



Special Manager's Activity Report June 2022

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Executive summary

This is the first activity report of the Special Manager for the Melbourne casino operator. It has been prepared by the Office of the Special Manager (OSM) to inform the public on key activities undertaken by the Special Manager for the first six-month reporting period, 1 January to 30 June 2022.

In October 2021, Commissioner Ray Finkelstein AO QC, presiding over the [Royal Commission into the Casino Operator and Licence](#), found Crown Melbourne unsuitable to hold Victoria's casino licence.

The Royal Commission concluded Crown had engaged in 'disgraceful' conduct that was 'illegal, dishonest, unethical and exploitative'. Commissioner Finkelstein described the range of wrongdoing uncovered by the commission as 'alarming', particularly because 'it was engaged in by a regulated entity whose privilege to hold a casino licence is dependent upon it being, at all times, a person of good character, honesty and integrity'.¹

However, the Royal Commission recommended Crown be permitted to continue operating the casino under stringent independent oversight conditions for two years. It determined immediate cancellation of the casino operator's licence was not in the interests of the Victorian community due to the significant risk to innocent third parties (including Crown employees and suppliers) and to the state's economy more broadly.

The Royal Commission also determined Crown Melbourne had the will and capacity to transform itself to again become suitable to hold a casino licence, noting it had already commenced a substantial reform program. Commissioner Finkelstein concluded that a reform program delivered under the independent oversight of a Special Manager was likely to succeed and, if it did, it would be to Victoria's benefit.

Stephen O'Bryan QC was appointed the Special Manager for the Melbourne Casino Operator from 1 January 2022. As the Special Manager, he has two key complementary functions to:

- independently oversee Crown Melbourne's operations
- keep a 'watchful eye' on Crown's reforms to address the significant issues and failings identified by the Finkelstein Royal Commission.²

In December 2023, the Special Manager will submit a final report to the regulator, the Victorian Gambling and Casino Control Commission (VGCCC) and the Minister for Consumer Affairs, Gaming and Liquor Regulation. The final report will evaluate Crown's reform efforts, to assist the VGCCC in determining whether Crown has returned to suitability to hold the Melbourne casino licence.

Given the significant public interest in the outcomes of the Finkelstein Royal Commission and Crown's transformation to suitability, during his term the Special Manager will publish six-monthly activity reports to inform the community on the key activities he and the OSM have undertaken. Naturally, the content of these public activity reports is constrained given the ongoing, and legally and commercially sensitive nature of the Special Manager's work.

The blueprint for the Special Manager's work is set out in [Appendix I of the Finkelstein Royal Commission report](#). The key areas in which Crown needs to demonstrate reform are in relation to cultural change, governance, risk management and compliance, responsible service of gambling, and preventing financial crime. The Special Manager's work includes independently monitoring and assessing a range of projects and activities Crown is undertaking to effect change in these areas.

The Special Manager will be looking for Crown to demonstrate it has established a clear strategy to bring about the significant organisational transformation the Finkelstein Royal Commission recommended was necessary for Crown to return to suitability, and to improve outcomes for key stakeholders and the broader Victorian community.

The Special Manager's first six months of operation have focused on:

- establishing the OSM, a small office that supports the Special Manager
- understanding the reform work Crown is undertaking in response to the Finkelstein Royal Commission as it seeks to transform to suitability
- engaging with key stakeholders to raise awareness of the Special Manager's role and functions, and to inform the OSM's work
- identifying the main areas of Crown's reform work that the Special Manager will monitor and assess over the next reporting period (to 31 December 2022)
- preparing the first six-monthly interim and activity reports for the VGCCC and the Minister, as required.

To inform this work, the Special Manager and OSM staff have attended Crown Board and relevant committee meetings, met with senior Crown staff leading the reform activities, and obtained and analysed a large volume of Crown documents and other information.

The Special Manager has also engaged with a range of stakeholders across government, industry and community sectors. This engagement has provided valuable insights to assist the Special Manager's work – particularly in relation to gambling harm minimisation and preventing financial crime – and will be ongoing.

The Special Manager acknowledges that Crown is undertaking a complex and significant reform program, and has already taken a range of positive steps. These changes include refreshing its Boards and senior executive teams, strengthening governance structures, and reviewing its policies, procedures, systems and controls to address the issues identified in the Finkelstein Royal Commission.

Crown's reform work requires coordination across three jurisdictions, each with its own regulatory regimes and licensing processes. It has also been occurring in a challenging environment, including Crown having to manage the significant workforce and business impacts of the COVID-19 pandemic. Despite these challenges, Crown needs to undertake considerable further work to demonstrate real progress towards transformation and embedded change over the remainder of the Special Manager's term.

The Finkelstein Royal Commission considered a change in ownership of Crown Melbourne to be another necessary step to support Crown's transformation to suitability. Following state regulatory approvals, the acquisition of Crown by Blackstone Inc. was approved by the Federal Court of Australia on 15 June 2022 and took effect on 24 June 2022. At the time of preparation of this report, the impacts of the acquisition on Crown's reform program are not known. However, the Special Manager is encouraged by his early engagement with Blackstone senior representatives, who have indicated their commitment to the reform program. This program is now underpinned by stringent approval conditions imposed on Blackstone by the VGCCC.

Regardless of Crown Melbourne's ownership, the Melbourne casino operator must demonstrate it has undertaken the reforms required by the Finkelstein Royal Commission, and is suitable to retain its casino licence beyond 2023. The Special Manager looks forward to ongoing engagement with Blackstone to maintain the commitment and momentum to reform in the relatively short time remaining in the Special Manager's term.

Over the next reporting period to 31 December 2022, the Special Manager will continue to monitor and assess Crown's current operations and the progress of its reform work. This will include a focus on ensuring Crown demonstrates its reforms are integrated, appropriately governed and resourced, and prioritise initiatives that will have the greatest impact on improving outcomes for people – customers, employees and the community. The Special Manager will also continue to keep careful watch on the integrity of Crown's conduct, including its compliance with legal, regulatory and other obligations.

1. Establishment of the Special Manager

The Special Manager was appointed following the 2021 Finkelstein Royal Commission, which found Crown Melbourne was unsuitable to hold or to continue to hold the licence to operate the Melbourne casino. The Royal Commission found Crown had engaged in conduct that was 'illegal, dishonest, unethical and exploitative'. It recommended that Crown be permitted to continue operating the casino for a further two years subject to the effective implementation of a reform program (incorporating the Royal Commission's recommendations) and the Victorian Government's appointment of an independent Special Manager with strong statutory oversight powers.

Crown was also previously subject to adverse findings in relation to Crown Sydney following the Bergin Inquiry³ and, more recently, in relation to Crown Perth following the Owen Royal Commission.⁴ As with Crown Melbourne, these commissions of inquiry found that Crown was unsuitable to hold or to continue to hold casino licences in those jurisdictions, and recommended monitoring arrangements to oversee reform.

Stephen O'Bryan QC, the inaugural Commissioner of Victoria's Independent Broad-based Anti-Corruption Commission, was appointed Special Manager for Crown Melbourne, commencing 1 January 2022. The Special Manager will independently oversee Crown Melbourne's operations and monitor and assess the progress of its reforms during the balance of his term.

1.1 Functions and responsibilities

The functions of the Special Manager include to:

- oversee the affairs of the Melbourne casino operator, including the casino operations⁵
- supervise the Crown reform program designed to return it to suitability⁶
- investigate any matter the Special Manager considers requires investigation⁷
- investigate, review and evaluate, as relevant, the matters listed in Appendix I of the report of the Finkelstein Royal Commission.⁸

The Special Manager is required to provide confidential interim reports on the performance of his functions every six months to the VGCCC and the Minister for Consumer Affairs, Gaming and Liquor Regulation.

The Special Manager's first interim report was provided to the VGCCC and the Minister on 30 June 2022.

The Special Manager must provide a final report to the VGCCC and the Minister by 31 December 2023. The final report will consider the progress of Crown's reform program and, among other matters, whether there is evidence of maladministration, illegal or improper conduct or material contraventions of any law by the casino operator.

Within 90 days of receiving the Special Manager's final report, the VGCCC will consider whether Crown Melbourne is suitable to continue to hold a casino licence.⁹

The Special Manager's interim and final reports are provided in confidence to the VGCCC and the Minister because they contain legally and commercially sensitive information, and details of the Special Manager's ongoing assessment and independent evaluation of Crown's reforms. Publication of this information could risk compromising the Special Manager's independent work, and ultimately impact the VGCCC's decision making about the casino licence.

1.1.1 Powers of the Special Manager

The Special Manager has significant statutory powers, including all the powers, rights and privileges of a Crown Melbourne director (except the right to vote). Other powers include:

- access to all the books and records of the casino operator
- the ability to engage any third party to provide advice or other services in connection with the performance of the Special Manager's functions
- the ability to attend any meeting of the casino operator or its board of directors, or any committee or sub-committee of the operator or the board
- the ability to enter the casino and any other premises that the casino operator occupies in connection with casino operations.¹⁰

The Special Manager also has statutory powers to direct the casino operator to take action or to refrain from taking action.¹¹ There are three separate grounds for exercising these powers:

- suspected maladministration by the casino operator
- the Special Manager believes it is in the best interests of the casino operator, having regard to his objectives
- to ensure compliance with any legislation applicable to the casino operator.¹²

It is unique for a monitor overseeing a solvent company to have such extensive supervisory powers. The powers of other significant monitorships over solvent companies (such as those overseeing WorldCom in 2002 and Volkswagen in 2018) have included the power to access information and to make recommendations regarding corporate governance, but not to direct a company to take, or to veto, action.

These significant supervisory powers, similar to those of a corporate administrator, have been enacted by the Parliament of Victoria in view of the Finkelstein Royal Commission's damning findings, and the importance of the VGCCC being fully and independently informed by the end of 2023 about Crown's suitability to retain its casino licence.

1.1.2 Directions issued

As stated above, the Special Manager has the statutory power to direct the casino operator to take action or to refrain from taking action. The Special Manager has made Twelve Directions to Crown in this first six-month reporting period, each made on the ground that it was in Crown's best interests.

Twice during this reporting period, and as it has a right to do, Crown has made written submissions in response to the Special Manager's Notice of Intention to give Directions. On one occasion, the Special Manager then issued a slightly modified Direction. Where no submissions were received from Crown, the original Notice has stood as Directions given.

Directions issued by the Special Manager to date include those that have:

- required Crown Melbourne to provide a detailed remediation action plan, specific to Crown Melbourne, to address the Finkelstein Royal Commission findings and recommendations
- required monthly updates from Crown on its progress against that remediation plan, known as the Melbourne Remediation Action Plan (MRAP)
- supported certain Information Requests, for example by imposing time limits for compliance and stopping an initial practice by Crown of unnecessarily classifying information prior to its provision to the OSM
- required Crown to provide the Special Manager with Crown Melbourne Board and committee papers at the same time they were received by Board and committee members
- required specific communication between Crown and Commonwealth and state governments and agencies to be provided to the Special Manager.

Crown has been generally prompt in complying with the Special Manager's Directions, though certain Directions require ongoing liaison between Crown and the OSM.

1.1.3 Information gathering

The Special Manager has the statutory power to require the casino operator to provide any information necessary to facilitate the Special Manager's work. This power is not constrained by any legal restraints imposed by confidentiality restrictions or other legally recognised privileges.¹³

As the Special Manager's oversight activity has increased, there has also been an increase in requests for information from Crown. While some information has been obtained informally, the Special Manager has made eight formal Information Requests to assist him perform his functions, including:

- information about Crown's organisational structure, committees and key decision-making groups and its legal compliance obligations, and documents relevant to Crown's reform program
- Crown Melbourne Board and committee papers
- Crown Resorts Board and committee papers, as relevant to the operation of Crown Melbourne.

Crown has generally been responsive to the Information Requests but has on occasion, and in relatively narrow circumstances, sought to limit the information it has provided to the Special Manager; for example, where it considered there was an inconsistency with other legislative obligations. The OSM has actively engaged with Crown to work through any issues, including by arranging to view original documents subject to potential privilege claims and agreeing to redactions of information not required for the Special Manager's purposes.

1.2 Structure and resources

The Special Manager is supported by a small office, the OSM, comprising a mix of public sector and contracted professional services staff.

Two Deputy Special Manager positions assist the Special Manager in leading a multidisciplinary team with experience across relevant areas of focus, including corporate governance, integrity, compliance, risk management, organisational change, financial crime, and other public harm minimisation.

The OSM is administratively supported by the Department of Justice and Community Safety, which provides corporate services support across IT, finance, property services, payroll and human resources.

As recommended by the Finkelstein Royal Commission, the VGCCC may require Crown to pay the reasonable costs and expenses associated with the establishment and operations of the Special Manager.¹⁴ During this reporting period, the Special Manager issued two financial statements to the VGCCC to seek reimbursement of costs and expenses from Crown.

1.2.1 Engagement with Crown

In its first six months of operation, the OSM has engaged across different levels of Crown to assist the Special Manager in performing his functions. The focus has been on understanding Crown's business and its reform work, and establishing effective working relationships.

The Crown Melbourne Board met twice in this six-month period. The Special Manager and Deputy Special Managers attended both meetings. The Special Manager and/or OSM staff have also attended the meetings of relevant Crown Board and management committees, and engaged with their work.

The Special Manager has generally met weekly with the Crown CEO, and regularly with the former Crown Resorts and Crown Melbourne Chairs to discuss issues relevant to Crown's operations and the progress of its reform work, and to raise any issues or concerns. Further, the Special Manager has met with:

- Crown Melbourne Board directors – these were one-on-one meetings to discuss the functions and powers of the Special Manager, and the work of the Board in overseeing and helping to drive Crown's transformation to suitability
- Crown senior executives – to better understand their roles and gain their insights on the progress of Crown's reform program.

The OSM and Crown are also meeting regularly at officer level about Crown's reform work and to enable the OSM to gather information. Crown has facilitated site tours for the Special Manager and OSM staff, and provided dedicated office space for the OSM within the Crown Melbourne complex. This workspace helps to facilitate ongoing engagement and information sharing between OSM staff and Crown.

The Special Manager is committed to engaging more broadly with Crown employees at all levels across the organisation. To date, the OSM has met with union workplace delegates from various areas within Crown Melbourne, and will engage further with employee representatives and groups as it continues monitoring and assessing Crown's reform program.

The Special Manager is also communicating with Crown Melbourne staff concerning the release of this public activity report. He will invite staff to contact the OSM, in strict confidence, if they wish to raise matters or concerns about Crown's conduct relevant to the Special Manager's work.

1.2.2 Engagement with VGCCC

The Special Manager regularly meets and liaises with the Chair of the VGCCC to discuss issues of mutual interest and concern. The Special Manager and OSM staff have also established regular liaison at officer level to facilitate information sharing, particularly in relation to Crown's regulatory compliance, and have met with staff from the VGCCC's casino division based at Crown.

This engagement is critical given the VGCCC's ongoing regulatory role in relation to Crown, and the Special Manager's obligation to deliver interim and final reports to the VGCCC and the Minister.

1.2.3 Engagement with other key stakeholders

There are a range of government and community stakeholders who have significant interest in the findings and recommendations of the Finkelstein Royal Commission. The OSM has started engaging with key stakeholders during its first six months of operation, to raise awareness of the Special Manager's role and functions, and to gather information to support the OSM's work. The OSM will continue to actively engage with stakeholders to inform its oversight and evaluation of Crown's reform program.

Gambling harm minimisation

In relation to gambling harm minimisation, the OSM has engaged with the Victorian Responsible Gambling Foundation, the Alliance for Gambling Reform and other community sector stakeholders. The Special Manager recognises community perspectives as critical in this important area. This includes considering the impacts on Victoria's diverse communities and hearing from people who have experienced gambling harm. Engagement will be ongoing, and will help the OSM to monitor and assess the effectiveness of Crown's responsible service of gambling reforms.

Financial crime, governance, risk management and compliance

In relation to financial crime, governance, risk management and compliance, the OSM has engaged with state and federal agencies, including AUSTRAC, Victoria Police, the Australian Federal Police, Australian Criminal Intelligence Commission, Australian Securities and Investments Commission, and Australian Taxation Office. During this reporting period, meetings have focused on discussing the respective roles of the OSM and agencies, as well as potential areas of mutual interest and opportunities to share information. Liaison with state and federal police and law enforcement agencies has also focused on confirming Crown is progressing the work recommended by the Finkelstein Royal Commission to improve intelligence and information-sharing arrangements.

Interstate regulators and monitors

The OSM has established regular engagement with the New South Wales Independent Liquor & Gaming Authority and the independent monitor of Crown Sydney. Given that Crown has centralised its transformation program governance structure and that Crown Melbourne and Crown Sydney have common issues to address, the OSM and the Crown Sydney independent monitor have agreed to meet regularly. This engagement will support information sharing and a coordinated approach to assessing Crown's reform program.

The OSM will also seek to establish regular liaison with the independent monitor for Crown Perth, when those arrangements are established by the Western Australian Government.¹⁵

2. General oversight of Crown's current operations

Under the *Casino Control Act 1991 (Vic)*, the first function of the Special Manager is 'to oversee the affairs of the Melbourne casino operator, including the casino operations of the operator'.¹⁶ This requires oversight of the conduct of the business owner itself, as well as of current business activities, in particular the casino's gaming operations.

The Special Manager's general oversight role complements the monitoring and assessment of Crown's transformation. Overseeing how Crown operates, makes decisions and complies with its legal, regulatory and other obligations will provide important insights on the progress of Crown's reforms. It will indicate whether Crown has transformed itself into an organisation that operates lawfully, responsibly and cooperatively with regulators and other stakeholders.

Below is a summary of the key activities the Special Manager has undertaken in his general oversight function in this reporting period.

2.1 Monitoring key governance structures and decision making

As stated earlier, the Special Manager and OSM staff are attending meetings of the Crown Melbourne Board, including its audit and risk, and compliance committees, and a range of relevant management committees.

At the suggestion of the Special Manager, the Crown Melbourne Board has decided to commence monthly meetings (from July 2022) to increase oversight of Crown's transformation and to help drive reform projects and activities, including monitoring resourcing and progress. The Board previously met on a quarterly basis, due to its members also being on the Board of holding company Crown Resorts, which met more frequently.

In April 2022, the Special Manager started attending relevant Crown Resorts Board and committee meetings given the significant role that Crown Resorts plays in driving a centralised approach across its various casino operations, including Crown Melbourne. The former Chairs of Crown Melbourne and Crown Resorts, and the CEO helpfully facilitated access to these meetings and papers to inform the Special Manager's work.

2.2 Legal and regulatory compliance

The OSM monitors Crown's compliance with its legal, regulatory, and other external obligations and requirements.

The Special Manager has obtained relevant information through Information Requests and Directions about Crown's external compliance obligations, and about its current processes and performance in relation to those obligations.

The Special Manager has directed Crown to keep the OSM informed of its dealings with regulators and government agencies, to ensure the OSM is aware of Crown's compliance with state and federal laws and regulatory requirements. The information provided will indicate how Crown is communicating with these agencies, and how proactively it is reporting issues and responding to regulator and law enforcement inquiries and investigations. The OSM also liaises regularly with these regulators and agencies to ensure it is well informed about any potential Crown Melbourne compliance issues.

In addition to attending Board and committee meetings, the Special Manager has been meeting with senior Crown officers at many levels relevant to compliance. In the next reporting period, the Special Manager will engage with Crown's internal audit provider and external auditor. Their insights and observations are expected to contribute to the Special Manager's understanding and assessment of Crown's current attitude to, capability in and approach to legal and regulatory compliance.

The OSM is also monitoring Crown's involvement in all litigation and regulatory proceedings in order to consider whether appropriate instructions are being provided by Crown, and decisions are being made lawfully and responsibly.

During this reporting period, Crown has been subject to significant disciplinary proceedings arising from the Finkelstein Royal Commission, including an \$80 million fine imposed by the VGCCC in response to Crown's process of evading currency restrictions in China and facilitating the illegal transfer of funds from China to enable Chinese customers to gamble at the casino.¹⁷ In addition, AUSTRAC has commenced civil penalty proceedings in the Federal Court against Crown Melbourne and Crown Perth for alleged serious and systemic non-compliance with the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (Cth).¹⁸

2.3 Integrity framework

Good corporate governance standards include instilling and continuously reinforcing across an organisation a culture of acting lawfully, ethically and responsibly. This needs to be underpinned by a sound organisational integrity framework, including a clear code of conduct, and effective whistleblower, complaints, and anti-bribery and corruption prevention policies, systems and practices.

The Special Manager has provided some feedback on Crown's existing code of conduct, and intends to review the code following further revision by Crown, as part of assessing its broader integrity framework.

3. Monitoring and assessing Crown's transformation

3.1 The need for Crown to transform

The Finkelstein Royal Commission – and to varying extents, the New South Wales Bergin Inquiry and the Western Australian Owen Royal Commission – identified serious failings and misconduct by Crown in the following key areas:

- *Culture*: The Finkelstein Royal Commission found that poor organisational culture was at the heart of many of Crown's failings. Crown's prevailing culture was found to have prioritised revenue and profit over ethical and lawful conduct, prudent compliance and risk management, and the welfare of employees and customers. At Crown Melbourne, this manifested in illegal and improper conduct, including a failure to address gambling harm, facilitation of money laundering, evasion of state casino tax and an aggressive and non-cooperative relationship with the regulator.
- *Responsible service of gambling*: The Finkelstein Royal Commission described Crown's conduct in relation to the responsible service of gambling and failure to prevent gambling harm as arguably the commission's 'most damning discovery'.¹⁹ Key findings included that Crown Melbourne had not consistently complied with its own Gambling Code and policies around play periods, that its programs designed to minimise gambling harm (such as the self-exclusion program) were ineffective, that staff had encouraged customers to engage in high-risk gambling, that its marketing and loyalty programs encouraged risky gambling, and that it had been reluctant to support research into and evaluation of gambling harms.
- *Financial crime*: The three commissions of inquiry each revealed that Crown had failed to prevent financial crime, with money laundering having occurred across Crown casinos in Melbourne, Sydney and Perth. Crown had failed to investigate or act on credible warnings of potential money laundering over many years. The Finkelstein Royal Commission also found that Crown lacked sufficiently robust systems to detect and deter money laundering and other forms of financial crime.
- *Risk management, governance and compliance*: All three inquiries identified significant deficiencies in Crown's overall corporate governance, risk management and compliance. The shortcomings were wide ranging and encompassed foundational risk management systems, as well as day-to-day risk and compliance management. The Finkelstein Royal Commission found this ultimately resulted in Crown taking inappropriate risks to maximise profitability and failing to ensure it satisfied legal and regulatory obligations.

The imperative for Crown to undergo organisational transformation has parallels with that confronting the Australian financial services sector following the 2019 [Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry](#) (the Hayne Royal Commission).

The failures identified by the Hayne Royal Commission were widespread across the financial services sector and encompassed some of the same failings identified by the Finkelstein Royal Commission in relation to Crown. The Hayne Royal Commission found that various banking, superannuation and financial institutions had blatantly disregarded customers in favour of profits, been involved in money laundering, turned a blind eye to terrorism financing, ignored statutory reporting responsibilities and engaged in impropriety in foreign exchange trading.

Like Crown, the financial services sector was compelled to undergo significant transformation that involved moving to a different way of working. This includes putting customers first, effecting cultural change, complying with stronger laws and being held to account.

3.2 Key areas for reform

The Special Manager will monitor and assess Crown Melbourne's reform work in implementing the Finkelstein Royal Commission's recommendations, and in addressing the issues outlined in [Appendix I of the Finkelstein Report](#). As specified in Appendix I, the Special Manager will focus on the following areas:

- cultural change
- responsible service of gambling to minimise gambling-related harm
- financial crime, in particular anti-money laundering/counter-terrorism financing
- risk management, governance and compliance.

Crown is implementing a Melbourne-specific remediation action plan (the MRAP) to address the Finkelstein Royal Commission findings and recommendations, comprising projects and activities in these major areas of concern. Following a direction from the Special Manager, Crown shared an early draft of the MRAP with the OSM in March 2022.

Cultural change lies at the heart of Crown's reform program. The Finkelstein Report concluded that within a casino environment, the right culture is one that embeds norms of behaviour imposed by the law and expected by the community: a casino operator should obey the law, act honestly, deter illegal and immoral behaviour among customers, not exploit customers, take active steps to minimise gambling harm, and cooperate fully and candidly with its regulators.²⁰

Transforming culture across all levels of the organisation will be challenging for Crown, with real and embedded change not expected to take full effect for three to five years.²¹ While Crown has made significant changes to its senior leadership, it will be critical for staff at middle management and supervisor levels to actively role-model and support good governance, effective risk management, compliance and harm minimisation if Crown's 'unwritten ground rules' are to change, and staff and customer wellbeing are to be supported.

The way in which Crown undertakes its reform work can also assist in driving cultural change. For example, prioritising the design and implementation of enhanced 'know your customer' initiatives can contribute to better outcomes across business areas by improving responsible service of gambling, in addition to helping to prevent financial crime. Such 'joined up' work can also lead to broader organisational benefits for Crown by helping to break down silos and foster more collaborative ways of working across teams and functions.

The Special Manager acknowledges that Crown is undertaking considerable reform work at both the Crown Melbourne and Crown Resorts levels in an effort to return to suitability. The Special Manager will also be looking for Crown to demonstrate it is implementing a robust transformation program that coordinates the various reform activities across the enterprise, including those relevant to Crown Melbourne. To deliver embedded change, it is essential this program is well governed, appropriately prioritised, properly resourced and outcomes focused.

Such a program is necessary to bring about the degree of transformation Crown needs in order to become, in the words of Commissioner Finkelstein, a 'different' corporation in terms of having 'a different persona, reputation, culture, management and ownership'.²²

3.3 Assessing Crown's transformation

As stated at the outset, the Special Manager's role is to independently oversee Crown's current operations, and to monitor and assess the progress of its reform work. However, it is not the Special Manager's role to design or implement Crown's reform activities. As with any major organisational transformation, Crown itself is best placed to design its own path to reform. It needs to secure buy-in for and 'ownership' of reform implementation across the organisation, and to retain full accountability for its own success or otherwise.

In monitoring and assessing Crown's reform work, the Special Manager will be looking for evidence Crown has:

- conducted a suitable root cause analysis into the failures exposed by the Finkelstein Royal Commission
- identified key risks at both Crown Melbourne and enterprise-wide levels, and across different products, channels and populations
- considered available data, research and examples of best practice in determining its approach and target state
- updated and embedded within its integrity framework a 'best practice' code of conduct
- incorporated effective engagement with interested and informed stakeholders in the design and implementation of reform activities
- built effective evaluation into the design of its programs and service delivery, using results to inform continuous improvement
- taken a proactive approach to reform
- properly planned, prioritised and sequenced reform projects and activities.

The Special Manager will gather information to inform his monitoring and assessment work from a range of sources external to Crown, including:

- the VGCCC and other state and federal regulatory and law enforcement agencies
- other independent monitors established to oversee the reform work of Crown Sydney and Crown Perth (once appointed)
- community organisations, people with lived experience of gambling harm, providers of support services, employee representatives, researchers and advocates.

Where required, the OSM will undertake additional evaluation activities. These may involve a range of quantitative and qualitative methods, such as sample testing, data analysis, surveying, interviewing and holding focus groups.

In assessing the effectiveness of Crown's transformation to suitability, the OSM will also seek to identify case studies that demonstrate Crown's reforms are bringing about positive outcomes, particularly for customers and the community.

These methods are more likely to be applied in the late stages of the Special Manager's term, as Crown moves to implementing its reform activities and embedding change.

Conclusion

The first six months of the Special Manager's term have focused on establishing the OSM; understanding Crown's reform work as it seeks to return to suitability; engaging with key stakeholders; and developing the Special Manager's approach to overseeing Crown's current operations, and to monitoring and assessing Crown's reform work.

It is acknowledged that Crown has taken a range of positive steps to address the issues identified by the Finkelstein Royal Commission, including making changes to its governance structures, Board and senior leadership positions, policies and procedures, and systems and controls. This work has been occurring in a challenging environment, including managing Blackstone's acquisition of Crown and the substantial workforce and business impacts of the COVID-19 pandemic.

However, Crown's reform work must be prioritised if it is to achieve real and lasting change, and if it is to ultimately demonstrate to the VGCCC that it has returned to suitability to retain the licence to operate the Melbourne casino.

To fully address the findings and recommendations of the Finkelstein Royal Commission and the other inquiries, Crown's culture and way of working needs to be people-centred, with a focus on staff and customer wellbeing, and with a greater openness to the views and inputs of a range of stakeholders. As Commissioner Finkelstein highlighted, socially responsible corporate governance requires a commitment to all stakeholders, including 'local communities and country'.²³

During the next reporting period, the Special Manager will continue to independently monitor the progress of Crown's reform work as it transitions to new ownership. As outlined in this report, the Special Manager will be looking for Crown to demonstrate that its reforms prioritise actions that will have the greatest impact on improving outcomes for staff, customers and the community, and are subject to effective governance oversight and resourcing to ensure focused effort and sustained change.

Endnotes

- 1 Royal Commission into the Casino Operator and Licence, *The Report – Volume 1*, October 2021, p. 2.
- 2 Royal Commission into the Casino Operator and Licence, *The Report – Volume 1*, October 2021, p. 4.
- 3 The inquiry under section 143 of the *Casino Control Act 1992* (NSW) was undertaken by the Honourable Patricia Bergin AO SC to look into whether Crown Sydney was suitable to hold a casino licence in New South Wales. In 2021, the Bergin Inquiry found that Crown Sydney was not suitable to hold a restricted gaming licence.
- 4 The Perth Casino Royal Commission was chaired by the Honourable Neville Owen AO. In March 2022, the Owen Royal Commission found that Crown Perth was not suitable to continue to hold a casino licence.
- 5 *Casino Control Act 1991* (Vic), s 36C(1)(a).
- 6 Instrument of Appointment, Appointment of the Special Manager, 21 December 2021, paragraph 1.3.
- 7 Instrument of Appointment, Appointment of the Special Manager, 21 December 2021, paragraph 2.1.1.
- 8 Instrument of Appointment, Appointment of the Special Manager, 21 December 2021, paragraph 2.1.2.
- 9 *Casino Control Act 1991* (Vic), ss 36H(1), (2).
- 10 *Casino Control Act 1991* (Vic), s 36D(2).
- 11 *Casino Control Act 1991* (Vic), s 36E(1).
- 12 *Casino Control Act 1991* (Vic), s 36E(2).
- 13 *Casino Control Act 1991* (Vic), ss 36F(5), (7).
- 14 *Casino Control Act 1991* (Vic), s 36N.
- 15 In June 2022, the Western Australian Government introduced a Bill into Parliament for amendments to the casino legislation. The Bill, among other matters, permits the responsible Minister to appoint an independent monitor to approve, monitor and report on Crown's remediation plan for its casino operations in that state.
- 16 *Casino Control Act 1991* (Vic), s 36C(1)(a).
- 17 Victorian Gambling and Casino Control Commission, *VGCCC imposes \$80 million fine on Crown Melbourne for China Union Pay process*, Media Release, 30 May 2022.
- 18 AUSTRAC lodged a notice of filing on 1 March 2022.
- 19 Royal Commission into the Casino Operator and Licence, *The Report – Volume 1*, October 2021, p. 3.
- 20 Royal Commission into the Casino Operator and Licence, *The Report – Volume 1*, October 2021, p. 127.
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