

**REPORT TO CASINO CONTROL AUTHORITY**

**ON**

**REVIEW OF PROGRESS OF STAR CITY AS  
RECOMMENDED**

**BY THE YEAR 2000 SECTION 31 INVESTIGATION**

**SYDNEY, MAY 2002**

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# **CHAPTER ONE**

## **INTRODUCTION**

### **Background**

Every three years, the Casino Control Authority (the Authority) is required by s.31 of the Casino Control Act 1992 (the Act) 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 second triennial investigation was held in 2000 and Mr McClellan QC, as he then was, conducted an inquiry pursuant to s.143 of the Act to assist the Authority in its investigation. A report of that investigation was published in December 2000 in which the Authority accepted Mr McClellan's findings and conclusions and endorsed his recommendations.

Mr McClellan concluded that Star City had developed significant problems in the operation of its private gaming area and that the corporate culture in place was inappropriate. Effective procedures were not in place to deal with prostitution, loan sharking, the service of alcohol, money laundering and sexual harassment.

He recommended that the Authority monitor the progress of Star City towards achieving a satisfactory culture and the desired management outcome. He concluded that it would be appropriate for the Authority to determine whether appropriate changes had been made and review the position, with the assistance of formal interviews, at the end of 2001.

### **Terms Of Reference**

Annexure 1 contains the terms of reference of the review conducted by the Authority in response to the recommendation set out above.

### **Inquiry Process**

The Authority appointed Bret Walker SC and Gail Furness of counsel to assist in its review. Ms Furness conducted an inquiry pursuant to s.143 of the Act as part of the review, assisted by Mr Ron Harrex, from the Authority.

The Authority placed an advertisement in the Sydney Morning Herald on 19 January 2002 seeking submissions from the public in relation to its review. A copy of that advertisement appears in Annexure 2.

The Authority received four submissions. A list of those persons who made submissions appears in Annexure 3, and a copy of each submission is available on the Authority's website.

Star City Pty Limited and TABCORP Holdings Limited made a joint submission and that submission will be referred to at appropriate sections in this report. In addition, in February 2002 Mr Ross Wilson, Chairman and Mr David Banks, CEO of Star City Pty Limited made a presentation to the Board of the Authority.

Notices were issued to Star City requiring the production of certain documents and Star City was requested to provide additional documents. In response to those notices and requests the following documents were provided:

- All staff surveys undertaken by Star City from January 2001;
- Monthly reports by the Investigations Manager from January 2001;
- The logs kept by the Endeavour Room on the implementation of responsible service of alcohol;
- A volume analysis undertaken by AUSTRAC of Star City's reporting of cash transactions between 1 January 2000 and 31 December 2001, dated March 2002.

Formal interviews were conducted with 25 staff of Star City. A list of the positions from which staff were selected for interview is in Annexure 4. Those interviewed ranged from senior and middle management through to front line staff and covered departments of the casino including VIP Services, security, surveillance, food and beverage, table games and investigations. Those formally interviewed gave sworn evidence which was recorded.

A Committee of Authority Board members participated in interviews with the Star City CEO, General Manager, Table Games and General Manager, Legal and Asset Protection. Those interviews were conducted by Senior Counsel.

Discussions were also held with representatives of the NSW Police, AUSTRAC and Government Inspectors and other staff employed by the Authority.

## **CHAPTER TWO**

### **PATRONS GAMBLING THE PROCEEDS OF CRIME**

Mr McClellan concluded that Star City must adopt the approach that patrons gambling the proceeds of crime are not wanted in the casino and that approach must inform its procedures for permitting membership of the Endeavour Room and the maintenance of that membership. He also concluded that the casino should work closely with the Authority and law enforcement agencies to ensure, as far as possible, monies which have been illegally obtained are not gambled in the casino.

It is apparent from his report that Mr McClellan was of the view that Star City alone could not prevent such funds being gambled, but that a co-ordinated and concerted approach by law enforcement agencies, the Authority and the casino was required. To this end he recommended that a casino intelligence unit be established in the NSW Police to, among other matters, enable the prompt identification of criminals and obtain intelligence on the source of suspect funds being gambled (recommendation 4). Further he recommended that the Authority obtain from Star City at regular intervals the names of new members of the Endeavour Room and advise relevant law enforcement agencies of those names and seek any information held by them (recommendation 13).

In order to assist in understanding who gambles in the private gaming rooms, he recommended that all members of the Endeavour Room be issued with a membership card containing their name, date of birth and a photograph (recommendation 14). Those cards were then to be produced when chips were bought (recommendation 15).

It is apparent that significant progress in this area has been made by Star City, the Authority and the police. Star City has introduced procedures whereby access to its private gaming rooms is restricted and permitted only by those with appropriate identification. A casino intelligence unit has been established by the police and information is being shared between those necessary to reduce the capacity for criminal proceeds to be gambled at the casino. The measures introduced are discussed below.

#### **Access to the private gaming rooms**

The new membership and access policy for the Endeavour Room requires all existing and prospective patrons to apply in writing for membership. Following screening of the applications, a membership card is provided, endorsed with a name and photograph. That card is then required to be produced before entry to the Room is permitted. It is also electronically "swiped" ensuring that the information is stored. Members are restricted as to the number of guests

permitted, each of whom must present photo ID or possess a Star City card. This information is also kept electronically.

The application form contains a Code of Conduct for the Endeavour Room and those seeking membership are asked to read and sign the form. Examples of unacceptable behaviour set out in the Code of Conduct include engaging in transactions involving the proceeds of crime, or in an attempt to avoid liability to pay tax on transacted funds, lending money for profit, intoxication, harassment and prostitution.

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.

We note that the date of birth does not appear on the membership card introduced by Star City. That aspect was considered important in the 2000 investigation so as to ensure that the person bearing the card was the member to whom it was issued. As long as staff are vigilant in ensuring the cardholder and person seeking access are the same, the system in place should be adequate.

### **Relationship with Law Enforcement Agencies**

A police casino unit has been established within Crime Agencies of the NSW Police. Meetings are held on a fortnightly basis between the casino, the Authority and members of this Unit to exchange information on patrons, discuss operational matters and generally ensure a flow of relevant information. While it is too early to fully appreciate its role, it is certainly the case that the meetings should provide a forum in which patrons gambling the proceeds of crime can be identified and excluded.

The review has been told that the Authority has obtained from Star City the names of new members of the Room which have then been provided to law enforcement agencies. Those names, over 7000 to date, are being considered by the police. It is anticipated that some exclusions may eventuate from that process.

### **Top 100**

As part of the 2000 triennial investigation, a list of 100 of the patrons with the highest turnover at Star City during 1999 and 2000 was obtained by the investigation. A review of that list by law enforcement agencies revealed that over 40% of local players were adversely known to one or more of those agencies.

To assist in this review a list of 100 patrons with the highest turnover for the six months to the end of February 2002 was obtained from Star City. Two law

enforcement agencies were asked to review that information, the results disclosed that in the order of 10% were adversely known to one or more of them.

This information suggests that the measures in place to ensure that criminals are not encouraged to attend the casino have not been without success. While there may be other reasons, some of which may be associated with the publicity received during the 2000 investigation, the outcome is positive.

## **AUSTRAC**

Star City has obligations under the Financial Transactions Reports Act 1988 to report cash transactions over \$10,000 and suspect cash transactions, which are where there are reasonable grounds to suspect that the transactions may be relevant to criminal activity. In 2000 Mr McClellan reported on a joint study between Star City and AUSTRAC, the federal agency responsible for monitoring cash transactions. That joint study gave rise to concerns that the casino was underreporting suspect and significant cash transactions as required under the legislation.

Since that exercise, we understand that AUSTRAC has had further discussions with the casino and that the casino has accepted the recommendations made by the agency in 2000. AUSTRAC informed the review that the level of underreporting by the casino was minor and the reasons for it were essentially related to training and education. Training has now been provided by AUSTRAC and others to staff at Star City.

The training by AUSTRAC included methods of detecting suspicious transactions, definitions of money laundering, benefits for the casino of completing suspect transaction reports and case studies of the main suspicious casino activities. The latter included structuring to avoid a report, using other customers to do so, using the casino for its banking services and engaging in minimal gaming. The examples provided have clearly informed the casino's training of staff.

A summary of the cash transaction reports provided by Star City to AUSTRAC over the period January 2000 to December 2001 reveals that the number and quality of suspect transaction reports has increased and that there have been no gaps in the reporting of significant cash transactions, as had been detected in 2000.

A Government Inspector interviewed during the review advised of her observations that cage and gaming staff are more vigilant in reporting suspicious and significant cash transactions.

## **CHAPTER THREE**

### **DETECTION OF UNDESIRABLE PRACTICES**

Of significant concern in 2000 was the presence of a culture, particularly in the Endeavour Room, which discouraged the detection of illegal and undesirable practices. Few thought it was their responsibility to look out for such conduct and many expressed the view that it was hard to detect. The prevailing view appeared to be that the value of the player to the casino, determined the response to any undesirable conduct.

Star City advises that it has made extensive changes to remedy this position, principal of which is the revision of the Code of Conduct and training in relation to that document.

#### **Code of Conduct**

Star City's revised Code of Conduct requires staff to report actual or suspected activity by any employee, patron or contractor that is a questionable act, a violation of any Star City policy or procedure or illegal or undesirable behaviour. Staff are advised that they must report information that they know or reasonably suspect but may be unable to prove.

Types of such behaviour include money laundering, loan sharking, drug taking and prostitution. Avenues for reporting are given and include to a supervisor or to an investigation officer.

The messages contained in the Code have been reinforced through brochures from senior management, CEO updates, general manager updates, articles in Chip Chat and posters in "back of house" areas. Most staff have received training on one occasion. It is clear from the training materials provided to the review that examples are given to them of the signs to be aware of concerning money laundering, loan sharking and prostitution, among other matters.

The Code appears to have been substantially the work of one or more members of senior management and consultation about its contents was limited to that group. Not surprisingly, the language in which the Code is expressed is sophisticated and somewhat legalistic. There would have to be doubts that those with English as a second language or with little formal education would clearly appreciate its terms.

It is an obvious danger to rely upon such a document as an appropriate and useful tool to educate staff as to their obligations. It is unlikely to be the first point of reference for many staff members when faced with a dilemma.



The measures taken by Star City to determine the effectiveness of the training in the Code of Conduct provisions include surveys of staff. The results of those surveys were generally positive in so far as they identified that most, but not all, staff had attended the training and the vast majority believed that management was seriously addressing the issues posed by the 2000 investigation.

It is also clear from those results and the follow up focus groups that some staff wanted further and more specific guidance from management on detecting such activity. The recollection of the material taught during the training exercise was not high. The lack of feedback when such reports were made was also a criticism by many staff members.

The results of the surveys and comments reported as being made during focus groups mirror the information received by this review.

The staff of the Food and Beverage Department were the most cynical in their responses to the level of commitment of management to these issues. We understand that those staff had not participated in or been exposed to the same amount of training as other staff.

It is understood that various other forums are used to convey the messages set out in the Code of Conduct. However, the importance of effective communication between management and staff requires that Star City continue to explore methods to ensure that staff comply with regulatory and other requirements imposed by Star City. We understand that senior management at Star City appreciate these concerns about the Code of Conduct and propose to reconsider the document. In undertaking that reconsideration, we recommend that a process whereby staff at all levels participate in its drafting be considered. In the area of ethics, it is generally thought that such a process is far more likely to produce the desired outcome. In addition, it is clear from the evidence received that those who retained information from the training given, generally tended to do so when presented with a video. Future training using that medium is recommended.

## **VIP Services**

It is clear from the hosts and co-ordinators interviewed that many of them knew that at least some of the conduct described in the 2000 report was happening in the Room. A primary reason they now give for not reporting it is that they were not trained to do so. They merely followed the actions of management who did nothing. They also report that the Room is now a better place to work because of the absence of the prostitutes, loan sharks and generally undesirable members. Comments to them from patrons support this view.

All of those who have reported suspicions in the last 12 months or so, advised that the response received from whom they told of their suspicions, was

appropriate. There has been about 7 patrons excluded after being suspected of soliciting for the purposes of prostitution and 5 for suspected money lending over the last 14 months, with some of the reports originating from VIP Services staff.

The management and hosts in the Room, who were the subject of adverse comments in the 2000 report, are no longer with the casino. The new executive manager of VIP Services sees his job as being responsible for cultural change in the Room, which will be measured by staff and patron feedback forms. Staff were generally positive about the leadership and support he offered in relation to reporting and stamping out illegal and undesirable conduct in the Room.

### **Table Games**

A former casino manager reported that some of the dealers and supervisors for whom he had been responsible, were confused about the training they had received, particularly concerning how to detect criminal behaviour and then to whom to report suspicions. He also said that there were pockets of resistance among some table games staff in relation to the reforms introduced by Star City. This view was supported by a currently employed casino duty manager. Each of these and others expressed to the review concern that continued vigilance was required to ensure that compliance was maintained.

While it was said that such staff were in a minority and were not in a position to jeopardise the reforms, it is a matter which Star City should address by way of further reinforcement from senior management and refresher training.

Other table games staff interviewed for the review exhibited an understanding of their responsibilities and the reporting structure.

### **Casino Control Authority**

The Authority's Operations Manager and a number of Government Inspectors told the review that there are now reports from casino staff of suspicions that money lending and prostitution is taking place. In the past such activity was not reported. One of the Government Inspectors, who has a particular interest in the detection of such activity, expressed confidence that prostitution and money lending will now be detected by the casino.

In the experience of the Operations Manager, generally the reports being made to the casino by casino staff are based on a reasonable foundation. He thinks that staff tend to err on the side of caution and adopt the approach of "if you're not sure, then report it anyway." He believes staff are more inclined to provide information and puts that down to a reporting procedure being in place, and that something will be done about reports made.

During the 2000 investigation, the Operations Manager expressed the view that none of security, investigations and surveillance took responsibility for identifying undesirable activity. He now says that they all take responsibility and better co-ordinate the information obtained.

From the detailed descriptions in the monthly reports of the investigation manager for the casino, it appears that many of the matters reported to him by staff, particularly of suspected loan sharking and soliciting in the casino are based on a reasonable suspicion and warrant his attention.

From the minutes of meetings held between Authority staff, the casino and law enforcement agencies, it is clear that appropriate action is being taken with respect to these reports.

### **Money Laundering**

The hosts, co-ordinators and security officers interviewed generally have a poor understanding of what money laundering is and what to look for, although they each state that it is their responsibility to monitor the casino for that activity.

Table games staff are best placed to detect this sort of activity and generally have a workable knowledge of what may constitute it and an understanding of the reporting requirements to AUSTRAC.

Surveillance staff have received training in reporting cash transactions, however, the team leader interviewed did not take the view that he was responsible for identifying suspect transactions. His responsibility was limited to taking the photo which would accompany the report to AUSTRAC. It is noted that Mr McClellan was of the view that surveillance was particularly well placed in this regard.

While progress has undoubtedly been made in the detection of unlawful and undesirable activity, the issue of money laundering needs further careful consideration. It is not a task of this review to do more than identify that consideration be given to who can best ensure that money laundering is detected. Then those who are given express responsibility should receive training commensurate with that responsibility. From the materials contained in the Star City and TABCORP submission, the AUSTRAC training provided to Star City was detailed and comprehensive. However, attendance at that session was voluntary and some of those with direct responsibility chose not to attend.

### **Investigations Department**

Mr McClellan recommended that the adequacy of the resources available to the Investigation Department of the casino be monitored to ensure it is able to function effectively (recommendation 22)

This recommendation followed concern that this department would have significant responsibility for implementing the changes and, from the evidence of its manager in 2000, that his resources were stretched.

The investigations manager was interviewed again for this review. His position is pivotal in ensuring that reports made of undesirable and illegal conduct are acted upon. He described his position as that of co-ordinator of information concerning undesirable activity. In that capacity, over the past 12 months or so, he has received reports from gaming, surveillance, security and VIP Services. Most reports have come from security. He has received 40 or 50 pieces of information each month by email, phone or anonymous notes under the door. As indicated earlier, many of them are of substance and warrant his attention. He acknowledged that he does not provide feedback to staff of the results of their reporting as often as he should.

Importantly the system he has devised tells him from which department he receives reports and permits him to monitor trends over time. In his view, and one that is broadly shared by many other staff interviewed, the casino has cleaned the Room of moneylenders and there is no current member of the Endeavour Room soliciting in that Room.

He has been physically relocated to the surveillance section and has a monitor in his office to view the casino. He has software which permits him to access details of patrons and their guests and is capable of generating reports of associations and patterns among patrons. Incident reports made by staff are directly fed to his database. In his view his resources are good.

Daily operational meetings take place between senior security, surveillance and investigation staff. The purpose is to discuss incidents from the previous day, monitor trends, consider exclusions and report to the exclusion committee. It is apparent that this meeting ensures co-operation between the departments and a co-ordinated approach to effectively using the casino's resources to identify and act on undesirable and illegal activity. The Government Inspectors reported observing a closer working relationship between surveillance and security.

The only issue of concern is that 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.

## **Security Resources**

The review was told that there has been a reduction of security officers rostered in or around the Endeavour Room. Previously there was a team of three, now there is a rover responsible for the private gaming rooms and other areas. The review was told these resources were adequate given the changes restricting access to the Room and a number of other procedural alterations. This may be a matter which the third triennial investigation may wish to consider.

## **Conclusion**

It would be obviously undesirable for a culture to develop which applauded reporting without taking into account the substance of those reports with the result that the quantity of the reports made took precedence over the quality of the material reported. We found no evidence of such a practice, and indeed the number of reports of broadly undesirable and illegal conduct reduced over the course of 2001, which would be expected if those so involved were excluded or not permitted access.

Further, from reviewing the detail in the reports made to the investigations department and interviewing Government Inspectors, it is clear this is not the current practice. We are confident that key staff including the investigations manager and security manager have a sensible attitude which is commensurate with their responsibility to ensure that the casino is free from criminal influence. However, the casino needs to be on guard so that a "quota system" approach does not emerge.

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. As referred to earlier, the issue of ongoing training needs further attention.

## CHAPTER FOUR

### INTOXICATION

Mr McClellan recommended that monitoring occur to ensure that staff appropriately satisfy their obligations under the Act concerning the presence of, and gambling by intoxicated persons (recommendation 21). A particular concern was that hosts and others in VIP services were deciding whether a patron had had too much to drink based on other than responsible service of alcohol principles. Whether they were a “good” player, were winning or losing and their value to the casino were often determinative of whether they were allowed to gamble whilst intoxicated.

Star City advises that its policy on responsible service of alcohol (RSA) has been revised and training now includes more than 1100 employees not directly involved in the supply of liquor, including security officers, surveillance operators, dealers and hosts. All those directly involved have attended a program to refocus awareness and responsibility. It advises that responsibility rests with Food and Beverage for refusing the service of alcohol.

Similar to the issue of illegal and undesirable conduct, a communication plan has been implemented with CEO updates, articles and posters. An RSA management group has been formed to review policy implementation and warning cards introduced for staff to provide to patrons.

The RSA policy requires staff to refuse service if a patron is believed to be nearing intoxication. A RSA logbook is maintained when service is refused or patrons slowed down. Entries in the logbooks for the Endeavour Room are consistent with the evidence of staff.

All staff interviewed have a clear understanding of their responsibility for RSA and most have received recent training. Food and beverage and security staff report that they are no longer overruled. A register was kept in the past listing the occasions on which decisions by security staff on this issue were disregarded. That register has had no entries over the past months and has been discontinued.

The introduction of covert plainclothes staff to “rove” the casino, particularly the main gaming floor, is considered by all to be a success which has improved compliance with RSA.

From shift reports available to the Authority’s Operations Manager, reports of staff refusing alcohol or asking patrons to leave if they are approaching intoxication are now being made whereas such matters were not reported before. This is supported by Government Inspectors who have also observed incidents of intoxication being dealt with more frequently and in compliance with

responsible service of alcohol principles. They report that surveillance now actively seeks out this conduct, which did not occur before.

## CHAPTER FIVE

### PROBLEMS EMERGING ON THE MAIN GAMING FLOOR

Mr McClellan recommended that steps be taken to ensure that problems do not emerge on the main gaming floor (recommendation 16).

Star City advises that all the action it has taken has extended to the casino as a whole and has not been limited to the Endeavour Room.

Table games staff interviewed did not report any problems on the main gaming floor, in fact, there seems to have been little change to patronage or the frequency of suspect transaction reports from that location. Further, an anticipated change to the complimentary system should ensure that Endeavour Room members will only accrue points towards complimentary in the Endeavour Room and not on the main gaming floor.

The Government Inspectors interviewed have not observed any relevant problems on the main gaming floor.

Mr McClellan recommended that buy ins and cash ins by Endeavour Room members only occur after the production of membership cards (recommendation 15). 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 \$5000 or more. If a card is not produced a suspect transaction report to AUSTRAC is prepared.

The figure of \$5000 was not selected on any scientific basis, other than it represented a significant buy in, however, we accept that that is not an inappropriate amount. The head of the Table Games department of the casino explained that the purpose of the requirement was to identify Endeavour Room members who may be playing on the main gaming floor so as to, in part, prevent problems occurring on the main gaming floor. We are told that it also serves marketing purposes. A suspect transaction report is made on the assumption that that player does not want their activity recorded. Relatively few patrons have been identified.

From the interviews conducted it appears that table games staff generally understand the process they are required to follow, although the reason for it is not well known. A Government Inspector reported that cash buy ins at the table are recorded by reference to the identity of the person "all the time".



In light of the changes to access to the private gaming rooms, in particular that each person in the Endeavour Room, whether member, partner or guest has been adequately identified, and the evidence that relatively few current or former members play downstairs, we are satisfied that Star City is approaching this matter appropriately at this time.

## **CHAPTER SIX**

### **RELATIONSHIP BETWEEN STAR CITY AND THE CASINO CONTROL AUTHORITY**

Mr McClellan concluded that there must be a change in the relationship between the Authority and the personnel and employees of Star City, particularly in relation to the provision of information by Star City to the Government Inspectors, then employed by the Department of Gaming and Racing and now employed by the Authority.

From interviews conducted with the Authority's Operations Manager who manages the Government Inspectors employed by the Authority, its Intelligence Manager and Star City employees, it seems apparent that a significant change has occurred.

The Operations Manager, who held essentially the same position prior to the 2000 investigation, told the review that there had been a marked improvement in the information and co-operation from Star City management and staff. He said he was not aware of any information that hadn't been provided to the Government Inspectors when asked.

He participates in fortnightly intelligence meetings with the manager of investigations and a representative from the police casino crime unit to exchange information concerning illegal and undesirable activity in the casino.

The Authority's Intelligence Manager, also reports satisfaction with the information he is receiving from Star City.

## **CHAPTER SEVEN**

### **OTHER MATTERS**

#### **Complimentary System**

Mr McClellan recommended that the complimentary system be reviewed in order to develop a system more resistant to abuse and one in which players are treated fairly (recommendation 23).

We understand from evidence given by senior management that a proposal will shortly be before the CEO and most likely, TABCORP, in relation to a review of the complimentary system. One of the matters under consideration is the introduction of what is known as a transparent system in which patrons know the amount accrued to them and opportunities for favouritism, collusion and dissent are reduced. In addition, some interim measures have been put in place.

A full consideration of this issue must await the third triennial investigation. For the purposes of this review it is sufficient to note that the system is under review.

#### **Sexual Harassment**

In the 2000 report, Mr McClellan found that many staff working in the Food and Beverage area of the private gaming Room had experienced sexual harassment from patrons and other staff members.

Two cocktail servers were interviewed for this review, one of whom had been interviewed by Mr McClellan in 2000.

Both report no complaints of sexual harassment by them or to their knowledge by any food and beverage staff, and express a confidence that any complaint would now be appropriately handled. Each of them had experienced such conduct in the past. The sexual harassment policy has been revised and the cocktail servers reported being satisfied with that policy.

#### **Compliance policy**

Star City has appointed a compliance manager and created a compliance policy. Its aim is the development of an appropriate compliance culture which encompasses legal, ethical and social obligations.

The compliance manager commenced with Star City in September 2001 and the review was told that the role was established as a result of December 2000 report. The Manager told the review that she and Star City have commenced the task of identifying the obligations to which Star City is or considers itself to be subject.

For the purposes of this review it is perhaps sufficient to note that such a policy is in place and that the third triennial s.31 investigation will be in a better position to evaluate its effectiveness.

### **Policies**

Star City advises that it has revised its policies on harassment and bullying, sexual harassment, resolution of workplace issues and equal opportunity. Copies of the policies, training material, presenter notes and posters supporting the policy were provided by Star City.

Star City advises it has introduced TABCORP's Responsible Gaming Code. The stated goals of the Code include promoting fully informed customer choice and staff training in awareness of behaviours associated with problem gambling and procedures to assist customers.

### **Junkets**

Mr McClellan recommended that certain records be kept in relation to junket members (recommendation 17). We understand that Star City has suspended its junket program and accordingly, no such records are needed to be maintained by Star City.

### **Cripps QC Report**

Star City provided the review with a copy of a report by the Hon JG Cripps QC dated 14 November 2001. From that report it appears that Mr Cripps was asked by TABCORP to form an opinion as to whether the "culture" prevalent in the Endeavour Room prior to Mr McClellan's report had changed. In 2000, he had reported to TABCORP of his assessment of the truth of the allegations made by the ABC in the "Four Corners" program.

In summary, he found in 2000 that prostitutes were soliciting in the Endeavour Room and that members brought them in and made them available to gambling patrons. Further, loan sharking was taking place, people were allowed to gamble while drunk and Star City's obligations under the cash transactions reporting legislation were misunderstood. He expressed the view that these activities were the result, in large part, of misuse of authority given to the Executive VIP Hosts. He identified various other matters which had contributed to the existing culture,

including communication problems between security and surveillance. He also found no evidence of money laundering and did not accept that there were instances of drug dealing in the Endeavour Room.

It appears from his November 2001 report that he interviewed a number of people and caused a survey to be undertaken. He concluded that:

*There can be no question, in my opinion, that Star City is genuinely attempting to alter the "culture" in the Endeavour Room and the main gaming floor...it is now clear that Star City is making real and effective progress in its attempts to change the "culture...considerable progress has been made.*

In particular he referred to the following matters:

- VIP Services has been restructured with staff adversely mentioned in 2000 having left Star City, and the position of executive hosts eliminated;
- The authority of hosts has been lessened in a number of areas;
- Entry to the ER is subject to greater scrutiny;
- Code of Conduct has been changed and signs indicating undesirable conduct should be reported have been placed;
- Surveys of staff indicated greatly improved morale in the Endeavour Room;
- Interviews with staff in the Endeavour Room revealed that they no longer made the sort of complaints made in 2000 and have a better understanding of their obligations;
- A number of people have been excluded;
- Star City now understands its obligations under the cash transaction reporting legislation;
- There has been a change of personnel in the security and surveillance departments and he expects the communication problem he identified to disappear;
- From discussions with the Government Inspectors he records an improvement in their relationship with Star City;
- The appointment of a compliance manager.

He noted that a number of staff did not understand what was meant by "gambling with the proceeds of crime" which he considered understandable. He noted that no assistance was given to staff for the purpose of them determining whether people are gambling the proceeds of crime or criminals are gambling. He noted that the reports to AUSTRAC go some way towards inhibiting gambling with the proceeds of crime.

He noted some negative responses in the surveys and noted that the endeavours of Star City to determine why they were made demonstrated that it was endeavouring to improve matters.

## **CHAPTER EIGHT**

### **CONCLUSION**

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.

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## ANNEXURE 1



### NEW SOUTH WALES CASINO CONTROL AUTHORITY

#### TERMS OF REFERENCE

#### **REVIEW OF PROGRESS OF STAR CITY AS RECOMMENDED BY THE YEAR 2000 SECTION 31 INVESTIGATION**

In December 2000 the Casino Control Authority completed the second statutory investigation of the casino licence required under section 31 of the Casino Control Act 1992. In conducting the investigation the Authority was assisted by Peter McClellan QC who conducted an Inquiry under section 143 of the Act.

In his Report to the Authority Mr McClellan stated:

*“I have concluded that at least until recently Star City had developed significant problems in the operation of its private gaming area known as the Endeavour Room. The corporate culture was inappropriate and effective procedures were not in place to deal with prostitution, loan sharking, the service of alcohol, money laundering and sexual harassment.”*

The Report identified the need for effective management processes to ensure the following:

- The detection of undesirable and unacceptable practices in the casino;
- Active discouragement of the presence of criminals, patrons gambling the proceeds of crime, loan sharking, soliciting, money laundering and other undesirable conduct, including, where appropriate, excluding those involved in such activities;
- The effective implementation of a responsible service of alcohol policy;
- A change in the relationship between the Authority and Star City

The Report recommended 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.

In publicly releasing the Report on 22 December 2000 the Authority Chairman indicated:

*“The Authority endorses Mr McClellan’s recommendations and will implement those recommendations for which it has responsibility. The Authority will also conduct a review of the situation in 12 months, as recommended by Mr McClellan.”*

The Review will examine the progress of Star City in relation to the matters identified by Mr McClellan in his Report including the implementation of the recommendations relevant to those matters, a list of which is attached.

## ATTACHMENT

### Recommendation 1

“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”

### Recommendation 13

“The Authority obtains 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.”

### Recommendation 14

“All members of the Endeavour Room be issued with a membership card containing their name, date of birth and a photograph of the member.”

### 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.”

### Recommendation 16

“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.”

### 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 are in cash or some other form.”

### 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.”

### Recommendation 22

“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.”

### 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.”



## ANNEXURE 2



### NEW SOUTH WALES CASINO CONTROL AUTHORITY

#### REVIEW OF PROGRESS OF STAR CITY AS RECOMMENDED BY THE YEAR 2000 SECTION 31 INVESTIGATION

#### CALL FOR SUBMISSIONS

Under Section 31 of the Casino Control Act 1992 the NSW Casino Control Authority is required at least every three years to investigate and form an opinion as to whether or not:

- a) Star City Pty Limited, the operator of the Sydney casino, is suitable to continue to give effect to the casino licence and the Act; and
- b) it is in the public interest that the casino licence should continue in force.

In December 2000 the Casino Control Authority completed the second statutory investigation of the casino licence. In conducting the investigation the Authority was assisted by Peter McClellan QC.

In his Report to the Authority Mr McClellan concluded that Star City had developed significant problems in the operation of its private gaming area and that the corporate culture was inappropriate and effective procedures were not in place to deal with prostitution, loan sharking, the service of alcohol, money laundering and sexual harassment.

Mr McClellan recommended that the Authority 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 has commenced the review recommended by Mr McClellan and now seeks submissions relating to matters specified in the review's Terms of Reference. The Terms of Reference are available by contacting the Authority on (02) 82348800.

The closing date for receipt of submissions is Friday 8 February 2002.

Persons wishing to make a submission or provide information in respect of the matters contained in the Terms of Reference may do so either in writing or by contacting the Authority. Any person wishing their submission to remain confidential should state that clearly in the submission and the Authority will give consideration to their request.

For further information on making submissions please contact Mr Ron Harrex on (02) 8234 8833.

## **ANNEXURE 3**

### **LIST OF SUBMISSIONS RECEIVED BY THE REVIEW**

1. Geoff Cahill
2. Gamblers Help Line
3. The Tourism Task Force
4. Robert Oakeshott MP

## **ANNEXURE 4**

### **POSITIONS HELD BY STAR CITY STAFF INTERVIEWED**

- Endeavour Room Cocktail Servers
- VIP Hosts
- VIP Coordinators
- VIP Services Manager
- Executive Manager, VIP Services
- Pit Manager, Table Games
- Casino Duty Managers
- Security Officers
- Security Supervisors
- Security Manager
- Surveillance Team Leader
- Surveillance Manager
- Investigations Manager
- Compliance Manager
- General Manager, Table Games Operations
- General Manager, Legal and Asset Protection
- Chief Executive Officer