



**NEW SOUTH WALES
CASINO CONTROL AUTHORITY**

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

SYDNEY, DECEMBER 2003



NEW SOUTH WALES
CASINO CONTROL AUTHORITY

15 December 2003

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 s.31 of the Casino Control Act 1992.

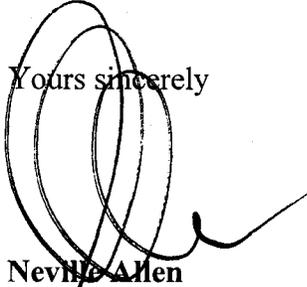
Following completion of the investigation, the Authority has formed the following opinion:

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

The Authority appointed Mr Bret Walker SC and Ms 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



Neville Allen
Chairperson

12 December 2003

Mr Neville Allen
Chairperson
NSW Casino Control Authority
Level 17, 309 Kent Street
SYDNEY NSW 2000

Dear Mr Allen

We enclose our report of our investigation conducted pursuant to s.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 2003

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GLOSSARY

Act	Casino Control Act 1992 (NSW)
ATM	Automatic Teller Machine
AUSTRAC	Australian Transaction Reports and Analysis Centre
Authority	NSW Casino Control Authority
Buy ins	The purchase of chips for cash or cash equivalent
Cage	The financial transaction centre of the casino, where patrons redeem gaming chips for cash or use cheque and deposit account facilities.
Cash ins	Obtaining cash or cash equivalent for chips
CCBF	Casino Community Benefit Fund
CEO	Chief Executive Officer
Government Inspectors	Authority employees appointed as inspectors pursuant to s.106 of the Act
GST	Goods & Services Tax
Harrah's	Harrah's Entertainment Inc
IPART	Independent Pricing and Regulatory Tribunal
Leighton	Leighton Properties Pty Limited
Regulations	Casino Control Regulation 2001
RSA	Responsible service of alcohol
Showboat	Showboat Inc
Show Cause Notice	Notice issued by the Authority pursuant to s.23(2) of the Act
Star City	Star City Pty Limited
Star City Holdings	Star City Holdings Limited
Street Report	Inquiry into the establishment and operation of legal casinos conducted by Sir Laurence Street
TABCORP	TABCORP Holdings Limited
Union	Australian Liquor, Hospitality and Miscellaneous Workers Union
2000 Report	Second Report of Investigation conducted in 2000 pursuant to s.31 of the Act
2002 Review Report	Report of the Review recommended by the 2000 Report

SUMMARY AND MATTERS FOR FURTHER CONSIDERATION

This investigation has been conducted to assist the Authority in forming the opinion required by s.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.

The Report does not refer to individuals by name. This approach has been adopted to ensure that the Report is not inappropriately used to criticise individuals. The Investigation is not concerned with the performance of individuals but it is required to examine the position of the corporation. The performance of individuals is a matter for Star City. However, where it is necessary to understand the evidence, the title of an individual is included.

Over the last three years, there have been considerable changes to the operations and management of the casino operator. TABCORP now fully owns the company which provides management services to Star City, having bought the 15% interest previously held by Leighton. It has merged with Jupiters. There has been significant expenditure on major works at the casino including to the Endeavour Room, main gaming floor and hotel and Star City's International Junket/Premium player program has been suspended.

Significantly, the recommendations made by the 2000 Report and the 2002 Review have been largely implemented. There were many references during the interviews conducted for this Investigation with Star City staff that the private gaming rooms had been "cleaned up" and the number of "dodgy characters" had diminished. That is consistent with the information received from law enforcement. Staff have been made aware of their responsibilities and appear to be adhering to them, in relation to the need to keep undesirables and criminals from any influence in the casino's operations. Knowledge and application of the principles of responsible service of alcohol is evident.

The casino operator and TABCORP have demonstrated a firm intention to operate within the objectives of the Act and the principles established by the previous triennial Investigation. They have put in place policies and procedures designed to achieve this. Vigilance, however, is always required to ensure that intentions and outcome remain aligned.

The compliance program which is yet to be fully operational, will be an important tool for the casino operator, TABCORP and the Authority to gauge ongoing commitment to cultural change.

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 continue in force. The casino continues to make a significant contribution to the recreational opportunities for the many residents and tourists who enjoy this form of entertainment. It cannot be doubted that some people's lives are damaged by gambling, often tragically, however, we are hopeful that the IPART Inquiry will bring some light to bear on the most effective measures to deal with problem gambling.

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. Monitoring of the resources available to the Investigations Department should continue. (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. (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. (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. (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. (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. (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. (Chapter 6)
8. Star City may wish to measure and evaluate the success of its responsible gambling training. (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. (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. (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. (Chapter 7)
12. The Authority needs to pay close attention to the operation of Star City's compliance program. (Chapter 8)

CHAPTER ONE

INTRODUCTION

BACKGROUND

Every three years, the Casino Control Authority is required by s.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 third 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 third triennial Investigation. Ms Furness was appointed under s.143 of the Act to interview staff of the casino licence holder and Mr Walker conducted interviews with senior managers. An Inquiry under s.143 of the Act allows the person presiding to require evidence to be given on oath and 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.

THE INVESTIGATION

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

- (a) the requirements of section 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 in the vicinity.

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:

- The character, honesty and integrity of individuals and organisations;
- The financial stability of individuals and organisations and the suitability and adequacy of financial resources available to licence applicants;
- Management expertise in casino operations.

Close associates are addressed in s.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 s.13 of the Act.

The Authority established a team of three people to assist it and us in carrying out the investigation. They are Ron Harrex, Director, Major Projects and Investigations; 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 New South Wales.

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. Specific matters referred to in the 2000 s.31 Report and the 2002 s.31 Review Report, including:
- 7.1 the operation of the private gaming rooms;
 - 7.2 the presence and detection of illegal and undesirable activities and people in the casino.
8. 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 14 June 2003, 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 2003. Nine submissions were received by the Investigation. The total list of submissions received appears in Annexure 1. One submission with a confidential component was received. The issues raised by the submissions have been taken into account in the investigation.

COURSE OF THE INVESTIGATION

40 staff employed by the casino licence holder were interviewed over nine days in October 2003 at the Authority's premises, including staff and management working in VIP Services, Bar and Beverage areas, the Cage, Security, Surveillance and Gaming. In addition, Star City's managers responsible for Responsible Gaming and Investigations and the senior managers in charge of the operations of the private gaming rooms, table games, finance, and legal and asset protection, compliance, and the Chief Executive Officer of Star City have also given evidence.

All of these interviews have been recorded and most of the witnesses were sworn.

Information was sought from Star City in June and September 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, Burswood Casino in Perth and Jupiters and Treasury casinos in Queensland. Discussions were held with regulators and police officers in some States. Of particular interest to the Investigation was comparing the standard of the facilities offered by each casino with that of Star City.

We interviewed Alexander Preston, a litigant against Star City, and representatives of the Australian Liquor, Hospitality and Miscellaneous Workers Union. We have had discussions with the Chairperson and a trustee of the Casino Community Benefit Fund, the Client Services Manager of G-line (NSW) and the Manager of the Wesley Gambling Counselling Service, who is also the President of the NSW Council for Problem Gambling. We have met with representatives of law enforcement agencies including the New South Wales Crime Commission, the Australian Crime Commission and the New South Wales Police, each of whom has provided valuable assistance in understanding the relationship between the casino and crime in this State. Their views are included 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.

A copy of sections of the draft Report that contained material which may be considered to be critical of Star City, was provided to Star City management. The comments subsequently made by them have been taken into account in this Report.

This Investigation was preceded by a review we conducted in 2002 as recommended by the second triennial Investigation in 2000. In 2000 Peter McClellan QC, as he then was, recommended:

The Authority continue to monitor the progress of Star City towards achieving a satisfactory culture and the desired management outcome and review the position, with the assistance of formal interviews, at the end of 2001.

Following that review, which was completed in 2002, we concluded that:

There can be no doubt that Star City has substantially commenced the process of implementing management procedures to deal with the issues raised in the 2000 Report. Those procedures have in the main been effectively conveyed to staff, although more needs to be done to ensure that staff maintain an accurate understanding of their obligations. A distinct and positive change in the culture of the private gaming rooms was evident from the persons interviewed.

Some issues have been highlighted in this Report which may be considered relevant to the 2003 investigation required by s.31 of the Act.

This Investigation has considered the issues, which were raised by the 2000 Report and the 2002 Review.

CHAPTER TWO

CASINO OPERATOR

CHANGES IN STRUCTURE

Since 2000, Star City has undergone change to its corporate structure. Annexure 2 indicates its current corporate structure.

The Leighton Group

In 2000 Leighton Properties Pty Limited (Leighton) had a 15% interest in Sydney Casino Management Pty Limited, which held the contract to provide management services to Star City. Leighton's interest was held in trust by AXA Trustees Limited. On 28 August 2001, Leighton sought the approval of the Authority to terminate the trust arrangements. It had earlier sought the same approval from the Authority in 1998 which, following investigation, was not granted.

Leighton's trust arrangements came into existence prior to the finalisation of the Tobias Inquiry in December 1994. Mr Murray Tobias QC had been tasked with the responsibility of conducting a Public Inquiry into the Leighton and Showboat consortium. A Leighton company was the developer/constructor of the casino complex.

The issues under consideration in 1994 related to findings of the 1991 NSW Royal Commission into the Building Industry and the practice of winning tenderers for construction contracts paying unsuccessful tenderers their costs of tendering. Mr Tobias, and subsequently the Authority, made adverse findings with respect to the probity of some of the Leighton Group of companies and some of its executives.

The effect of the termination of the Leighton trust arrangements would be that Leighton and associated entities and persons would become close associates of Star City effectively holding a 15% interest in the company which provides management services to Star City.

Leighton's request to the Authority for approval to terminate the trust arrangements triggered the provision of s.35 of the Act, which effectively required the Authority to inquire into whether Leighton was suitable to be associated with the management of the casino.

Inquiries were undertaken of the Leighton Group's activities in Australia and in Asia, and of its parent company, Hochtief in Germany and South Africa. Submissions were also sought and evidence from key Leighton Group staff was taken. The Authority examined the Leighton Group's business operations, its financial ability, experience in casino management and overall probity. It also examined the transcripts and findings of the Cole Royal Commission into the Building and Construction Industry.

The Authority's investigation was completed in May 2003. The Authority determined to give its approval to the termination of the trust arrangements. In July 2003 Leighton sold its 15% interest in the management company to a subsidiary of TABCORP Holdings Limited which now holds 100% and Leighton is, it follows, no longer a close associate of the licence holder.

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, M J Slatter, W V Wilson, A G Hodgson, R F E Warburton and P G Satre. In October 2002 Matthew Slatter was appointed Managing Director and Chief Executive Officer, replacing Ross Wilson. David Simpson ceased as a Director in February 2003 and Peter Wade retired as a Director on 30 October 2003.

During the course of this Investigation TABCORP announced its intention to merge with Jupiters Limited. That merger was effected in November 2003. Given the

statutory time-frame in which this Investigation must be completed, we considered that any implications from that merger for the suitability of Star City to continue to hold the licence could not be properly explored. It is understood that there are protocols in place which deal with issues relevant to NSW revenue and that the Authority is monitoring those matters.

PROBITY

Earlier this year inquiries were made of the NSW Police, the NSW Crime Commission, the Australian Crime Commission, the Australian Federal Police, the Independent Commission Against Corruption, Australian Competition and Consumer Commission and the Office of Fair Trading in respect of TABCORP and its associated entities. Checks have also been made on each of the office holders of TABCORP and subsidiary companies for the purposes of licensing over the past 18 months. A list of those considered to be key close associates for this Investigation is shown in Annexure 4.

In addition, inquiries were made of the casino and gaming regulators in each State and Territory, and New Zealand.

No matters of an adverse nature have been identified.

Harrah's Entertainment Inc (Harrah's) remains a close associate of Star City by virtue of its contract with Star City to provide its knowledge and experience in operating casinos. The Authority made inquiries into Harrah's and requested information from the United States jurisdictions of New Jersey and Nevada in which Harrah's (and/or its associated companies) operate a number of gaming facilities. No matters of a serious nature were advised.

MANAGEMENT

As a result of inquiries undertaken we have formed the view that TABCORP is able to obtain the services of persons who have sufficient experience in the management and operation of a casino.

By virtue of the contract mentioned earlier, TABCORP has access to Harrah's knowledge and experience in operating casinos. It also provides TABCORP with a mechanism to benchmark all aspects of the operations of the casino complex against Harrah's hotel and casino operations in the areas of financial controls, human resource management and casino and hotel operations.

Paragraph 7 of the Agreement provides for the establishment of an Advisory Committee, which has the function of reviewing the operations of the casino complex. It has met on nine occasions since February 2000.

Star City advises that Harrah's has provided TABCORP with detailed reports in a number of areas, including Star City's refurbishment program, main gaming floor product layout and food and beverage operations.

Changes have occurred in the management of Star City since the 2000 Report. These include the appointment of new managers in the following areas: VIP Services, Surveillance, Security, Business Development and Compliance, with the latter being the only change in the senior managers.

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. While he did not carry out any substantial work on the proposed merger with Jupiters, he reported

that he had no reason to believe that it would be other than earning positive, prior to amortisation of goodwill, for TABCORP.

It appears from his Report that a substantial failure in control occurred with respect to the reporting by TABCORP to the Australian Stock Exchange of a contingent liability arising from an audit carried out by the Australian Taxation Office of the financial records of Star City. There has been no amended assessment issued by the Australian Taxation Office and thus no amount or penalty is currently payable. We are advised that the appropriate disclosure has now been made and the company has put in place a compliance checklist to ensure such matters are properly dealt with in the future.

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:

- The integrity, responsibility, personal background and financial stability of the applicant;
- The general reputation of the applicant having regard to character, honesty and integrity; and
- 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 2001 and 31 October 2003 the Authority issued 660 special employee licences and 538 provisional licences, and refused to grant a licence to nine applicants.

The reasons for these refusals have varied. Some of these applicants were found to have failed to disclose relevant information, particularly prior offences. Other applicants had criminal records for matters such as assault, robbery, drug use and theft.

Prior to the Authority making a final decision to refuse a licence application, it provides each applicant with a minimum of 14 days to make submissions as to why he or she believes they should be granted a licence.

Between 1 January 2001 and 31 October 2003, the Authority took disciplinary action against 33 persons for various reasons, including the licensee being the subject of a criminal charge and for failing to advise the Authority of a criminal charge.

A number of licence holders who would have been the subject of disciplinary action by the Authority resigned or were dismissed by Star City.

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 the variation of the functions that a person may exercise in the casino pursuant to their licence. Between 1 January 2001 and 31 October 2003, the Authority has approved 3,638 variations to special employee licences that 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 surveillance or gaming equipment or maintenance worth more than \$11,000 or for the supply of any other goods or services to a casino for \$330,000 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 2001 from \$5,000 and \$200,000, respectively.

Under s.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 1995 and 31 October 2003, 399 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 2001 to 31 October 2003, 37 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 \$330,000. These are known as “notifiable contracts”. There is no power for the Authority to object to such contracts. There are currently 545 contracts which have been notified to the Authority.

In 2001 the Authority issued a Show Cause notice against Star City in respect of a failure by Star City to give written notice to the Authority of the details of two proposed controlled contracts prior to making purchase orders of \$211,563 and \$237,483 respectively. This amounted to a contravention of s.37(1)(a) of the Act and a condition of its casino licence. Star City conceded the facts and submitted that it had contracted a marketing consultant to assist throughout the Olympic period. That person had placed verbal orders resulting in the orders exceeding the then limit of \$200,000. In relation to the other contract, there was an error in calculating GST and estimating the total amount of work under the contract.

The Authority decided there were grounds for taking disciplinary action and that the appropriate action was to impose a pecuniary penalty of \$10,000. It noted that systems and training were in place to prevent further breaches.

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;

- 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 of the Report 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 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 352 room hotel, 139 serviced apartments in the apartment building, convention and meeting facilities for 900, additional seminar facilities catering for 290, the 2000 seat Lyric Theatre and 1000 seat Showroom and a number of bars, restaurants and shopping facilities. Parking facilities for 2,500 vehicles and 16 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 and 2000 triennial Investigations.

MAJOR WORKS

Since January 2001 a number of major works have been undertaken by Star City. They include the following:

- Upgrading the hotel rooms;
- Construction of electronic gaming facilities on the main gaming floor for Star Lounge Club VIP Slots members;
- Expansion of the Trophies food court on the main gaming floor;
- Construction of new toilet facilities adjacent to the cage area on the main gaming floor;
- Reconstruction of the Lifesavers restaurant and renaming it as the Fortunes restaurant;
- Construction of the Glo bar and seating area on the main gaming floor replacing the two-up gaming facilities and bar;
- Installation of electronic gaming machines and construction changes in the Endeavour Room;
- Construction of a health spa facility on the hotel swimming pool floor level of the hotel.

Star City entered into an agreement to lease with the Authority in 1997 in relation to 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 expired and no construction has taken place. Star City has made the penalty payments required and the Authority is currently considering a submission by the casino operator as to the future development of that site.

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 it is noted that the hotel is currently being refurbished and upgraded.

LYRIC THEATRE AND THE SHOWROOM

Star City operates the Lyric Theatre and the Showroom with combined seating capacity of 3,000. The Lyric Theatre attracted over 1.3 million patrons in the financial years 2000 to 2003 while the Showroom had attendances of almost 260,000 in that same period.

Mr Davison advises that the Lyric Theatre has extensive, state of the art facilities and is being operated and maintained in a first class international manner. Similarly, he advises that the Showroom has been well maintained and is appropriately utilised.

GAMING EQUIPMENT

Casino Table Games

The maximum number of gaming tables permitted to be operated in the casino is 200. An additional 10 tables were permitted for international players prior to the suspension of the International Junket/Premium Player program on 1 July 2001.

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:

- Baccarat and Even Money Baccarat;
- Big Wheel;
- Blackjack, Pontoon, Pontoon Pandemonium, Super Sevens and Perfect Pairs;
- Caribbean Stud Poker;
- Craps;
- Let It Ride;
- Pai Gow;

- Roulette, Double Zero Roulette and Rapid Roulette;
- Sic-Bo; and
- Two-Up.

Of these, Two-Up, Let It Ride and Super Sevens option for Blackjack are not currently available for play in the casino. Rapid Roulette, a variation of roulette, which enables players to place wagers on an electronic layout at individual player terminals, was introduced in April 2003.

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 1,500. 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, the Authority in January 2001 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 20 tournaments have been conducted in Blackjack, including Pontoon, Baccarat and Roulette over the three year period under review.

Approvals and Variations

Pursuant to s.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 ss.65 and 68 require the Authority to approve changes to the gaming equipment used, the games played and their rules and the casino layout.

During the three year period under investigation, the Authority approved with or without conditions, a wide range of amendments covering matters such as variations of the games of Baccarat, Blackjack and Roulette (including Even Money Baccarat, Pontoon, Double Zero Roulette and Rapid Roulette), changes to the main gaming floor layout, disposing of gaming equipment, software upgrades, new design playing cards, revised brochures and forms, procedures for issuing promotional vouchers and dealing procedures.

A regulation came into effect in October 2002 which provides that the casino operator is to provide player activity statements for gaming machine activity to players under player reward schemes in circumstances where the player's activity is recorded by electronic means. They are to be provided, on request, on a monthly basis and include such matters as turnover, wins, expenditure, points earned and redeemed and time played. The Authority approved the format of Star City's player activity statements in October 2002.

Star Keno

Star City introduced the game of Keno to the casino on 26 November 1998. The game is branded "Star Keno". The agreement with the Keno operator (AWA Limited/Club Gaming Systems Pty Limited), allows for a commission to Star City based on turnover.

Junkets

TABCORP suspended Star City's International Junket/Premium player agreement from 1 July 2001. It advises that Star City has no plans to re-introduce the program in the foreseeable future.

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 s.31 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 regulations 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. The information provided differed in some respects from that advised to the Authority pursuant to s.35 of the Act. That may be explained in part by the terminology employed but seems to suggest that the system Star City has for conveying this information is imperfect. The Authority is aware of the anomalies and will take the action it considers appropriate.

Many of the actions Star City instituted concerned debt recovery of dishonoured cheques related to gaming. Of those proceedings taken against it for activities which occurred before 2001 but which have been finalised since that time, most concern matters of public liability with a few arising from the actions of security staff.

There have been an expected number of workers compensation actions commenced or finalised within the time period and a small number of actions for reinstatement following termination of which most were conciliated. A small number of other claims before tribunals are pending including one claim for discrimination before the Human Rights and Equal Opportunity Commission.

The proceedings commenced by Alexander Preston against Star City and referred to in the last s.31 Investigation Report have not yet been finalised. We understand that the other proceedings referred to in the 2000 Report have settled.

PRIVATE GAMING ROOMS

The private gaming facilities of the casino consist of the Endeavour Room and three smaller rooms known as the Inner Sanctums. There are 45 gaming tables in the Endeavour Room with two tables in each of the Inner Sanctums. Membership of the Endeavour Room is at the discretion of the casino management and is based on level of play. Members are entitled to bring guests to the Endeavour Room.

Star City operates a table games complimentary system, which is based on a player's turnover at the tables. Play is rated on the number of hands played per hour and an estimate made of the theoretical win to the casino during that period. From that theoretical win figure, a percentage is allocated to a complimentary value and that value is used to determine the level of benefit provided. Accommodation, airfares, food and other items are provided as benefits.

The complimentary system was the subject of critical comment in the 2000 s.31 Investigation Report. It was found that Star City players were not made aware of their accrued complimentary points. There was also evidence that players had given their complimentaries to staff members from time to time and concern that some staff may have transferred one patron's entitlement to another patron without the knowledge of the first patron.

It was recommended in 2000 that the Authority and Star City review the operation of the complimentary system in order to develop a system more resistant to abuse and one in which players were treated fairly.

New controls on the operation of complimentary points were approved by the Authority in February 2003. We understand that they have been designed to minimise the extent to which the system can be abused. The most significant change has been to permit local players to view their entitlements by swiping their card at an electronic kiosk. Further they can redeem their complimentary points directly at a number of Star City outlets including restaurants and shops. While international and interstate players do not have this facility available to them, we understand that it benefits the majority of players who are locally based. VIP staff interviewed for the Investigation reported few complaints from patrons concerning complimentary points following the introduction of the more transparent system.

In addition, controls have been put in place to ensure that staff can only authorise the issue of complimentary points to a specific amount. Daily reports are generated requiring staff to confirm the authorisation of complimentary points, and exception reports are prepared on a fortnightly basis. Reviews are conducted monthly and the Authority has completed a number of audits of the operator's system. The most recent Authority audit detected only a few low-level weaknesses and significant strengths.

We are satisfied that this recommendation has been appropriately implemented.

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 available of \$5,500. The same penalty applies if the casino operator does not forthwith notify a Government 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 \$5,500.

The measures taken by the casino operator to prevent minors gaining access to the gaming and liquor facilities in the casino include:

- The southern casino boundary was amended in March 2001 and February 2003 and the southern escalators were redirected to reduce opportunities for minors to enter undetected and permit security to escort them away from the casino boundary;
- Security officers are stationed at key entry points;
- Modifications have been made to the access to the only casino operated bar outside of the casino boundary into which minors are not permitted to enter;
- Signage and pamphlets have been produced to explain that minors are prohibited from entering gaming or bar areas;
- Staff education and training.

According to Star City, between 1 January 2001 and 30 June 2003, there were some 340 instances of minors detected gaining access to the licensed area of the casino. The average time of stay for most of the minors can be measured in seconds with only about 2% present for an hour or more. It appears from the information provided by Star City that most of the minors accessed the casino via the southern escalators until changes were made to the boundary and to the direction of those escalators. More recently most appear to have entered through the Sports entrance. There does not appear to be any obvious design change which may reduce the opportunity in this area.

The number of minors detected accessing the casino represents an increase some threefold from the previous three years. However, during this period Star City received almost 20 million visitors and refused entry to about 18,000 minors.

No disciplinary action was taken against the casino operator for breaches of s.94 of the Act as the Authority is satisfied that the numbers of minors accessing the casino are low and do not reflect any reduction in diligence on the part of the operator.

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 reduce the instances of minors entering the casino.

The issue of unattended children at the casino was significant in the early period of operation of the casino. Those parents or carers detected leaving their children unattended and excluded in the last three years have been relatively few with 15 and 13 each in 2001 and 2002 and only four in the first six months of this year. It appears that the messages conveyed by Star City and others about the inappropriateness of such conduct are generally being heeded.

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. The Compliance Manager has analysed the patron complaints data for the period July 2001 to December 2002 and for the year 2003. The results of each analysis were provided to the Investigation.

In 2003 most complaints received were characterised as relating to restrictive trade practices and consumer protection and many concerned the information provided about the Total Star Rewards program, followed by incorrect or misleading information by staff and misleading or deceptive advertising.

The Compliance Manager noted that the number of complaints relating to misleading or deceptive advertising have declined with no complaints received in June 2003. She believes this occurred as a result of the introduction of the “Law of the Jungle” vetting system, a software program designed to ensure advertising complies with various legislation and regulations. We understand that the Compliance Manager identified this weakness in Star City’s systems and procured the software to resolve it.

A number of complaints were received contending a failure by Star City to enforce the smoking restrictions which were in place. The customer satisfaction survey results showed that most people who responded wanted more non-smoking areas. The Compliance Manager noted that as a result of the complaints, staff were reminded of their obligations to enforce the no smoking policy and that a back of

house poster was displayed to this effect. She noted that the number of complaints have reduced this year.

During the interviews for this Investigation, staff were asked whether, in their view the smoking restrictions were appropriately enforced by each department. The response was overwhelmingly in the affirmative.

We are satisfied that Star City has in place an appropriate system for receiving and analysing complaints from patrons. From the information provided, it appears that action is taken to resolve those issues which are more frequently the subject of complaint.

Few complaints were received from residents of the surrounding areas and appropriate attention appears to have been paid to them.

Customer Service Audits

The Casino Operations Agreement requires Star City to conduct an annual consumer service audit. An audit was conducted by Arthur Anderson covering the period November 1999 to January 2001 and provided to the Authority in April 2001.

The Authority granted a waiver to Star City in relation to providing a consumer service audit for the year 2001, and in October 2002 granted an ongoing waiver while the Star City's current system of alternative measurement is in place. That system is an external Customer Satisfaction Tracking Program which consists of customer satisfaction surveys, a mystery shopping program, competitor benchmarking and guest feedback comment cards. The program is conducted monthly, with benchmarking against other venues every six months.

The program provides Star City with advice on areas of strengths and improvements and appears to be an appropriate vehicle for determining the needs of customers and responding to those needs. The outcomes of the benchmarking exercise do not give rise to any concern regarding the operations of Star City.

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

Advertising

In 2002, the Authority served a Show Cause notice on Star City concerning the publication of a full page advertisement for a Roulette Tournament in the August 2001 edition of *Endeavour Magazine*, which did not contain the required G-line reference as required by clause 26(2) of the Regulations. Star City conceded the facts and submitted that human error was responsible and indicated it was developing additional measures to enhance its review process for advertising material. The Authority decided there were grounds for taking disciplinary action and that action was to issue a letter of censure.

In 2003, the Authority served a Show Cause notice on Star City concerning the publication of casino advertising, which was false, misleading or deceptive in contravention of clause 33(1)(c) of the Regulations. On 21 September 2002 it displayed on its website information that playing pontoon pandemonium could win a patron up to \$250,000 for just \$1, whereas from 31 July 2002 the maximum jackpot was \$100,000. Star City conceded the facts and submitted that it had changed all other material concerning the jackpot except the website and that procedures had been put in place to ensure it did not occur again, namely a new software program. The Authority was advised that the staff member responsible had since left Star City's employ. The Authority decided there were grounds for taking disciplinary action and that action was to impose a pecuniary penalty of \$10,000.

In June 2001, January 2002 and April 2003, the Authority considered other occasions when Star City used advertising which did not contain the G-line counselling service statement or the problem gambling statement required by clause 26(2) of the Regulation. The Authority issued warning letters to Star City in relation to these incidents.

The “Law of the Jungle” software referred to earlier, is anticipated to ensure greater compliance with regulations requiring advertising to contain specified items.

Contraventions of the Rules of the Games

In 2002 the Authority served a Show Cause notice on Star City concerning permitting the game of Blackjack to be played in a tournament on 29 April 2001 otherwise than in accordance with the rules of the game in force. It permitted a player to double on a hand containing an ace and a nine. Star City conceded the facts and submitted that it had taken specified steps to ensure that future tournaments were not compromised, including requiring the Pit Manager to be called in cases of disputes during tournaments. In addition it advised that disciplinary action was taken against the staff involved. The Authority decided there were grounds for taking disciplinary action and that the appropriate action was to impose a pecuniary penalty of \$2,500.

In addition, on about nine occasions during the period in review, Government Inspectors detected other violations of the rules of various games, mainly Blackjack. We are satisfied that on the occasions on which Star City is found to have breached such rules, appropriate action is taken by the Authority and by Star City to, where necessary, improve processes and further educate staff.

Staff Performing Functions for Which They Were Not Authorised

In 2002 the Authority served a Show Cause notice on Star City concerning Star City permitting a Count Team Attendant to exercise the functions of a Casino Cashier without that person being authorised by licence to exercise the functions concerned in contravention of s.44(3) of the Act. Star City conceded the facts and submitted that it had taken specified action to minimise the likelihood of it occurring in the future, and that the individuals involved had been reprimanded. The Authority decided there were grounds for taking disciplinary action and considering the initiatives which Star City had undertaken, decided to issue a letter of censure.

On three other occasions in the period under review, Star City staff had been detected exercising functions without being appropriately authorised. Star City’s Compliance Management Committee sought and received reports from relevant staff on this issue. It was satisfied that further staff training and enhancements to the

software rostering system will adequately address this matter. In addition, KPMG provided an internal audit report on compliance with the Authority's licensing requirements in June 2003 which identified a number of controls in place and concluded that it did not identify any further opportunities for improvement in internal controls.

Unapproved Gaming Equipment

Two Show Cause notices were issued against the casino operator in April 2003. Each concerned using gaming equipment, namely gaming machine software for which there was no approval in force under s.68 of the Act, in contravention of a condition of the casino licence (s.70(1)). Star City acknowledged the contraventions and submitted that it believed that the software in the games was approved. The supplier of the software had not obtained the requisite approval of the Liquor Administration Board. The Authority decided there were grounds for taking disciplinary action and imposed a pecuniary penalty of \$20,000 for each incident. The unapproved software was not deficient in any way which could affect the interests of players. As a result of the disciplinary action, we are informed that the supplier, Aristocrat, has revised its procedures and Star City has instituted checks on the software installed.

Restraint of a Patron

In 2002 the Authority issued a Show Cause notice against Star City concerning its failure to ensure that the system of approved internal controls and procedures were implemented. On 22 April 2002, a security shift supervisor detained a casino patron, and a security shift manager then physically restrained the patron. After considering submissions by Star City, the Authority determined that the ground for the issue of Notice was not established.

Conclusion

The number of Show Cause notices issued by the Authority has fluctuated over the last seven years, as is to be expected. Between 1996 and 1997 eight notices were issued concerning licensed employees mainly exercising functions for which they were not licensed. It would be of concern if by late 2003, the casino operator did not have in place an appropriate system to deal with this issue and those notices continue to be required.

The operator is, however, to be commended for reducing the opportunities for minors to enter the casino and thus the seven Show Cause notices issued during the period considered by the last triennial Investigation have not been repeated over the last three years.

HONEST GAMING

Cheating is an offence under s.87 of the Act with a maximum penalty of \$11,000 or imprisonment for two years or both. Between 1 January 2001 and 30 September 2003, statistics provided by Star City show that approximately 150 persons had been 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 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, the staff of the Investigations Department have been reduced from two to one. The Investigations Officer was made redundant earlier this year leaving the Investigations Manager as the only investigator. Star City has advised of various changes, which, in its view, have lessened the workload of the Investigations Manager. From the interview with the Manager and other information received, the position appears more complex.

Of particular concern is the database which is operated by the Investigations Manager. It is a significant tool in compiling and analysing information. Its usefulness depends upon accurate and timely data input as well as the capacity to interrogate it effectively. Star City is to be commended for establishing such a tool to assist it and law enforcement in ensuring that the casino remains free from criminal influence and exploitation. However, it would be of concern if a lack of resources diminished its reliability and limited its use.

Feedback

In 2002 we reported:

... staff do not uniformly receive feedback from those to whom they report as to the usefulness of the information they have passed on. That is important in educating staff as to the matters with which they should be concerned and conversely those they need not report and to assure them that management is acting appropriately. We understand that senior management shares the view that feedback is important and that this issue will receive attention.

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.

SECURITY AND SURVEILLANCE

An audit of the Star City security and surveillance system was completed by a specialist consultant engaged by the Authority in December 2001. The consultant advised that the systems in use by Star City were suitable subject to a number of matters which included annual independent audits of the security systems. Star City gave a written undertaking to carry out the relevant outstanding matters.

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. In June 2003 there were about 110 with a budget for 114.

Throughout 2001 and in 2003 the Authority approved several changes to the operation of security including:

- Reducing the numbers of officers at the main casino entrance stairs because the doors have been closed permanently and only one set of escalators is now in use;
- Providing for security personnel performing certain security functions from within the Surveillance Department;
- Removing the main gaming floor and private gaming rooms security podium positions;
- Altering a stipulation in the Internal Control Manual in relation to security officers assigned to roving duties.

In addition, during the period under review there were structural changes to the Department, the engagement of contract security staff on Friday and Saturday nights for non-gaming areas of the complex and the introduction of an electronic incident reporting system.

While some staff at officer and supervisor level who were interviewed were critical of the reduction in numbers of security staff, there were few incidents reported which indicated that the reduced capacity had had an adverse impact on the casino's

operations. Conversely, the security managers spoke of a streamlined and more effective use of security staff following the restructure and resulting fewer officers.

The purpose of this Investigation is not to undertake a management review of Star City's operations. The General Manager responsible for security nominated a number of indicators which are being monitored to determine whether the security resources are adequate. In the event that relevant incidents occur which point to an understaffing in the Security Department, we are satisfied that Star City has mechanisms in place to detect that and take appropriate action. No doubt the Authority will continue to take an active interest in this area.

The number of security officers in the private gaming rooms has decreased from three to one. A number of reasons were given for that change, including the introduction of strict access controls to the room and the employment of a door person to enforce those controls as well as to ensure that minors and those unduly affected by alcohol are not permitted access. While there have been unacceptable lapses in the controls on entry to the Endeavour Room, which will be addressed separately, they cannot be said to be the responsibility of security.

Given the evidence received during the Investigation concerning the operation of the private gaming rooms, particularly in relation to the markedly reduced incidents of illegal or otherwise undesirable behaviour, we are satisfied that security numbers in the private gaming rooms are not a matter of immediate concern.

The Australian Liquor, Hospitality and Miscellaneous Workers Union, which represents staff at Star City, submitted that non-intrusive metal detectors should be installed at the casino. Examples of patrons having weapons in casinos in Melbourne, Adelaide and Brisbane were cited. Threats of physical violence by patrons to employees were reported. One Union member advised of having observed a patron with a knife concealed under his jacket, which does not appear to have been reported to Star City management.

Star City advises us that, in its view, there is no need to introduce metal detectors. Star City points to the presence of security staff at entrances as well as patrolling the gaming areas, the surveillance cameras and the absence of any major incidents

where patrons or staff have been injured by metal objects. Further, Star City believes that as an entertainment venue, the presence of metal detectors would suggest a danger which is not supported by actual incidents. Star City is continuing to monitor the situation and notes it will *“always act quickly to implement any measures necessary to protect its patrons”*.

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.

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 delivered a verdict that Mr Dalamangas had died as a result of the combined effects of asphyxiation and a severe heart condition. It 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.

At the time of the 2000 Investigation, the Coroner had not made any recommendations. The 2000 Report recommended that the Authority examine the Coroner’s recommendations, when available, in relation to the death of Peter Dalamangas and ensure that Star City took all appropriate action.

Following the Inquest the Coroner was satisfied that the training course Star City developed for general security officers was a significant improvement of practices which were in place at the time of the death. The Coroner also recommended in

October 2001 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.

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.

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 1045 cameras. About two thirds of those cameras, 664, monitor gaming areas. The remaining cameras observe activities in outside areas such as the car park, the hotel and external perimeter areas.

The principal changes to the Surveillance Department over the period in review concern the presence of Security Department in the Surveillance monitor room and the introduction of a structured approach to monitoring.

In relation to the first, a security officer operates a console monitoring the casino for security related incidents in the Surveillance monitor room. That officer reports to the Surveillance Department. Access to the room is now granted to more senior staff within the Security Department as well as the Investigations Manager whereas the room was previously inaccessible to all but surveillance staff. Staff generally spoke

positively of the changes, particularly in terms of increased communication between Investigations, Security and Surveillance, a matter which was the subject of criticism in 2000.

The second matter permits more focussed monitoring of the casino and requires greater accountability of operators in terms of the areas each scans during a shift.

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

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:

- Ensure that the casino remains free from criminal influence or exploitation;
- Ensure that gaming is conducted honestly; and
- 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 to with a view to preventing them from re-entering the casino.

SELF EXCLUSIONS

Star City has excluded 516 patrons at their own request between the period 1 January 2001 to 30 June 2003.

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.

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 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 12 months, providing there has been no detected entry to the casino during that period in breach of the exclusion order.

The casino has revoked 108 self exclusion orders in the period 1 January 2001 to 30 June 2003, in the main because the minimum period of time had expired.

The Authority has not issued any exclusion orders at the request of patrons in the relevant period.

NON VOLUNTARY EXCLUSIONS

Commissioner of Police

The casino operator has excluded 43 people from the casino at the direction of the Commissioner of Police between 1 January 2001 and 30 June 2003.

The NSW Police has informed us that it considers the following criteria in making exclusions:

- The person's criminal history or other evidence/intelligence of their criminality suggests the person warrants exclusion;

- 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;
- The person has a gambling problem sufficient to warrant exclusion;
- The person is subject to a court order or other judicial process not to enter or attend licensed premises or a casino.

The Police have excluded for a range of activities, some of which occur at the casino and some elsewhere. They include drug supply, fraud, extortion, illegal gambling, theft, money laundering, loan sharking and prostitution.

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

The Authority

Since the Act was amended in 2001, the Authority has power to issue exclusion orders. Previously that power resided in the Director of Casino Surveillance. That position has been abolished. In the period from 1 January 2001 to date the Authority has excluded one person following an admission by that person that they had borrowed money from a loanshark for the purposes of gambling. The exclusion order has not been revoked.

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 2001 to 30 June 2003, the Authority received 192 requests from persons seeking to have their exclusion orders reviewed. Of this number, the Authority let 116 orders stand and overruled 23 orders. 41 applications for review were received out of time or had been revoked by Star City and five requests related to voluntary exclusion orders in circumstances where the Authority was waiting for further information from the excluded persons. Seven orders are awaiting decision by the Authority.

Star City

In the period 1 January 2001 to 30 June 2003, Star City excluded 767 patrons. The main reasons for exclusion included theft, fraud, assault, offensive or abusive behaviour or breaching the rules of a game.

A small number of patrons were excluded for suspected substance abuse and property damage. Three patrons were excluded by the casino operator specifically for suspected money lending in 2001, two in 2002 and none in the first six months of 2003. Exclusions for suspected soliciting for the purposes of prostitution by the casino operator have similarly declined to none in 2003.

Star City has determined that exclusions may be permanent for activities such as unattended children, serious assault, the sale of illegal drugs, major premeditated theft 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 12 months. Up to 24 months exclusion may apply for sexual harassment, vandalism, use of illegal drugs and fighting or minor assault. There is no mention of money lending on the list compiled by Star City, although this appears to be an inadvertent omission. It certainly is the case that such conduct does not result in permanent exclusion, as is indicated by the two matters referred to later in this Chapter.

The casino has revoked 126 exclusion orders made in the relevant period, some of which related to exclusion orders made prior to 2001. This was significantly fewer than in the previous three years.

The casino's exclusion policy was revised in August 2002. Those with authority to issue and revoke an exclusion order are managers and above, including the Security and Surveillance shift managers. Most are issued by security shift managers.

The Executive Exclusion Committee has been established to authorise the issue of exclusion orders which have been recommended as a result of information obtained about a person's alleged criminal or unacceptable behaviour and review requests for revocation of those orders. Its jurisdiction appears to be invoked when the conduct

under consideration occurs outside of the casino or has come to attention through a third party. It was established following criticism of the method by which some nine patrons were excluded by Star City during the 2000 Investigation and subsequent to the *4 Corners* report in April 2000.

THE NEED FOR GUIDELINES

In the 2000 Report Mr McClellan said *“the consistent application of carefully formulated guidelines is essential in managing the exclusion process”*.

That principle remains apt in 2003.

Two incidents arose during the period of review which cause some concern. Each was brought to our attention by a staff member and the disquiet expressed by that person was shared by other employees of Star City.

The first matter concerned a patron who was excluded by the casino operator in June 2000 for suspected money lending and association with prostitution. His exclusion was expressed to be for an indefinite period. After initially protesting his innocence, we understand he ultimately admitted engaging in money lending in the Endeavour Room, of which he was a member. It seemed to have been accepted by the Committee that he was contrite. The current Code of Conduct warning against money lending and soliciting was not in place at the time of his infringements.

He successfully applied for the exclusion to be revoked and that occurred precisely two years after he was excluded. The criteria which were applied by those responsible for considering the matter are by no means clear or explicit. They certainly are not the subject of a written policy.

The second matter concerned another Endeavour Room member who was excluded by the casino in June 2001 for a number of reasons including suspected money lending. He too wished to return to the casino and, following application, his exclusion was revoked precisely two years later. Again it appears to have been accepted that he was contrite and not aware of the Code of Conduct prohibiting

money lending. However, another senior manager believes the patron is still professing his innocence of the accusation made in 2001.

We were told that the Committee decided that two years was a minimum time to be “served” before revocation would be considered following exclusion for money lending. This period seems to have been arrived at partly out of reference to the time set for other conduct which results in exclusion, such as chip theft and the like, and partly arbitrarily. However, no cogent reason was given as to what it was specifically about the conduct of the first or second patron in these two examples which rendered them eligible for the minimum time. They were, however, both persistent.

There can be no objection to the casino operator determining that exclusions, even those framed as indefinite at the time of issue, can be revoked. Flexibility when exercised for demonstrably good reasons would not be criticised. However, clear transparent criteria are required to ensure that such decisions are made consistently and not because of pressure brought by a persistent and valuable customer.

In 2000 Mr McClellan reported

...there will be, of course, a commercial incentive on the part of the casino to maintain and increase patronage to the casino. Star City will need to ensure that it resolves any conflict between its commercial aims and the legislative requirement that the casino is kept free from criminal influence, in the favour of the latter.

One of the members of the Executive Exclusion Committee with whom we spoke disavowed applying a commercial test to whether the exclusions in question should be revoked. Exclusions are significant in satisfying the objects of the Act and should be exercised with transparency and consistency. The power to exclude is an important mechanism for achieving an environment in which criminal influence is diminished.

From our discussions with senior management, we understand that they, on reflection, concur that a written policy for the exercise of power by the Executive Exclusion Committee is warranted.

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

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 are not sophisticated. We understand that face recognition technology is not yet sufficiently advanced to assist. Thus the casino relies upon the software which registers the 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.

Overseas experience suggests that an electronic identification system can assist to make self exclusion programs more effective by increasing the likelihood of identification. A computerised visitor registration system has been established in the Netherlands for its state owned casinos.

The registration system:

- Records the history and frequency of any visitor;
- Can check data against self excluded patrons;
- Generates reports on:
 - signs of compulsive gambling;
 - staff notification of casino attendance by patrons 20 times or more over a period of 3 to 6 months which prompts an approach by staff;
 - number of discussions staff have with visitors about compulsive gambling.

Technological developments in the areas of smart cards and voluntary identification bracelets, as are reportedly being trialled in the United States may, in time, provide Star City with further options to better identify excluded patrons entering the casino.

This issue has not been the subject of detailed research and analysis by this Investigation and these initiatives are recorded as such without any particular endorsement. The IPART Report, expected in May 2004 and referred to in Chapter 7, may provide insights in this area.

The casino operator advises us that between 1 January 2001 and 30 June 2003, it detected 1017 incidents of an excluded person in the casino. Of these just 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.

Since July 2001 those detected re-entering the casino when they have been voluntarily excluded cannot be prosecuted (s.84(1)). The Government Inspectors have told us that they believe there has been an increase in those self excluded persons re-entering the casino following July 2001 which they say is due to the absence of the deterrent aspect of prosecution.

We understand that Star City is dealing with this issue by warning 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 s.79(1). These non voluntary orders have been issued against nine people on this basis. The penalties which can be applied to such an order are conveyed to the patron.

Under s.84(1) of the Act an excluded person, other than self excluded, may be prosecuted for entering the casino with a maximum penalty of \$5,500 and/or 12 months imprisonment. If the Court finds a person guilty, it may, if satisfied that the person has a problem arising from their gambling activities, postpone its decision as to the imposition of a penalty on condition that the person agrees to undergo gambling counselling for up to 12 months.

The Director of Casino Surveillance and, after June 2001, the Authority, have prosecuted 50 people for over 100 offences which occurred in the period under review. Of these all were offences against s.84 of the Act concerning the re-entry of excluded persons. The results varied, with most being fined between \$100 and \$2,000. Only a few were required to attend counselling. A significant number failed to appear or were unable to be found or served.

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 2002, as referred to earlier, we conducted a review of the progress made by Star City. We concluded in respect of this issue:

It is clear that over the past 12 months or so information has been provided to staff which encourages them to be attentive to this issue and procedural and structural changes made to the security, surveillance and investigations department to enable them to more effectively respond.

MEASURES TAKEN BY STAR CITY

The more significant measures include:

Access to the Private Gaming Rooms

Star City instituted a procedure whereby all those in the private gaming rooms are known. Persons wishing to have access to the Endeavour Room must complete an application form and provide adequate photo identification. They are issued an Endeavour Room access card with their photograph displayed. Each person with primary access is entitled to nominate a spouse or partner who is eligible for a “partner” card, also with a photograph.

When in the Endeavour Room, all access cardholders and guests are required to behave consistently with the Code of Conduct for the room, which is printed on the

application form. Any unacceptable behaviour or abuse of privileges may result in the access being revoked and possible exclusion from Star City.

Examples of unacceptable behavior include:

- Engaging in transactions involving the proceeds of crime, either receiving, possessing, concealing, or disposing of the proceeds of crime;
- Engaging in transactions in an attempt to avoid any liability to pay tax on those funds transacted;
- Lending money for profit;
- Procurement or solicitation for purposes of prostitution;
- Entering or remaining in the Endeavour Room whilst intoxicated;
- Bullying and all other forms of harassment towards staff or other patrons;
- Trafficking, dealing in or the use of prohibited drugs or the abuse of prescription or over the counter drugs;
- Bringing a minor into the Endeavour Room;
- Misuse of the Endeavour Room card (handing the card to others to use).

Each member is entitled to bring into the room one guest or partner per visit. 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.

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.

Compliance

This policy had been in place by the 2002 Review. At that time, we said:

From the evidence given by staff responsible for, or who have observed, the entry of patrons into the private gaming rooms, it appears that only screened and identified patrons are permitted access.... As long as staff are vigilant in ensuring the cardholder and person seeking access are the same, the system in place should be adequate.

The evidence available to this Investigation is that there has been considerable laxity, at least of late, in complying with this policy. Audits conducted by Star City's

Surveillance Department in the first six months of 2003 showed that significant numbers of patrons were permitted access without showing or “swiping” their access card. A number of reasons were given for these infringements, including inadequate staff resources (from those whose task it was to enforce the policy), patrons being granted access were known to staff, delays in recruitment of door staff, the reluctance of some patrons to identify themselves and the design of the reception area.

Monitoring by the Government Inspectors in 2003 also indicated that some patrons entered the private gaming rooms without producing their membership card or being signed in as a guest. They also detected an issue with excluded persons gaining entry as a guest as a result of the staff member not ascertaining from Star City’s database whether they were entitled to access the casino. That has since been resolved with technical assistance.

The importance of the recommendation which gave rise to this procedure in ensuring that the casino remains free from criminal exploitation is obvious. Attention must be paid by staff and management in the room to ensure that adequate resources are in place as well as a complete understanding by relevant staff of their obligations. We understand that Star City has taken steps to ensure staff are aware of their obligations. In addition it has engaged consultants, with little by way of useful outcome, and considered redesigning the entry area to the private gaming rooms.

It should be noted that Star City initiated an internal audit process through surveillance in this matter, an approach which is to be commended.

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

Case Studies

The cases of two patrons excluded and then permitted to re-enter the casino were reported in Chapter 5. Each sought re-admission to the Endeavour Room after having his exclusion order revoked.

There appears to have been a policy in place in 2002 when the first patron made application. That was that a period of six months had to elapse after the exclusion order was revoked and before the person could apply for membership. Various reasons were given for the existence and scope of this policy, including the need to acquire the relevant play levels on the main gaming floor, issues associated with responsible gambling principles, and withholding the membership privileges as a further sanction. At that time the manager of the room permitted no exceptions to the rule. This policy was applied to the first patron mentioned in Chapter 5 and he sought and was offered membership precisely six months after his exclusion order was revoked.

Since that time, the existence of any policy is at least uncertain and its terms unclear. The senior manager in charge of table games denied there was or had been any policy and some staff believed it was 12 months before membership could be sought. The current manager of the room takes the view that once exclusion is revoked the patron is welcome back if he or she has sufficient play.

In respect of the second patron referred to in Chapter 5, the comments made on Star City's computer system revealed that, on the day his exclusion order was revoked, the senior manager recorded that the patron was not to have access to the Endeavour Room even as a guest. About three weeks later the patron was told he must wait 12 months until he would be considered for membership of the private gaming rooms. A further three weeks later he was permitted to make application for membership and, in the meantime, was issued with a "manager's pass" by the room's manager. The senior manager cast some doubt about the accuracy of these records.

As with the circumstances of these patrons' re-admission to the casino, a decision lacking in transparency, consistency and apparent justification was made concerning the access of the latter patron to the private gaming rooms.

Preferential treatment was also given to another patron, a person with a significant level of play and a well known member of the Endeavour Room before the new access policy was implemented in mid 2000. He refused to sign the application form in 2001, when all former members were invited to re-join.

However, this did little to impede his access to the private gaming rooms. On no less than 17 occasions over a period of a year, that is at least monthly, he was granted access by way of the issue of a “manager’s guest pass”. In addition he was allowed complimentary limousine use and permitted to be accompanied by unlimited guests to the inner sanctums. Ultimately in July 2003 the views of others prevailed and he duly signed the form and became a member.

That this amounted to an abuse of the “manager’s guest pass” system and flagrant evasion of the access policy is a view shared by various staff at the casino who were disturbed when informed of these events. That the senior manager in charge of table games agreed to the issue of those “manager’s passes” only heightens concerns.

The decision in this case, without reasoned justification and against a carefully developed policy designed to ensure the probity and integrity of members, again suggests favouritism towards well known valued customers. That it sufficiently concerned staff to bring it to our attention, illustrates the adverse effect that inconsistent decision making against existing policies can have on the culture of an organisation. One staff member raised it with her supervisor and was ultimately effectively told that it was not her business.

We note that the decision in relation to the second and third patrons is at odds with the “Process Objective” contained in the recently approved Internal Control Manual document on access to the Endeavour Room. It states as its object that access be provided consistently and transparently within established policies and procedures.

We recommend that Star City develop a transparent policy governing re-admission to the private gaming rooms following revocation of an exclusion order. It is expected that any policy will contain a discretion, as well as the principles which should underpin the exercise of that discretion.

Staff Training

Star City advise that it has provided staff with increased training and communicated via a variety of means its requirements to ensure illegal and undesirable conduct is detected and action taken. Staff have been assisted in identifying the conduct which is unacceptable at Star City. Examples have been provided, often by way of video compilations of surveillance footage. The need to report and to whom to report any such observed activity has also been reinforced.

The staff interviewed all reported having received at least some level of the training described by Star City and, importantly, having benefited from that information.

Those who had observed unacceptable behaviour had reported it, generally to a supervisor, the Surveillance or Security Departments or more rarely, the Investigator. Significantly every person reported confidence in telling their supervisors or others of suspect activity. Each person expressed a firm belief that the person to whom they had or would report, would act promptly and appropriately.

Star City is to be commended for its success in changing Star City's culture to one which supports and acts upon reports of criminal and undesirable activity.

More will be said later of the content of the reports made by staff.

Electronic Reporting

A centralised and standard incident reporting system has been introduced which permits all staff to electronically report matters to supervisors and other relevant persons within Star City. This system allows the more effective collation of that information and consequent analysis.

PROSTITUTION

Soliciting for the purposes of prostitution is an offence if it takes place within the casino premises. The evidence in 2000 was of many front line staff having observed conduct on many occasions consistent with soliciting, and some managers rarely, if ever, seeing it or being told of it occurring. Responsibility for monitoring the casino

for such conduct was not accepted by many. Prior to the 2000 Investigation, there were no written instructions to casino staff to report incidents of suspected soliciting.

In 2003 each staff member, junior or senior, accepted responsibility for ensuring soliciting does not occur in the casino. Furthermore, appropriate written procedures are in place, and reports are regularly made of suspicious activity and action taken, including exclusion. There is no evidence of which we are aware of any organised soliciting in the private gaming rooms or on the main gaming floor.

The Investigations Manager's monthly reports to his senior manager support the evidence received that reports of suspected prostitution have remained static with most arising from activity in the hotel.

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

MONEY LENDING AND LOAN SHARKING

There was ample evidence in 2000 of money and other valuables being frequently exchanged in the casino and particularly in the Endeavour Room. Some no doubt were exchanged between friends or associates with the expectation that the money would be repaid without any charge. Some, however, were made on a commercial basis that the loan was 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. In 2000 Mr McClellan found that:

Responsibility has not been effectively allocated nor adopted in ensuring loan sharks do not operate in its environment. Communication between management and staff has been weak.

In 2003, as with the issue of soliciting, staff have accepted responsibility and report suspicious exchanges of cash or other valuables. Communication from management has been effective and patrons have been excluded for this activity. (see Chapter 5)

The number of loan sharking or money lending reports by staff is low and consistently so. The Investigations Manager has devised a system whereby he is aware of who within Star City reports observations of this and other activities and is able to, and assures us he does, tailor his communication to staff within the casino accordingly. In addition, it is clear from the reports made of undesirable activity that they are sourced from junior and senior staff from most of the relevant departments.

THE PRESENCE OF CRIMINALS IN THE CASINO

In 2000 and in 2002 the Authority sought information from the NSW Police concerning the percentage of gamblers with the highest turnover who were adversely known to them. Since those figures were obtained, the process of checking the membership application of each Endeavour Room member who re-applied following the revised procedures in 2001, has been completed. That involved the police in scrutinising some 11,580 names. A number of exclusions resulted from that process. The police continue to examine the names of new members and where appropriate, exclusions follow.

From information obtained by the Authority and this Investigation, it is clear that that vetting has been successful in significantly reducing the numbers of patrons in whom the police have an interest, who frequent the private gaming rooms.

There is, and we suspect often will be, a small number of gamblers on the main gaming floor who are of interest to the police. However, the procedure the Authority has in place with the casino operator and the police, ensures 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 laundering using the casino remains a concern of 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. These include:

- The requirement to report significant and suspect cash transactions; and
- Controls over the issuing of “winnings cheques”.

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 to be reported.

Star City has reported over 36,000 significant cash transactions between 1 January 2001 and 30 June 2003. In addition to reporting cash transactions of over \$10,000, Star City records and analyses cash transactions of between \$5,000 and under \$10,000, an issue which is dealt with in Chapter 9.

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 2000 suspect transactions between 1 January 2001 and 30 June 2003. Most of these transactions have occurred at the gaming tables in the private gaming rooms with the majority being for suspected structuring of transactions to avoid the \$10,000 reporting limit.

Generally relevant staff have an adequate knowledge of the transactions of which they should be suspicious, although, perhaps not surprisingly, the more sophisticated approaches were better understood by more senior staff. We note that AUSTRAC is carrying out a casino industry education program and Star City recently benefited from six presentations. This should assist in remedying any deficiencies in the knowledge base of staff.

The reports to AUSTRAC increased following the 2000 Report and since that time have been consistently high. Over the period in review the quality of the information provided has improved. AUSTRAC is satisfied from the information available to it, that Star City complies with its obligations under the legislation. It describes the casino operator as a “*benchmark cash dealer among casinos*”.

Winnings Cheques

Cheques issued in respect of gaming transactions are stamped “non winning” unless the casino operator can verify that the amount sought represents winnings. The latter are issued stamped “winning”. As a result of an audit by the Authority in May and June 2002 amendments were made to the procedures surrounding the issue of winnings cheques. They are now only issued to registered players for the period of play they are rated.

Financial Action Task Force on Money Laundering

The Financial Action Task Force is an inter-governmental body, which sets standards and develops policies to combat money laundering and terrorist financing. Australia is a member. In 2003 it 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 are directed at casinos. We understand that the Commonwealth Government is currently considering all of the recommendations.

Many of them concern matters which have been addressed by federal legislation in Australia or are adequately dealt with by Star City. The principal recommendations of current relevance to Star City concern:

- Undertaking ongoing due diligence of financial transactions over a certain amount;
- Having in place appropriate risk management systems to identify, determine the source of wealth of, and monitor politically exposed persons, i.e. those with prominent public functions in a foreign country or in Australia and family members and close associates; and
- Developing programs against money laundering and terrorist financing.

We understand that Star City is aware of the recommendations and have them under consideration.

Conclusion

We are satisfied that Star City has in place adequate procedures to ensure compliance with its reporting obligations with respect to cash transactions and in relation to the issuance of winnings cheques.

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

One of the requirements of Star City's possessing a liquor licence is that it must provide supervision of the public thoroughfares through its premises to ensure that departing patrons and others do not create any disturbance or nuisance in the area.

We understand that there has been an increase in incidents of violence and aggression in the Star City complex retail arcade area between Pymont Street and Pirrama Road over the past two years or so. The source of the problem appears to be groups of young males, although alcohol does not seem to be a factor.

Star City has had discussions with the retail outlets operators and the police. It has engaged contract security officers on Friday and Saturday nights and improved communication between the venues and Star City staff. Police visit the area on a more regular basis.

In June this year Star City installed barriers at each end of the retail arcade between about midnight and 4 or 5 a.m. on weekends. The barriers are staffed by contract security officers and access is refused to the complex based on criteria including dress and the number in a group. A review of the number of incidents recorded prior to and following the introduction of barriers indicates that they have reduced violence and discord.

It is obvious that it is not an issue which is limited to Star City. We understand that other late night venues experience anti social behaviour. However, given the liquor licence which Star City enjoys as well as its 24 hour operation, it is essential that all reasonable steps are taken to ensure the safety of those who work and recreate within its complex. We understand that Star City and the Authority will continue to monitor this issue.

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.

In 2000 Mr McClellan found that:

Star City has not effectively implemented a responsible service of alcohol policy, particularly in the Endeavour Room. Further, it has failed to provide staff with a culture which respects legal obligations over matters of revenue. Some patrons have been allowed to gamble notwithstanding staff believed they were intoxicated. The desire to please the patron, particularly the larger player, has outweighed the casino's and its staff's legal obligations to prevent gamblers playing under the influence of alcohol.

The information obtained during the 2003 Investigation supports Star City's assertion that it now has in place appropriate procedures to satisfy its obligations in relation to responsible service of alcohol (RSA), including staff awareness and training.

All staff interviewed had received training, and in many cases, refresher training in RSA. They understood their responsibilities and appear to actively monitor for breaches of the principles. The role played by plain clothes security officers in "roving" the casino monitoring patrons for levels of intoxication, was particularly highlighted by staff as enabling all to more responsibly serve alcohol. Many staff expressed the belief that Star City had become more vigilant in this area. There was no suggestion by bar or security staff that they were being "overruled" by others in relation to applying responsible service of alcohol principles.

In addition, Star City has formed a Responsible Service of Alcohol Management Group which meets monthly and, among other matters, considers statistics and trends. A review of the issues considered by the Compliance Management Committee reveals a keen interest in this issue and demonstrates that the Committee provides appropriate leadership to the casino on RSA.

During the period under review the casino operator engaged external consultants to monitor compliance with RSA on four occasions. The first three made no significant recommendations and provided observations by the reviewers. The fourth review in November 2002 concluded that compliance was effectively controlled and that the security presence was obvious and appeared effective. They did not observe any

patrons obviously intoxicated including no such person being served alcohol or gambling.

No disciplinary action has been taken against Star City since 2000 for infringements of its liquor licence. However, in April 2003 the Authority issued a letter of warning to Star City in relation to an intoxicated patron having remained in the liquor licensed area, outside of the casino boundary, for 35 minutes after having been refused admission to a bar.

The Inspectors reported three other matters in which the casino operator may have breached its liquor licence. No disciplinary action was taken in relation to each of them. The first concerned Star City having in place a pricing structure for low alcohol beverage, which did not reflect the lower wholesale price. The second occurred when Star City allowed two intoxicated patrons to remain in the casino in April and May 2001. Each gambled for 30 minutes and two hours respectively before being physically removed. The third incident concerned the establishment of temporary bars in a private function within the casino which did not have the signage required by the liquor licence.

We are satisfied that Star City has in place appropriate procedures to fulfill their obligations in relation to the responsible service of alcohol.

Other Licensees

During the period under review the Authority has dealt with complaints under the liquor provisions of the Casino Control Regulation 2001 against the licensees of bars within the casino complex which were not operated by Star City. Four complaints were considered against Entertainment Development Group Limited concerning the Score Bar. They related to:

- Acts involving violence against persons and/or damage to property being committed on seven occasions between December 2001 and April 2002;
- Permitting in excess of 170 persons on 16 November 2001 and on 30 June 2002 while entertainment was being conducted in breach of Place of Public Entertainment approval granted by City of Sydney;

- Acts involving violence against persons and/or damage to property being committed on four occasions between 22 June 2002 and 11 August 2002.

The Authority determined that in relation to each of the four complaints the grounds were established and suspended the liquor licence for a period of two weeks in October 2002.

Further action was taken against the licensee of the Score Bar in July 2003 for permitting intoxication on the premises. The licensee was ordered to pay \$2,750.

In addition, Lanegreen Holdings Pty Limited trading as Paddy Maguire's had a complaint against it for permitting liquor to be removed from the licensed premises. On 29 May 2003 the Authority determined that it was satisfied that the ground upon which the complaint was made was established and ordered the licensee to pay \$500.

CONCLUSION

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. The existence of the compliance program and the seniority and influence of the Compliance Manager, which are discussed in Chapter 8, are important to the continued observance of principled procedures governing criminal and other undesirable conduct in the casino.

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 families.

LEVEL OF GAMBLING AND ECONOMIC BENEFIT

Legal gambling in NSW provides the NSW Government with around \$1.2 billion in annual revenue. In 2002, \$1,100 per head of adult population in NSW was spent on gambling.

In addition to Star City casino, legal gaming in NSW is conducted in nearly 1,400 registered clubs operating over 75,000 gaming machines, with over 1,800 hotels operating more than 24,000 gaming machines and on 209 racecourses with 300 bookmakers. There are many charity games of chance, the NSW lotteries, the TAB network of agencies and over 1,000 clubs connected with Keno.

Statistics and research consistently reveal that gaming machines and racing dominate gambling expenditure in NSW with 70% of total gambling expenditure in NSW being accounted for by gaming machines. Star City has approval for 200 gaming tables and 1,500 gaming machines.

Of particular note over the period under review, is that the income by way of winnings achieved by Star City casino, other Australian casinos and NSW gaming venues has remained quite constant. Star City has generated an annual average of \$536 million in gross winnings over the period 1999-2002. This expenditure has only varied by 2.5% across each of those years.

In 2002 the Productivity Commission linked this levelling of expenditure on gambling to a maturing market for gaming machines. In addition, research commissioned by the Australian Casino Association indicates that in 2001-2002 there were an

estimated 38.5 million visitors to Australian casinos. As with expenditure, visitor numbers and their origin have been stable over the period 1999-2000 to 2001-2002 although Star City enjoyed a significant increase in visitors over that period.

Star City, as part of the Darling Harbour precinct, is an important tourist attraction. The Tourism Task Force submitted to this Investigation that:

- About 10% of Star City's customers are tourists, including interstate visitors and day-trippers from other parts of NSW;
- 418,000 persons or 16% of international visitors to NSW visit the casino during their trip;
- 37% of tourists from Malaysia, Hong Kong and China visit Star City.

RESPONSIBLE GAMBLING

Casinos and other gaming venues have the potential to cause great harm to those who gamble. Excessive gambling can have devastating effects on gamblers, their families and friends and the wider community.

In 1999 the Productivity Commission estimated that about 1% of the adult population had severe problems with gambling, another 1% had moderate problems and nearly 3% had some degree of problem with gambling. Most of these gamblers are believed to gamble on electronic gaming machines.

2003 – 2004 IPART Inquiry

In July 2003, IPART, the Independent Pricing and Regulatory Tribunal was tasked by the Government with reviewing the effectiveness of existing gambling harm minimisation measures and considering further harm minimisation measures which have been identified or proposed for adoption. The review is to cover all forms of gambling and to focus on the effect on problem gamblers, at risk gamblers and gamblers in general. In addition, it is to examine the effectiveness of community services in addressing harm minimisation objectives.

The harm minimisation measures it is considering fall within the following broad categories:

- Circuit breakers, e.g. shut down of machines or venues;
- Information for gamblers, e.g. signage and brochures;
- Liquidity controls, e.g. payouts not in cash;
- Restricted promotion of gambling, e.g. controls on advertising;
- Community/counselling issues, e.g. gaming operators having agreements with counselling services;
- Technical measures, e.g. reel speeds.

The Tribunal proposes to assess each measure against, among other matters, existing empirical evidence on the likely impact of the measures as well as possibilities for commissioning new research.

It released an Issues Paper seeking comment in September 2003 and is expected to submit its final report to the Minister for Gaming and Racing in May 2004.

It seemed sensible to us to await the outcome of the IPART review rather than embark upon significant work in the area of social impact with respect to the casino for the purposes of this Investigation. We understand that the Authority will consider any recommendations made by IPART and take the action it considers appropriate.

However, we note that a number of initiatives have been undertaken and research conducted in areas of particular relevance to casinos. Brief mention of these follows.

Some Recent Initiatives

A key area in responsible gambling initiatives and research concerns setting betting limits and controlling access to funds. Smart cards and tokens are technologies that facilitate pre-commitment arrangements and monitoring of gaming transactions. South Australia has reportedly undertaken trials of cashless gaming and player loyalty devices, and NSW trials have apparently been conducted in some clubs using a magnetic stripe card system. This allows gamblers to hold money in special accounts.

In research reported in January 2003, and conducted in Victoria, New Focus Research found that clients of problem gambling services regard interventions from venue staff as of greatest importance. Each of the gamblers and family members said the single most important industry intervention would be an initiative that allowed venue staff to physically remove gamblers who are exhibiting observable signs of problem gambling.

By contrast, an Australian Gaming Council discussion paper published in August 2002 found broad consensus amongst researchers that venue staff should not attempt to diagnose problem gambling behaviour.

In March 2002 Crown Casino launched as a problem gambling initiative a customer support centre based within the casino complex to provide on-site support, assistance and counselling services to casino patrons, 24 hours a day, seven days a week. The Centre employs two counsellors and uses responsible gaming liaison officers on the gaming floor who, inter alia, provide the link to the counsellors and facilitate the self exclusion process. The Centre is also available for external problem gambling support services to counsel and assist patrons and their families.

The operation of the Centre is overseen by an expert consultative group which includes a range of gamblers help services, academics and others.

Crown has also introduced a play safe limits program which allows Crown Club Pokie players to set individual time and/or spend limits relating to their gaming machine activity. Limits can be set daily or annually. If a player exceeds the daily play safe limit, the machine emits an audible warning and a message appears. Then the player will no longer earn any Crown Club Pokie points until the next day or year, if annual.

We await IPART's findings to throw some light on which harm minimisation measures are the more effective.

Star City's Strategies

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

- Displaying information concerning chances of winning prizes;
- Providing player information brochures;
- Providing player information in community languages;
- Displaying warning notices of the dangers of gambling;
- Displaying signage about the availability of counselling;
- Clocks are required to be visible from gaming machines;
- Advising patrons that prize money in excess of \$1,000 is available by cheque and not disclosing the identity of certain prizewinners;
- Providing player activity statements under player reward schemes;
- Not displaying gambling related advertising and signs;
- Providing problem gambling services;
- Permitting voluntary exclusion orders;
- Not providing gambling inducements; and
- 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:

- The production of brochures which, inter alia, provide information about behaviour indicators of a gambling problem;
- Information about self exclusion and contact details for gambling counselling;
- Additional signage;
- Some gaming machines have been installed on the main gaming floor which are equipped with clocks;
- Prize money and accumulated credits paid by cheque are not redeemable for 24 hours;
- Retained Wesley Gambling Counselling Service to provide 24 hour crisis intervention for distressed patrons and other services;
- Self excluded persons are required to attend a minimum of two gambling counselling sessions before the order is considered for revocation;
- Signage warning not to leave children unattended;

- Introduced a Responsible Gambling Code in 2001;
- Established a Responsible Gambling Committee to monitor the quality and effectiveness of Responsible Gambling programs and established a Responsible Gaming Manager and register.

Responsible Gaming Manager

The Responsible Gaming Manager was interviewed for the Investigation. She has overseen the training that all relevant staff have undertaken. We understand that staff are informed that if they observe that a patron is distressed, they approach that person, and depending on the response, offer assistance by way of brochures and the like, perhaps suggest a break from gambling and, if appropriate, commence the self exclusion process. It must be said that the staff interviewed had differing views of their role in applying the principles of responsible gambling and most of those interviewed had neither been approached by nor identified a person as having gambling problems.

Some staff working in the private gaming rooms who knew the patrons, reported that on a number of occasions they had approached patrons they believed to be distressed and offered various forms of assistance. On the main gaming floor staff usually waited for a person to self identify as in need of assistance before taking any action.

Unfortunately the Responsible Gaming Manager, while retaining information about such approaches provided to her by staff, has devised no system for collating or analysing that information. She was unable to inform us as to the number of these approaches, by which level of staff, and with what outcome. It seems 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.

We note that refresher training in this area is underway. Prior to the next round of training Star City may wish to evaluate the success of the earlier sessions to better structure the follow up training.

In addition, we understand that security staff are primarily responsible for assisting patrons who wish to be self excluded. We were informed that they were trained for that task some five or six years ago. Clearly there has been refinement in responsible gambling principles, as well as some turnover of security staff in the intervening period. It may be prudent for Star City to consider whether tailored training is required to enable security staff to handle this sensitive and important role.

Responsible Gambling Code

TABCORP introduced a Responsible Gambling Code at the end of 2001. It applies to all its operations, venues and outlets, of which Star City is one. The Code was reviewed by KPMG, internal auditors to each of Star City and TABCORP, in September 2003. The outcome was very positive for Star City. The auditors found that Star City had a strong compliance culture and commitment to compliance. Strict compliance with the Code was described as clearly evident although recommendations for further improvement to meet the “spirit” of the Code were made. The most significant concerned the capacity of electronic surveillance to detect those entering the casino who were the subject of a self exclusion order. This issue is addressed in Chapter 5. Another issue raised was that signage and the display of responsible gambling materials at Star City appeared to be less prominent than was the case at TABCORP’s other gaming venues.

We understand that Star City is considering the matters raised.

Wesley Gambling Counselling Service

Wesley Gambling Counselling Service has a contractual arrangement with Star City to provide a range of services including 16 hours of counselling each week. Its main work is in assessing those who have been self excluded. Self excluded persons are required by Star City to attend at least two 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 July 2002 to August 2003, 49 people attended sessions with the Service for the purpose of applying to re-enter the casino.

In addition, Wesley provides a 24 hour on call service. In the last financial year they were contacted after hours by phone by Star City security staff on three occasions, and on two of those, they attended the casino to speak with a patron who appeared to be at risk of self harm.

The Reverend Chester Carter, the Manager of the Service, estimated that 98% of the service's clients have a problem with gaming machines. The other 2% have problems with a mixture of table games, TAB and the race track. He cannot distinguish from his figures the numbers who play the gaming machines at the casino from those who play them at other venues.

He reported the following trends he had observed from the work of the Service. First that clients are younger and coming in sooner and secondly that the equal number of men and women using the Service had been consistent.

G-line

G-line (NSW) is a 24-hour, seven days 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 \$4 million in funding from the Casino Community Benefit Fund (CCBF) 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 2002-2003 by some 12% over the previous year, to over 13,000. The age of most callers remains largely static at mid to late twenties to about 60. About two-thirds of callers identify themselves as gamblers. An independent evaluation of the service was conducted in 2001-2002 and, according to the CCBF, proved favourable. It concluded that McKesson Asia-Pacific Pty Limited was supplying a high quality telephone counselling, information and referral service that was in principle accessible to all people in NSW.

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

Casino Community Benefit Fund

The CCBF was established to reduce the negative impact of gambling in NSW by providing funds for services and research. Funds are derived from a casino community benefit levy of 2% on all casino gaming revenues. We are advised that as at 30 June 2003, Star City had paid almost \$72.5m.

The Fund is governed by a Trust Deed and is now administered by nine trustees appointed by the Minister for Gaming and Racing. The current trustees are drawn from the Uniting Church of Australia, the Society of St Vincent de Paul, the Salvation Army, the New South Wales Departments of Citizenship, Health, Education and Training, Gaming and Racing and Community Services and one is drawn from ethnic communities.

The guidelines by which funding is granted are contained in the Policy Framework on Treatment Services for Problem Gamblers and their Families in NSW, a five-year strategic plan for the period 2002-2006.

The Policy Framework provides for the development of a Code of Ethics and Professional Standards for service providers working with problem gamblers and their families. St James Ethics Centre was engaged in March 2003 as part of a working group to assist the Trustees in developing the Code.

In addition to funding gambling counselling services, the CCBF has identified flow-on effects of problem gambling including alcohol and drug abuse, domestic violence, unemployment and homelessness. A series of grants has been provided to community projects to address gambling related effects.

In NSW individuals who have problems caused by excessive gambling can seek help from a network of agencies across the State. The majority of these agencies are funded by grants from the CCBF and offer services which are free to the client.

In relation to training and education, in December 2002 the CCBF Trustees proposed that a problem gambling related Vocational Education and Training qualification be developed. It aims to become a minimum standard for workers within the problem gambling treatment sector. A grant of \$119,500 was made and the work is due for completion in 2006. The program will result in a series of nationally accredited qualifications for problem gambling counsellors.

In 2001-2002 the CCBF provided \$290,000 towards a national research program. This is to be carried out over a five-year period as part of the Ministerial Council on Gambling. The highest priority is to examine pre-commitment strategies for gaming machines. A pilot is planned for Mount Gambier in South Australia, which is an isolated location. It is planned to make the pre-commitment requirement mandatory in Mount Gambier for the duration of the pilot.

In the last three years there has been no research commissioned by the CCBF specifically in relation to Star City casino.

ILLEGAL GAMING

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

CRIME IN PYRMONT

The NSW Police advise us that the anti social behaviour engaged in predominantly by groups of males on weekend nights in and around the retail arcade is the main concern for the local police command. This issue is dealt with in Chapter 6. The police note that the use of barriers by the casino to prevent access to the retail arcade creates a displacement effect with offences now occurring on Pirrama Road and surrounding streets.

The police advise that its crime statistics reveal that the Pyrmont area, including Star City and Darling Harbour, features prominently in comparison to other areas of the CBD where there are licensed premises. Ongoing liaison between police and Star City occurs and local operations are conducted by the police on a regular basis.

The City Central Local Area Command conducted a Pymont Community Safety Audit in July 2003. A number of government and non-government organisations, residents and Star City participated. Three areas were examined: Pymont Point Park; James Watkinson Reserve; and the area adjacent to the casino, Pirrama Road and the public space near the public jetty. A number of recommendations were made to address anti social/drunken behaviour on weekends in the first two areas including limiting parking, additional lighting and introducing speed humps.

In relation to the area near Star City, concerns were raised about large groups of intoxicated persons disembarking from “party” boats at Pymont Bay and then making their way to Star City. Solutions formulated included changing traffic and pedestrian controls, re-routing the “party” boats and trimming shrubs and trees. The suggestion to employ “User Pay Police” on Friday and Saturday nights was made to actively patrol the neighbourhood and deal with instances of anti social behaviour.

The recent NSW Summit on Alcohol Abuse held in August 2003 examined existing approaches to the problems arising from alcohol abuse and strategies to combat them. A number of the recommendations aimed at minimising alcohol related crime and public order offences dealt with matters already in place at Star City. For example, the casino security staff are trained in RSA and conflict resolution, closed circuit television monitoring of access and exit points exists, and records of incidents are kept and are available to the police. Others matters such the development of accords between the community and other stakeholders were also recommended. We understand that further work is being done arising from the Communiqué released by the Summit.

Conclusion

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. We are satisfied that it does so with respect to the responsible service of alcohol within the premises for which it retains a liquor licence and in relation to the erection of barriers and engagement of contract security in the retail arcade area on weekends.

Given the seriousness with which we understand Star City takes its obligations in relation to liquor and anti social behaviour, we would expect its 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.

PASSIVE SMOKING

As reported in the 2000 Report, on 6 September 2000, legislation came into effect in New South Wales which prohibited smoking at gaming tables in casinos as well as within restaurants and cafes. Fines of up to \$5,500 can be imposed under the legislation.

Star City's smoking policy prohibits smoking in all back of house areas, with the exception of a designated staff smoking room. Smoking is permitted in most bars, other than service areas, the VIP Slots Star Lounge, away from tables and the bar in the Endeavour Room and at gaming machines. It is not permitted in common areas, walk-up cashier windows and, more recently in smoke free zones of two bars.

It is noted that the Commonwealth National Occupational Health and Safety Commission agreed in October 2003 that, given the health risks of environmental tobacco smoke, all Australian workplaces should be made completely smoke free as soon as possible.

The Australian Liquor, Hospitality and Miscellaneous Workers Union, representing Star City staff submitted that the legislation enacted in 2000 was not sufficiently far reaching to provide a smoke free and safe environment for employees and patrons, particularly given the exemption to the private gaming rooms. In addition the Union submitted that, for a number of reasons, patrons take no notice of the restrictions. Those reasons include the adequacy of the signs, insufficiency of numbers and training of staff, and that the areas in which to smoke and to refrain from smoking are not clearly defined.

As mentioned in Chapter 4, the response of the staff interviewed for this Investigation was overwhelmingly that the restrictions on smoking were properly enforced by staff from all relevant departments.

This is an issue which we anticipate will continue to vex employers and operators of venues such as Star City. We are not satisfied that Star City does not comply with its obligations under the Smoke Free Environment Act 2000. We note that it has introduced further smoke free areas than it is legislatively required to do. As a responsible employer it is expected that it would respond appropriately to emerging information concerning any matters of occupational health and safety.

CHAPTER EIGHT

COMPLIANCE AND OTHER MATTERS

COMPLIANCE

In September 2001 Star City appointed a Compliance Manager with responsibility to oversee the effective implementation of a compliance program. The holder of that position reports to both the CEO of Star City and the Executive General Manager for Corporate, Legal and Compliance, who also holds the title General Counsel of TABCORP.

The compliance program has been formulated in accordance with the relevant Australian Standard. Its aim is to develop an appropriate compliance culture which encompasses legal, ethical and social obligations.

Star City advises that significant progress has been made in implementing the first two elements, that is the structural and operational elements of the Australian Standard as well as commencing the third, on maintenance of the program. The developments to date include:

- Board and senior management commitment to the compliance program;
- Establishment of a Management Compliance Committee and Charter;
- Legal Risk assessment of Star City's key legal risks and prioritisation of risks (which includes illegal/undesirable activity);
- Introduction of a continuous and monthly breach reporting system;
- Education and training of staff;
- Establishment of staff compliance hotline and help desk policy and procedure, including whistleblower protection;
- Establishment of a project team to review and select appropriate software for a legal obligations register and electronic compliance management system; and
- Analysis of customer complaints handling system and guest feedback.

The fact that the program has not yet been "rolled out" to line staff is reflected in the very low awareness by those staff interviewed for this Investigation of the presence

of a compliance program or manager. Similarly, use and knowledge of the hotline has been very limited, again, no doubt reflecting that the program has not been brought to the attention of line staff. This obviously needs to occur and we understand, will shortly.

Measures have not been developed in relation to the compliance program. However, applying indicia broadly accepted as indicating whether an organisation has a culture of compliance supports that such a culture is emerging at Star City. In particular, and from our interviews with staff and other information available to us, compliance is seen to be part of Star City's core business. Management and staff are comfortable reporting issues which are generally acted on promptly and appropriately and there is a commitment from senior management to compliance.

2003 Audit of Compliance Program

The first external audit of the compliance program was conducted by KPMG in October 2003. Many aspects of the program including the commitment by senior management to the program, management supervision, operating procedures, complaint handling system, record keeping, accountability and capacity to identify and rectify issues were considered to constitute "strong practice".

The audit noted with approval Star City's proposed:

- Acquisition of an IT based compliance management system and a resource to administer it;
- Development of a program to track training relating to its regulatory obligations;
- Development of a more formal process for reward and recognition in the compliance area; and
- Development of reporting for key performance indicators.

The areas identified for improvement concerned aspects of identifying compliance issues and following up action items identified by the legal risk assessment.

Management Compliance Committee

A Management Compliance Committee was established comprising the CEO of Star City, Executive General Manager for Corporate, Legal and Compliance of TABCORP and the Compliance Manager. It meets quarterly, prior to each Board meeting. The Compliance Manager provides detailed reports to each meeting on matters such as compliance with gaming legislation and regulations, reports of illegal and undesirable activity and financial transactions reporting.

A review of the information provided to each meeting indicates that issues including the presence of minors, responsible service of alcohol, identifying excluded persons, appropriate procedures for a range of gaming related issues as well as harassment and bullying receive the attention of senior management.

Conclusion

There can be no doubt that Star City has in place a thorough, comprehensive and impressive system which is overseen in a highly competent and focussed manner. The continued emphasis upon compliance and the full implementation of the program should result in the timely identification and resolution of matters which may otherwise cause concern to a regulator.

It is our view that the Authority needs to pay close attention to the operation of this program. Its continued effective functioning will be an excellent indication of positive cultural change, which was identified as necessary in 2000.

Integral to its current prospects of success, in our view, is the continuation of the seniority of the position of Compliance Manager, the integrity and quality of the holder of the position and the demonstrated commitment by all members of senior management. We think it would require some special circumstances, not easily imagined, to justify moving away from the current model of a Compliance Manager in a senior position given genuine support from the top.

LAW ENFORCEMENT

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.

Part of the reform which followed the 2000 Report was to establish 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 have been held monthly, attended by the Authority's Chief Executive, the Detective Superintendent in charge of the NSW Police Casino Intelligence Unit and the General Manager, Legal and Asset Protection, Star City. The first meeting was held in March 2002.

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 Authority and representatives from the Police Casino Intelligence Unit. 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.

We note that a rationale behind the structuring of this and the Executive meeting was to ensure that the latter monitored the effectiveness of the Operational meeting. Accordingly any issues arising from the meeting of front line staff can and should be addressed when they occur by reference to senior members of each organisation represented. One matter has caused concern to the police.

We understand that earlier this year the police provided Star City's Investigations Manager with a photograph of persons in whom the police were interested. The purpose of supplying the photograph was to display it in the surveillance and security rooms and prompt staff to contact police if they were observed.

Some months later the photograph or a copy thereof was sent to Star City by a solicitor acting for one of the subjects.

Each of the photographs provided to the Surveillance and Security Departments had been positioned on their respective noticeboards. However, each was missing when the Investigator sought to access them, following the letter from the solicitor.

We accept that for various reasons, including construction work, the security rooms were not secure during the time the photograph was displayed and that arrangements have been put in place to ensure that police information is now securely stored.

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 violence in the retail arcade, liquor licensing issues, thefts, assaults and the like, and relevant trends.

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.

CHAPTER NINE

IMPLEMENTATION OF THE 2000 AND 2002 RECOMMENDATIONS

A number of recommendations were made in the 2000 Report and the 2002 Review Report. 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 s.31 REPORT

Recommendation 1

That the Authority continue to monitor the progress of Star City towards achieving a satisfactory culture and the desired management outcome and review the position, with the assistance of formal interviews, at the end of 2001.

The Authority conducted the Review and published a Report in July 2002. The Review concluded that there was no doubt that Star City had substantially commenced the process of implementing management procedures to deal with the issues raised in the 2000 Report. Those procedures had in the main been effectively conveyed to staff, although more needed to be done to ensure that staff maintained an accurate understanding of their obligations. A distinct and positive change in the culture of the private gaming rooms was evident from the persons interviewed.

Recommendations 2, 3, 6, 7, 8, 9, 11 and 12

That the Director of Casino Surveillance and his staff become part of the Casino Control Authority and report to the Chief Executive and Board of the Authority.

That the functions of the Director and his staff be assumed by the Authority and the statutory office of Director be abolished.

The Act be amended to empower the Authority to issue written references to the Commissioner of Police seeking advice on major and/or systemic criminal issues connected with the casino and to require the Commissioner to formally report to the Authority on matters the subject of reference.

That the statutory objects of the Authority be amended to be the objects of the Casino Control Act.

That the person conducting a s.143 Inquiry be empowered to:

- *Require any person directly or indirectly associated with matters the subject of an Inquiry to give evidence; and*
- *Prevent the publication of evidence or documents produced on public interest grounds where publication may jeopardise an investigation or an Inquiry.*

That the Act be amended to permit the Authority to divulge information to the New South Wales Police Service.

That the Act be amended to empower the Authority to at any time require its staff members and consultants to submit to a probity review.

That the Authority be given the power to exclude persons from the Casino. That power should not be the subject of appeal or review.

The Casino Control Amendment Act 2001 was assented to on 27 June 2001 and commenced on 1 July 2001. From that date the Act removed reference to the office of Director of Casino Surveillance and the Authority assumed the Director's functions. The 2001 Act also amended the objects and the powers with respect to staff probity as recommended.

Section 143 was amended to confer the powers, authorities, protections and immunities conferred on a Royal Commissioner to a person presiding at an Inquiry being conducted by the Authority. A provision was also made in s.143B permitting the person presiding over a s.143 Inquiry to restrict the publication of information. Section 143C permits the Authority to divulge information to the Commissioner of Police and to receive reports from the Commissioner containing the results of investigations conducted in relation to information provided by the Authority.

Section 79 empowers the Authority to exclude persons from the casino.

Recommendation 4

A Casino Intelligence Unit be established within the Police Service to focus on major and/or systemic criminal issues with the casino, among other matters.

The Police Casino Intelligence Unit was established in January 2002. Its charter, among other matters, is to act as contact and liaison point between the NSW Police, the Authority and casino management. It is currently staffed by analysts, a manager and investigators. Its time to date has been largely directed towards probity checks associated with the casino.

Recommendation 5

The Authority establish a standing committee under clause 18 of Schedule 1 to the Act, to monitor the presence of criminals and other undesirables in the casino and matters of loan sharking and prostitution. The Committee should comprise a senior member of the Police Service, representing the Commissioner and one or more members of the Authority. That Committee should also advise the Board on exclusions.

The Committee was established by the Authority in May 2001 and its first meeting convened on 30 August 2001 with the Detective Superintendent in charge of Firearms and Regulated Industries, State Crime Command (including the Police Casino Intelligence Unit) representing the Police Commissioner. It acts as a forum for communication between the Authority, executive management, law enforcement agencies and other stakeholders as necessary. Its role is directed toward:

- Evaluating the Authority's strategies and performance in connection with criminal and undesirable activities in or in the vicinity of the casino; and
- Assisting the Authority to comply with all legislative and other obligations relating to criminal influence or exploitation of management or operation of the casino.

The Committee has met regularly and we understand that it achieves its purpose and provides a valuable forum for exchanging information relevant to the casino.

Recommendation 10

That the Act be amended to enable internal control procedures to be created in respect of private gaming areas.

The Authority had sufficient power to require internal control procedures to be created in respect of private gaming areas without the need for legislative amendment. Internal control procedures have been created in relation to access to the private gaming rooms. These are discussed in Chapter 6.

Recommendation 13

That the Authority obtain from Star City at regular intervals the names of all new members of the Endeavour Room. The Authority should then advise the relevant law enforcement agencies of those names and seek any information held by them.

From November 2001 and periodically thereafter the Authority has obtained that information from Star City and provided it to the law enforcement agencies. We understand that from this information a number of members have been excluded from the casino at the direction of the Commissioner of Police.

Recommendation 14

That all members of the Endeavour Room be issued with a membership card containing their name, address, date of birth and a photograph of the member.

This has been in place since June 2001.

Recommendation 15

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 advises that it has implemented this recommendation by requiring members to provide their membership card for buy ins of \$5,000 or more. If a card is not produced a suspect transaction report to AUSTRAC is prepared.

Staff interviewed for this Investigation generally understood that transactions of \$5,000 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. It may be that gaming staff would benefit from a refresher on this topic.

Recommendation 16

That Star City and the Authority take all necessary steps to ensure that by enforcing appropriate requirements in the Endeavour Room this does not cause problems to emerge on the main gaming floor.

There is no evidence available to this Investigation which suggests that problems have emerged on the main gaming floor. A monitoring process is in place whereby the Authority and the NSW Police scrutinise certain patrons on the main gaming floor who had previously been members and had declined to re-apply for membership of the Endeavour Room.

Recommendation 17

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.

Junkets ceased as at 1 July 2001.

Recommendation 18

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.

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, as referred to in Chapter 6.

Recommendation 19

The Authority be permitted access to information held by AUSTRAC concerning Star City.

Following correspondence between the Minister for Gaming and Racing and the Federal Minister for Justice, in October 2001 the latter rejected the recommendation in stating that the Authority's access to AUSTRAC information concerning Star City was not essential for the Authority to fulfil its objects and functions.

Following discussions with a number of interested parties including AUSTRAC and the NSW Police, it is considered that the initiatives undertaken and procedures implemented since 2000 have adequately addressed the issue of access to information held by AUSTRAC.

Recommendation 20

There be a national approach to the exclusion of patrons from casinos in Australia.

We understand that the Minister for Police is progressing this matter through the Australasian Police Ministers' Council and the Ministerial Council on Gambling. We are informed that the Victoria and NSW Police identify the need to co-ordinate a national exclusion system, however the remainder of the States perceive no such need.

We also understand that the ACT Gambling and Racing Commission routinely excludes persons from the Canberra casino who have been excluded from Star City at the direction of the NSW Commissioner of Police.

Recommendation 21

The Authority closely monitor the use of alcohol in the casino to ensure that staff appropriately satisfy their obligations under the Act concerning the presence of, and gambling by intoxicated persons.

For the reasons set out in Chapter 6, we are satisfied that generally Star City is complying with its obligations in relation to the responsible service of alcohol.

Recommendation 22

That the adequacy of the resources available to the Investigation Department of the casino should be monitored by Star City and the Authority to ensure it is able to function effectively.

For the reasons set out in Chapter 4, we are of the view that the monitoring sought in 2000 should continue, particularly in relation to the use of the database.

Recommendation 23

The Authority and Star City review the operation of the complimentary system in order to develop a system more resistant to abuse and one in which players are treated fairly.

For the reasons set out in Chapter 4, we are satisfied that the system has been properly reviewed and appropriate controls are in place.

Recommendation 24

The Authority examine the Coroner's recommendations in relation to the death of Peter Dalamangas and ensure that Star City takes all appropriate action.

The action taken by Star City is set out in Chapter 4. For the reasons there set out, 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, having regard to the findings of the Coroner.

Recommendation 25

Star City liaise with those banks which have automatic teller machines on Star City premises to explore permitting those machines to accept deposits.

After putting to tender the provision and servicing of automatic teller machines (ATMs), Star City advised the Authority that only an extremely limited provision of one individual ATM accepting deposits from customers of only one bank was achievable. Given the work of IPART (see Chapter 7) in considering problem gambling measures, this matter might await its report.

2002 REVIEW REPORT

The Code of Conduct

Concern was expressed in 2002 at the sophisticated legalistic language used in the Code of Conduct and the lack of participation of more junior levels of staff in its drafting.

The Code has subsequently been re-drafted based on the Australian Standard AS 8002, which states, among other matters, that Codes should be drafted in consultation with employees, in plain English and address specific stated problems.

Star City advised that focus groups were held with line staff and others, as part of the consultation process for the revised Code. The copy of the draft revised Code which has been provided to this Investigation certainly appears to have addressed the concerns we expressed previously.

We understand that staff have yet to be provided with and briefed in the revised Code. When that does occur, we suggest that Star City have regard to the success of the training video produced following the 2000 Report, in providing staff with relevant information.

Training in Detecting Illegal and Undesirable Activity

Star City advises that additional measures have been introduced to educate staff as to their responsibilities in relation to detecting illegal and other undesirable activity. From the interviews conducted with staff, it appears that generally an adequate

understanding exists in this regard. Further has been said in this regard in Chapter 6.

Feedback

For the reasons set out in Chapter 4, more attention needs to be paid to this issue.

Security Resources

For the reasons set out in Chapter 4, we are satisfied that Star City has in place mechanisms to detect any inadequacy in the resources available to security and take appropriate action.

Compliance

For the reasons set out in Chapter 8, Star City is to be commended for introducing a detailed, quality compliance program and locating the manager of compliance at an appropriately senior level within the organisation.

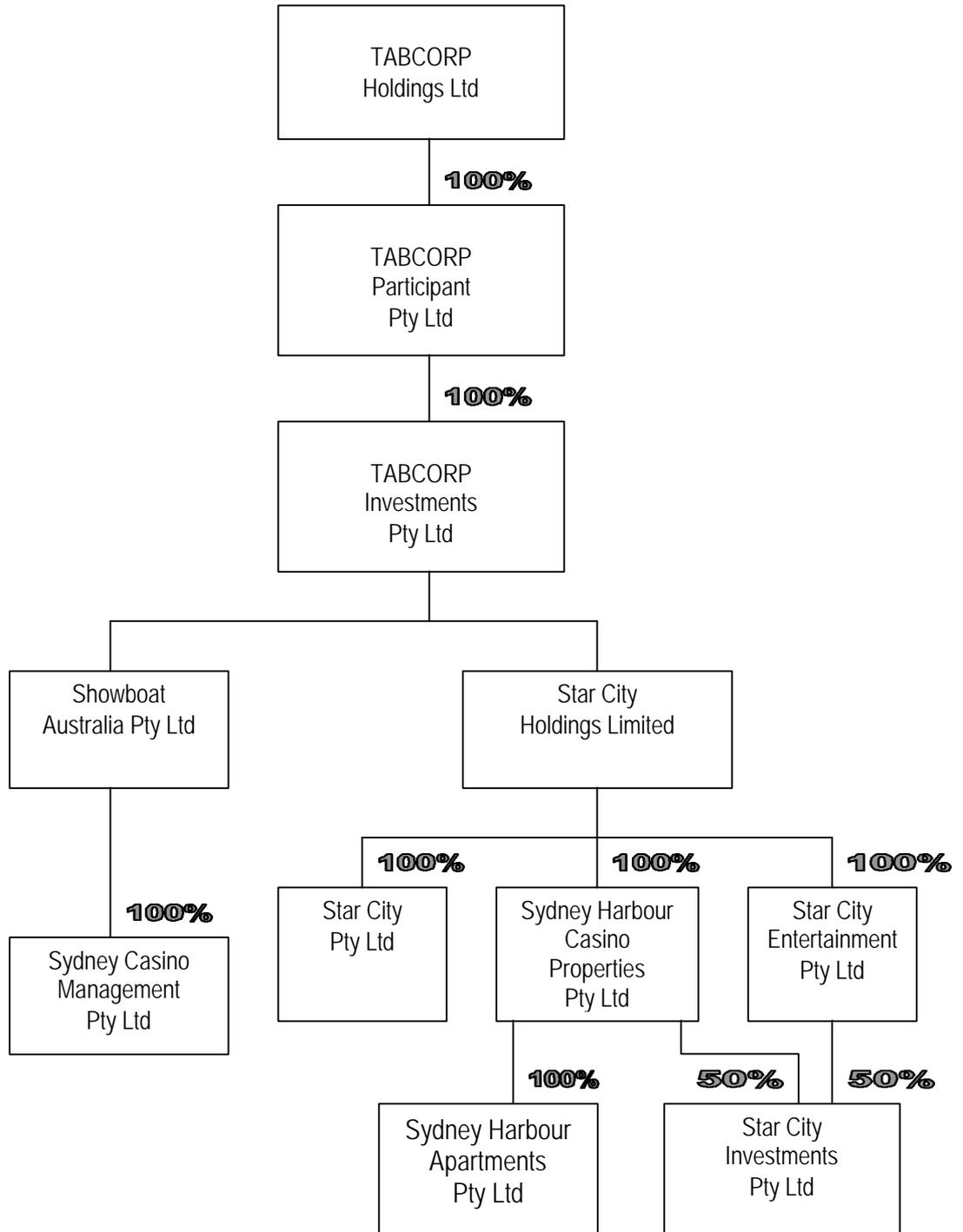
ANNEXURE 1

Persons Who Made Submissions

1. Tourism Task Force Australia Limited
2. The Hon. George Souris, M.P.
3. The Council of Churches in NSW
4. Gamblers Help Line
5. Wesley Gambling Counselling Service
6. The Salvation Army
7. Australian Liquor, Hospitality and Miscellaneous Workers Union
8. Norm Hooper
9. Alexander Preston

ANNEXURE 2

Star City Corporate Structure



ANNEXURE 3

TABCORP Major Shareholders

(as at 17/11/03)

- J P Morgan Nominees Australia Limited
- Westpac Custodian Nominees Limited
- National Nominees Limited
- RBC Global Services Australia Nominees Pty Limited
- Citicorp Nominees Pty Limited
- Commonwealth Custodial Services Limited
- Cogent Nominees Pty Limited
- AMP Life Limited
- MLC Limited
- ANZ Nominees 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
- Warren Victor Wilson
- Anthony George Hodgson
- Richard Francis Egerton Warburton
- Philip Glen Satre
- Peter Henry Caillard
- David Earle Elmslie
- David Craig Philip Banks
- Harrah's Entertainment Inc.
- 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.

(Note: In October 2003 a Novation Deed to the Agreement was executed to reflect the sale of Leighton's 15% interest in the management company of Star City.)

Casino Exclusivity Agreement

Under this agreement the Authority granted Star City exclusive licence to conduct certain table games on the temporary casino site and Sydney casino site for a period of 12 years from completion of construction of the temporary casino. If, during this exclusivity period, another licensed casino opens in New South Wales on any other site or sites other than the temporary casino site or the permanent casino site, then the Authority will 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).

The agreement also provides protection to Star City against the Parliament of the State of New South Wales enacting subsequent legislation prohibiting casinos, either in New South Wales generally, or on the Sydney casino site or temporary casino site, during the period of 30 years from completion of construction of the temporary casino. If this occurs, or if the relevant Minister gives a direction requiring the reduction of table games and gaming machines below a certain number, or requires the casino to operate for less than seven days a week, 24 hours per day, then subject to termination of relevant leases, the Authority shall pay to Star City an amount equal to all damages, costs and expenses suffered or incurred by Star City as a result of that action (including loss of profits).

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 New South Wales 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, s.114(1) of the Act specifies that a casino duty is to be paid to the Authority in respect of each casino licence. Further, s.115(1) provides that a 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.

(Note: 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.)

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.

(Note: 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.

The Charge is a second ranking charge to the charge given by Star City to the Commonwealth Bank of Australia (CBA) to secure their obligations under the CBA Facility Agreement.

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 Sydney Harbour Casino 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 Sydney Harbour Casino Holdings Group of companies.

Continuity and Co-operation Agreement

This agreement is between the Authority, Star City and CBA.

As the casino licence confers no proprietary right in Star City, there is therefore no right which can be assigned or mortgaged to the CBA. Without the casino licence, the value of the casino complex is substantially reduced. Therefore, CBA has entered into this agreement with the Authority to provide an enforcement regime which will apply in the event that Star City breaches any term or condition of the casino licence which may result in the licence being suspended or cancelled.

The second purpose of this agreement is to set out a regime which will apply in the event that any member of the Star City Group causes an event of default to occur under the Facility Agreement, and CBA wishes to take action under that agreement and its security as a consequence of that default. In particular, CBA has security

over the Sydney casino site and the casino complex by way of a mortgage of the leasehold interests, charges and mortgages of contractual rights. This agreement sets out the mechanism under which CBA may enforce those securities while ensuring the continuity of the casino licence.

Casino Control Authority Letter of Comfort

This letter of comfort was provided by the Authority to CBA and Star City.

In the letter of comfort, the Authority sets out certain factors to be taken into account and procedures to be followed by the Authority when:

- Amending the conditions of the licence;
- Cancelling or suspending the licence;
- Issuing a rectification order under the Act; and
- Regulating the operation of the casino generally.

These guidelines in no way give rise to any legal, equitable or enforceable obligation on the Authority, and merely serve to enforce the provisions of the Continuity and Co-operation Agreement.

Minister's Letter of Comfort

This letter of comfort was provided by the then Minister for Administrative Services, the Honourable Anne Margaret Cohen, MP, in favour of Star City.

This letter of comfort complements the Authority Letter of Comfort, the Continuity and Co-operation Agreement and the Casino Exclusivity Agreement. Having regard to the above, the Minister states that if the Authority acts outside the rectification regime set out in the Continuity and Co-operation Agreement or in disregard of the procedures set out in the Authority's Letter of Comfort, she is prepared to recommend the removal from office of the Authority members, and take whatever action is necessary to ensure that Star City is afforded due process.