

Stephen Mayne submission to the Crown Resorts Royal Commission

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

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

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

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

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

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

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

This Victorian Royal Commission into Crown has to report by August, so commissioner Ray Finkelstein and his team needs to get cracking.

The most important part of this submission is advocacy for a hard 10% limit to be placed on all shareholders, therefore triggering a sell-down by 37% former controlling shareholder James Packer. Mr Packer is not fit to control Crown and should be forced to sell as part of the accountability requirements given the numerous scandals which have beset the company in recent years.

Over more than 50 days of swash-buckling hearings, former NSW Supreme Court Judge Patricia Bergin did a stellar job pulling apart Crown Resorts on behalf of the normally ineffective Independent Liquor and Gaming Authority of NSW.

Bergin produced some **searing recommendations**, but she stopped short of proposing a blanket 10% share cap on all investors, which is similar to what applies at Crown's cross-town Sydney rival Star Entertainment. Instead, Bergin gave controlling shareholder James Packer some wriggle room by proposing that ILGA must approve any shareholder who owns more than 10%.

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

Sure, he is not allowed to have any nominees on the Crown board or gain special access to inside information, but these restrictions only apply until October 2024.

James Packer has had unfettered control over Crown ever since his father died on Boxing Day in 2005.

The strategy of partnering up aggressively with the controversial Ho family in Macau was pursued by James and he hand-picked all of the directors and most of the senior executives.

It was James who put excessive pressure on the executive team to deliver greater high roller revenues after arguably gold-plating Crown's Perth and Melbourne casinos for the VIP market. This pressure led to the arrests of almost 20 staff in China.

It was also James who supported the use of junket operators in Macau and he even personally met with Alvin Chau from Sun City at one point.

James Packer has a history of treating regulators with contempt in terms of who he believes should own Crown and control its destiny.

Without first advising the Victorian, WA and NSW Governments, Crown announced that it was looking to hand over control to Las Vegas-based Wynn Resorts in 2019.

When this deal fell over, he then negotiated the sale of a 20% stake in Crown to Lawrence Ho's Melco group, when this clearly breached undertakings given to the NSW Government requiring Crown to have no dealings with Lawrence Ho's late father, the notorious Stanley Ho.

Despite repeated attempts, the only meaningful Crown sale Packer has achieved so far was a 10% parcel to Lawrence's Ho's Melco which was [priced at \\$13](#) a share and brought in \$880 million. This [settled on June 6 2019](#), just 5 days after the deal was signed with no pre-approvals sought from regulators.

Just a few weeks later, Nine's Nick McKenzie dropped his bomb on *60 Minutes* and then on August 8, 2019, ILGA [moved to appoint](#) Patricia Bergin to conduct her inquiry into Crown's suitability to hold a licence.

Packer [agreed to relieve](#) Melco of its obligation to pay another \$880 million or \$13 a share for its second 10% parcel in February last year. Then, as COVID almost brought Melco to its knees, Lawrence Ho flicked his [residual 10% Crown stake](#) to Blackstone in April last year at \$8.15 a pop, crystallising a 37% loss worth \$328 million.

Blackstone is now bidding \$11.85 to buy the whole company. I don't believe that Blackstone, or any foreign company, is a suitable party to buy Crown for \$10 billion given the sensitivities around its casino business? Private equity are rarely long term holders so Blackstone would probably simply seek to re-float Crown a few years down the track or sell it to a rival foreign casino operator, which would probably also struggle to win the backing of all 3 state governments.

The ASX is the most transparent place where Crown should be owned, it just needs to become a normal company with no controlling shareholder.

It is time for the Victorian Government to step up and tell both James Packer and these US private equity firms to forget about controlling Crown.

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

Unfortunately, ILGA and the NSW Coalition Government dropped the ball, so it is now up to the Labor Governments in Victoria and WA to step up on the back of their coming Crown Royal Commissions.

Over to you, Mr Finkelstein.

Ten specific requests for the Royal Commission

Below are ten specific requests for this Royal Commission, mostly related to who should be called and what issues should be pursued.

1. Compel former Crown chairman Rob Rankin to give evidence after he refused to co-operate with the Bergin Inquiry. His account of the negotiations with US private equity firm TPG and the reported threats made by James Packer to their Australian CEO at the time should be explored. The subject of these threats is a Melbourne-based private equity executive who should also be called to give evidence.
2. Grill Helen Coonan about her suitability to be Crown's executive chair given her 10 year stint on the Crown Resorts board when various governance snafus took place.
3. Call ILGA chairman Phillip Crawford to delve into his support for chair Helen Coonan and the recent agreement that allows James Packer to retain his 37% stake provided he has no effective influence until October 2024. I have been mystified by Mr Crawford's support for Helen Coonan to remain chair when he has effectively forced multiple other long-serving directors to resign and believe the commission should try to establish why this support has been provided.
4. Better understand Crown's political influence and dealings with politicians by calling both Karl Bitar and Mark Arbib to give evidence as they have been Crown and James Packer's long-term political fixers over much of the past decade.
5. Call Premier Daniel Andrews to explain the full history of his relationship with James Packer, including any dealings they had over the extraordinary planning approval granted by the Victorian Government in 2017 for Crown to build a 330 metre skyscraper on the Queensbridge Square site opposite the current Melbourne casino complex.
6. Call former Victorian Premier Jeff Kennett to give evidence, including on his strong support for Crown during his 7 years as Premier until 1999 and the circumstances by which a company he chairs and majority controls (Amtek) was given a poker machine servicing contract by Crown in 2017. This was then terminated in 2020 during the COVID shut downs. Mr Kennett publicly called for the full Crown board to be sacked in 2021, after his own company had been sacked as a contractor.
7. Call the journalist and Packer biographer Damon Kitney to give evidence as he has had more access to James Packer than any other media figure over the past decade and also wrote a biography about him which included significant detail about Crown and his personal battles with addiction.
8. The Alliance for Gambling Reform should be given standing to appear at the Royal Commission and people such as Tim Costello, independent Federal MP Andrew Wilkie and other critics of the company should be invited to give evidence.
9. James Packer should be called to give evidence, particularly on his views about the current board and management team, future potential owners of the business and how his controlling 37% stake should be dealt with in the future.

10. Call for the following past chairs and CEOs of Victoria's gambling regulator to give evidence:

Peter Cohen: CEO of the gambling regulator for eight years until 2010 and still active in the gambling industry today.

Ian Dunn: chaired the VCGR from 2004 until 2009 and still active in Melbourne.

Catherine Myers: CEO of the VCGLR since 2014.

Bruce Thompson: chair of the Victorian gambling regulator from 2013 until May 2015.

Bruce Cohen: former Victorian Labor staffer in opposition who was active in the casino debates in the 1990s and then went on to chair the VCGLR from May 2015 until April 2017.

Ross Kennedy: chair of the VCGLR since April 2017.

Jane Brockington: inaugural CEO of the VCGLR after it was formed on February 6, 2012 and remained CEO until 2014.

Mark Brennan: inaugural chair of the VCGLR after it was created on February 6, 2012, following a merger with the Liquor Licensing Commission.

7 suggested recommendations for the Finkelstein Royal Commission to make

Whilst this may look premature before we see all the evidence, here are 7 recommendations I would like to see come out of Victoria's Crown Royal Commission:

1. No individual shareholder is allowed to have an interest in Crown shares exceeding 10% or be allowed to nominate more than one director to the board.
2. The Victorian Government should buy a 10% stake in Crown Resorts which comes with binding appointment rights to have one nominee on the board in order to ensure the state has skin in the game financially and accountability for regulatory compliance on issues such as money laundering.
3. The maximum bet on Crown poker machines is to be reduced from \$10 to \$5, in line with the maximum applying across the rest of Victoria in pubs and clubs.
4. Move to card-based cashless gambling on poker machines with full visibility for the regulator and Crown management in terms of who is gambling and how much they are losing.
5. Remove the smoking exemptions currently available for Crown's VIP customers.
6. Embrace UK-style "know your customer" regulations around VIP gamblers where all customers must be identified and any signs of unexplained wealth reported to the authorities.
7. Impose a new licence condition which prevents Crown or its associates from making donations to registered Australian political parties and also from hiring former members of Parliament in any capacity for at least two years after they have retired from Parliament. A similar provision applies to elected representatives in New Jersey.