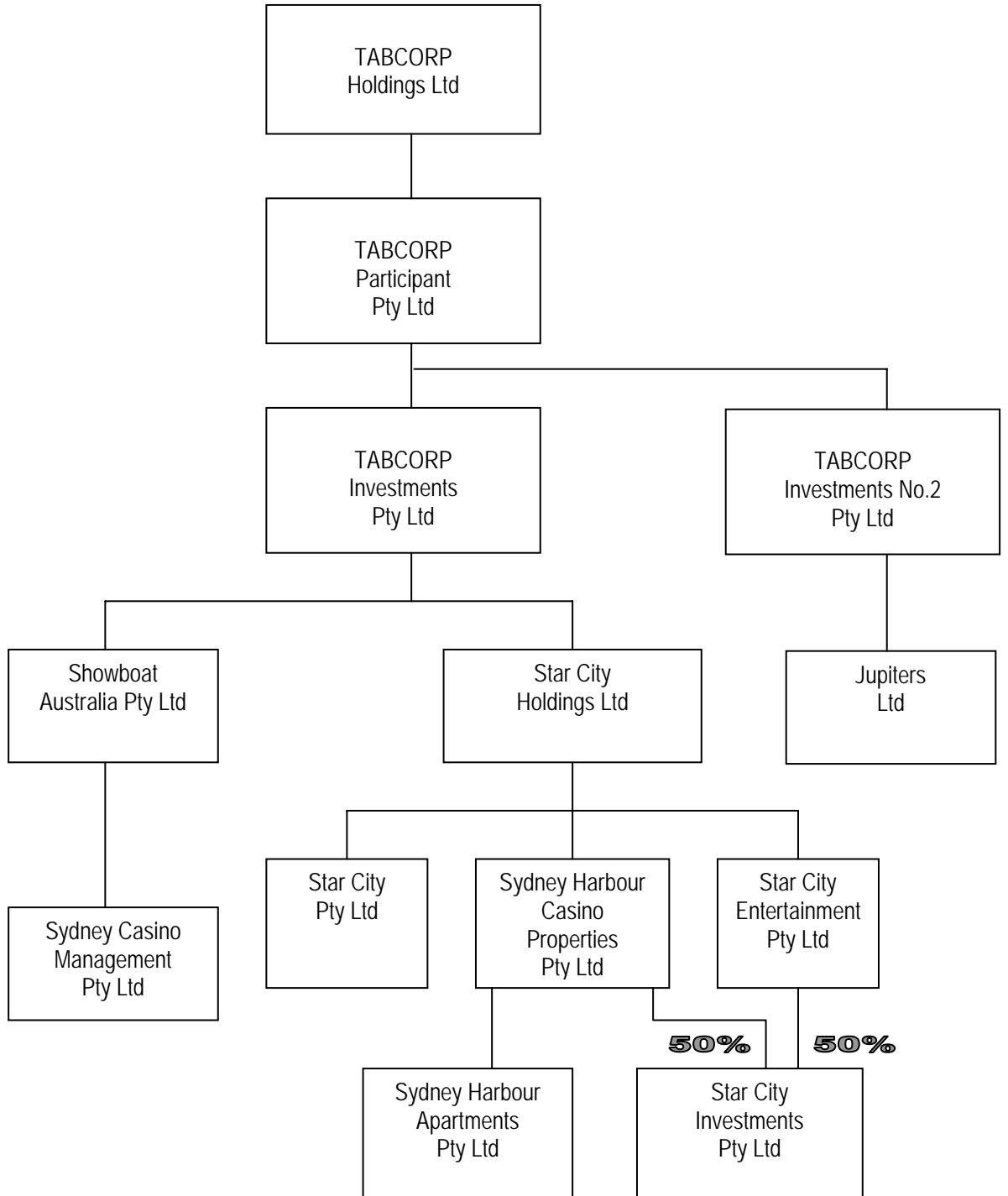
# **ANNEXURE 1**

## **Persons Who Made Submissions**

1. The Salvation Army
2. The Hon. George Souris MP
3. Mario G Tosatto
4. Kim White
5. Clubs NSW
6. Clover Moore MP
7. The Council of Churches in NSW
8. Tourism & Transport Forum Australia Limited
9. Star City Pty Limited
10. Norman H Hooper

# ANNEXURE 2

## Star City Corporate Structure



# **ANNEXURE 3**

## **Tabcorp Major Shareholders**

(as at 13/11/06)

- National Nominees Limited
- J P Morgan Nominees Australia Limited
- Westpac Custodian Nominees Limited
- RBC Dexia Investor Services Australia Nominees Pty Limited
- Citicorp Nominees Pty Limited
- ANZ Nominees Limited
- HSBC Custody Nominees (Australia) Limited
- Cogent Nominees Pty Limited
- UBS Nominees Pty Limited
- AMP Life Limited

# ANNEXURE 4

## Key Close Associates

- Tabcorp Holdings Limited
- Tabcorp Participant Pty Limited
- Tabcorp Investments Pty Limited
- Showboat Australia Pty Limited
- Sydney Casino Management 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
- Michael Bennett Robinson
- Matthew James Slatter
- Paula Jane Dwyer
- Anthony George Hodgson
- Philip Glen Satre
- John Douglas Story
- Zygmunt Edward Switkowski
- Richard Francis Egerton Warburton
- Lawrence John Willett
- Kerry Leigh Willcock
- Matthias Michael Bekier
- Walter Giacomo Bugno
- James Gregory L'Estrange
- VicRacing Pty Limited

# ANNEXURE 5

## Summary of Agreements

### CASINO OPERATIONS AGREEMENT

This Agreement is between the Authority and Star City and other related companies and governs the relationship between the Authority and Star City during the operation of the casino. It imposes a non competition warranty (only for the duration of exclusivity period) on Star City as well as obligations with respect to ownership, financial and reporting obligations.

In relation to the operation and management of the casino, Star City:

- Is required to use its best endeavours to conduct and manage the casino at a first-class international standard on a best practice basis;
- Undertakes to operate the casino in accordance with Star City's application for the casino licence and provide all features, facilities and attractions and services described in the licence application;
- Provides certain undertakings in respect of the provision of gaming equipment and to play only the games permitted in accordance with the provisions of the Act; and
- Is obliged to advertise, market and promote the casino.

In October 2003 a Novation Deed to the Agreement was executed to reflect the sale of Leighton's fifteen per cent interest in the management company of Star City.

### CASINO EXCLUSIVITY AGREEMENT

On 14 December 1994 the Authority and the casino operator entered into the Casino Exclusivity Agreement. Under this Agreement there is an "Exclusive Period" and a "Protection Period". If the following occurs during the respective period the Authority must pay to Star City an amount equal to all damages, costs and expenses suffered or incurred by Star City as a result of such occurrence (including loss of profits):

- If before 14 September 2007 (12 years from completion of construction of the temporary casino) another licensed casino was opened in NSW;
- If before 14 September 2025 (30 years from completion of construction of the temporary casino) the State enacts legislation that effectively prohibits a casino in NSW generally, or the Minister directs the Authority to reduce Star City's maximum number of gaming tables or poker machines, or the Minister directs the Authority to reduce the maximum trading days or hours.

### **TABCORP DEED**

This Deed sets out the terms and conditions on which the Authority gives its approval to Tabcorp and other entities entering into Agreements with Star City and others.

### **CASINO LICENCE**

This licence grants the right to conduct and play table games and use gaming machines at the temporary casino site and the permanent 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 Star City. 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 COMMUNITY BENEFIT LEVY AGREEMENT**

This Agreement is between the Treasurer of the State of NSW and Star City, as licence holder.

This Agreement sets out the obligations of Star City to pay various duties and levies to the Authority. In particular, sec 114(1) of the Act specifies that a casino duty is to be paid to the Authority in respect of each casino licence. Further, sec 115(1) provides that

a community benefit 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.

The obligations of Star City under this deed are secured by the Casino Control Authority Charge.

In July 2001 a Casino Duty and Community Benefit Levy Supplemental and Amending Deed ("Surveillance Amending Deed") was entered into to provide for Star City to fund, by way of a casino duty, twelve additional Authority surveillance personnel and to periodically review (in consultation with Star City) this need. The first review in November 2002 resulted in the reduction of the twelve positions to ten. The second review completed in June 2004 recognised the improvements in the operation of the casino since the additional casino funded positions were created and the number of funded positions were reduced to four. The third completed in June 2006 recommended maintaining the provision for up to four casino funded positions.

### **CASINO TAXES AGREEMENT**

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

- Requires Star City to effect and maintain a policy of insurance in respect of the loss of anticipated Casino Tax and Community Benefit Levy;
- Provides that Star City 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; and
- Provides that the Authority Charge shall secure Star City's obligations under the Act, the Casino Duty and Community Benefit Levy Agreement and this Agreement.

In October 2003 a Deed of Undertaking was executed to place obligations on TABCORP to fund any shortfall between agreed insurance deductibles and those provided under Star City's insurance policies.

### **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 Star City's assets.

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

### **CASINO CONTROL AUTHORITY CROSS GUARANTEE**

Under the terms of this guarantee, Star City agrees to irrevocably and unconditionally guarantee to the Authority the performance under the project documents and security of each of the other Star City Holdings Group of companies.

In addition, Star City has agreed to indemnify the Authority against any loss or damage suffered by it and arising out of a breach of any of the obligations by any of the Star City Holdings Group of companies.

### **CONTINUITY AND CO-OPERATION AGREEMENT**

This Agreement was previously between the Authority, Star City 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 Limited as a party. This amendment was a result of Star City refinancing its loan facility from the CBA (which was entered into at the time of grant of the casino licence) by way of an unsecured inter-company loan from Tabcorp Investments Pty Limited.

One of the purposes of this Agreement is to enhance and give practical effect to the protections afforded to the Authority pursuant to sec 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 Star City group pursuant to the all asset charges held by the Authority would be appointed for the purposes of both the Corporations Act 2001 and sec 28 of the Act.

Another important function of the Agreement was to regulate the priorities between the CBA Securities and the largely corresponding second-ranking securities granted by the

Star City group in favour of the Authority. After removal of the CBA from the Agreement, the Authority has now been promoted to the position of sole, first-ranking secured creditor and will not be subordinated to the CBA Facility.

With restrictions no longer placed on Star City by the CBA Facility, the Agreement has been amended to ensure that the protection to the Authority and State that were in the previous Agreement has been preserved.