



Copyright in this document is reserved to the State of Western Australia. Reproduction of this document (or part thereof, in any format) is prohibited except with the prior written consent of the Attorney General or Perth Casino Royal Commission or as permitted by the *Copyright Act 1968* (Cth).

PERTH CASINO ROYAL COMMISSION

PUBLIC HEARING - DAY 35

10.01 AM TUESDAY, 7 SEPTEMBER 2021

COMMISSIONER C F JENKINS

COMMISSIONER C MURPHY

HEARING ROOM 3

MS PATRICIA CAHILL SC and MR NICK WERNER as Counsel Assisting the Perth Casino Royal Commission

MS RACHAEL YOUNG as Counsel for Consolidated Press Holdings Pty Ltd and CPH Crown Holdings Pty Ltd

MR PAUL D EVANS as Counsel for the Gaming and Wagering Commission of Western Australia

MS FIONA SEAWARD as Counsel for the Department of Local Government, Sport and Cultural Industries

MR KANAGA DHARMANANDA SC and MR JESSE WINTON as Counsel for Crown Resorts Ltd; Burswood Limited; Burswood Nominees Limited; Burswood Resort (Management) Limited; Crown Sydney Gaming Pty Ltd; Southbank Investments Pty Ltd; Riverbank Investments Pty Ltd and Crown Melbourne Limited

MR WAYNE ZAPPIA and MR NICHOLAS MALONE as Counsel Mr Michael Connolly

10:01AM

COMMISSIONER JENKINS: Good morning. Please be seated. Mr Connolly.

WITNESS: Morning.

5

COMMISSIONER JENKINS: Please stand. Would you like to take the oath or affirmation --

WITNESS: Affirmation, please.

10

MR MICHAEL CONNOLLY, RE-AFFIRMED

15 COMMISSIONER JENKINS: Thank you very much. Take your seat and make yourself comfortable.

Yes, Mr Zappia.

20 MR ZAPPIA: Yes, if it please the Commissioners, I appear with Mr Nick Malone on behalf of Mr Connolly.

COMMISSIONER JENKINS: Thank you. Do you have any examination-in-chief?

25 MR ZAPPIA: No.

COMMISSIONER JENKINS: Thank you.

Yes, Ms Cahill.

30

CROSS-EXAMINATION BY MS CAHILL

35 MS CAHILL: Thank you, Commissioner.

Mr Connolly, I would like to begin by clarifying a couple of aspects of your evidence that you gave on the last occasion, so I'm going to ask the operator to turn up Day 5 of the transcript, page 306.

40

Do you see the line numbering on the left-hand side of the page?

MR CONNOLLY: Yes.

45 MS CAHILL: If we go down to 25, where my question appears after 25:

All right. Did you ever get to the view yourself where there was an association between junket tour operators and the risk of money laundering or criminal infiltration?

You give an answer there where you talk about the view that you did come to in relation to junket and risks. Then I say:

5 *Ms Cahill: Did you come to the view that there was an association between junket tour operators and the risk of money laundering or criminal infiltration of those tours?*

Mr Connolly: No, I never came to that.

10 *Ms Cahill: You've never had that view?*

Mr Connolly: Obviously in more recent times those things have been highlighted but as a government casino inspector, we don't have access to that sort of information.

15 *Ms Cahill: So, 'in recent times', since when?*

Mr Connolly: 2019 through the mid-year inquiries.

20 You go on to explain probity checks on players. Can I just clarify with you that you meant to say there that you did not appreciate the association between junket tour operators and the risk of money laundering or the criminal infiltration of those tours until 2019?

25 MR CONNOLLY: I thought it --- and I'm still of the view that it was somebody else's responsibility to identify that risk of money laundering ---

30 MS CAHILL: I'm talking about the identification of the risk, whether you were aware of the risk.

 MR CONNOLLY: No.

35 MS CAHILL: So when ---

 MR CONNOLLY: Well, I guess at what sort of level we're talking about there, I'm aware of the risk. Yes, I'm aware these are high wealth individuals but I have no information about where their money comes from. I guess I was aware that there was a risk that their money could have come from some illegitimate source. So I suppose the answer to the question is yes, I'm aware.

40 MS CAHILL: Two things: a risk of money laundering occurring at the casino through junket tours, were you aware of the risk that that could occur?

45 MR CONNOLLY: Yes, I think that is fair.

 MS CAHILL: Any time before 2019?

MR CONNOLLY: Yes, I think that is fair.

MS CAHILL: So since when?

5

MR CONNOLLY: Probably since I've started working at the casino. I mean, there is a risk of money laundering at casinos more generally, but I don't think that is any different from junket operators as well.

10 MS CAHILL: And the risk of criminal infiltration of junkets separately from money laundering, just the association of criminals with junkets, were you aware of that risk at any time?

15 MR CONNOLLY: I would say that I'm aware of the risk, but I'm not aware of it actually happening, yeah.

MS CAHILL: So just staying with the risk, when did you first become aware of that risk?

20 MR CONNOLLY: Oh, I guess, you know, the value of the money that these people were spending would probably highlight some sort of risk but ---

MS CAHILL: Just stay focused on my question, please.

25 MR CONNOLLY: I'm trying.

MS CAHILL: When would you have become aware of that risk for the first time?

30 MR CONNOLLY: I don't know, as a government casino inspector, probably.

MS CAHILL: So that's pre-2012?

MR CONNOLLY: Pre-2012, yes.

35 MS CAHILL: Now, if we can go to page 309, this is a different topic of your evidence that I want to clarify with you. Do you see around line 10, what I'm doing you about here is the repeal of the junket regulations in 2010. Do you remember me asking you some questions about that?

40 MR CONNOLLY: Yes.

45 MS CAHILL: And I'm referring at 5 to some evidence you've given in your witness statement. We cut across each other here but you agreed with me that you had no involvement or input into the decision regarding the repeal of the junket regulations, and I think because you were at Fisheries at the time was the effect of that evidence.

MR CONNOLLY: Yes. Yes.

10:07AM

MS CAHILL: Can I just show you this document, DLG.0001.0007.0002. It is a letter of 4 December 2009 to you in your role as acting CCO. You have that in front of you?

5

MR CONNOLLY: Yes, I have.

MS CAHILL: This is before you went to Fisheries, of course.

10 MR CONNOLLY: Yes, it was, just before.

MS CAHILL: Yes. Because it was early 2010 that you went off to Fisheries.

MR CONNOLLY: That's correct, yes.

15

MS CAHILL: This is a letter from Mr Preston seeking a approval for the removal of the requirement for approval of junket operators that is contained in the regulations at that time.

20 The first paragraph refers to recent discussions between Mr Preston, Mr Hulme, you and Mr del Prete. Can you remember what those discussions were?

MR CONNOLLY: Not in any great detail, no.

25 MS CAHILL: Did you indicate in those discussions to Crown Perth representatives your support for the removal of the requirement that junket operators be approved by the GWC?

MR CONNOLLY: I don't recall.

30

MS CAHILL: Now I will show you this document, DLG.0001.0007.0005, the same document. There is some handwriting at the end of this email. Do you see the first lot of handwriting just where the operator's enlarging the redaction of the signature?

35 MR CONNOLLY: Yes, I do.

MS CAHILL: "Can you please prepare an agenda item for the GWC"; is that your handwriting?

40 MR CONNOLLY: Yes, it is.

MS CAHILL: So did you speak to Mr Toyne about preparation of an agenda item in respect of this letter?

45 MR CONNOLLY: I don't recall that I did. I think I spoke to Mr del Prete about preparation. I don't recall speaking to Mr Toyne about this.

MS CAHILL: So you spoke to Mr del Prete. And did you express a view to Mr del

10:10AM

Prete that Crown Perth's request should be supported?

MR CONNOLLY: I can't recall.

5

MS CAHILL: In any event, to the extent that you asked for an agenda paper to be prepared and you evidently engaged in some discussion with Crown representatives before that, you had some involvement with the subject matter of the repeal of the 2010 regulations?

10

MR CONNOLLY: Yes, I did, but nothing to do with the decision.

MS CAHILL: I want to take you forward from there, that was 2009, 2010, and go to 2017, and if I can open up this document, GWC.0002.0016.0202 and not on the public screens, please.

15

This is an agenda for the February 2017 GWC meeting. If we go to page 0012 do you see under item 5.1.2, "Matters to be actioned", there is a compliance review project across all regulated gambling that was to be undertaken at that point; do you see that?

20

MR CONNOLLY: I do.

MS CAHILL: You had the carriage of this compliance review project, didn't you?

25

MR CONNOLLY: I did.

MS CAHILL: If we go to page 0013, you had prepared this agenda paper that you provided to GWC members about what that compliance review project was to involve?

30

MR CONNOLLY: Yes.

MS CAHILL: If we look at the second paragraph, junket operations in the second line were an aspect of that review that you intended to review compliance and regulation in respect of.

35

MR CONNOLLY: That's correct, yes.

MS CAHILL: Now, if we go to this document, DLG.8001.0023.7494, this is a document you prepared in respect of the compliance review about junket requirements; is that right?

40

MR CONNOLLY: Not quite. I didn't prepare this document. This document was prepared for me.

45

MS CAHILL: I see. And you reviewed it?

10:12AM

MR CONNOLLY: And I reviewed it, yes.

5 MS CAHILL: And that was in February 2017, by the footer in the bottom left-hand corner? Is that right?

MR CONNOLLY: To my recollection, yes.

10 MS CAHILL: So what this does is this document sets out the regulatory regime for junkets as at 2017.

MR CONNOLLY: Correct, yes.

15 MS CAHILL: And the point you make on this first page at about point 4, the fourth dot point there, is that even though the regulations repealed the requirement for the approval of junket operators in the Casino Manual, there is still some residual directions there for approval, and also for junket participants' names and passport numbers to be provided to the GWC. That was the position that continued to pertain in 2017; is that right?

20 MR CONNOLLY: That's how I understand it. Yes. Again, I'm not making that point, that is coming from the author of that paper, I'm not quite sure who that is, but it's someone in the inspectorate.

25 MS CAHILL: I'm not asking you how to tell me what is in the document, I'm pointing you to the document in order that you can tell me whether this reflects what the regulatory position was at that time.

MR CONNOLLY: Yes.

30 MS CAHILL: And it was?

MR CONNOLLY: Yes.

35 MS CAHILL: So the approval requirement in the regs had been repealed, and even though the Casino Manual continued to say that approval was required, no approval was sought or given as at 2017; is that right?

40 MR CONNOLLY: I didn't actually talk about approval. As I understand it, it just required the casino licensee to provide list of names and attendees, not to get a prior approval.

MS CAHILL: So, in any event, as far as you were aware in 2017, no approval was being sought or given?

45 MR CONNOLLY: Correct.

MS CAHILL: However, Crown continued to provide the names of junket

participants, did it?

MR CONNOLLY: As far as I'm aware, yes.

5

MS CAHILL: And passport numbers?

MR CONNOLLY: As far as I'm aware.

10 MS CAHILL: What was the Department doing with those names and passport numbers?

MR CONNOLLY: As far as I'm aware, nothing.

15 MS CAHILL: Was it filing them?

MR CONNOLLY: I guess so, they weren't coming to me, they were coming to officers within the department, but I don't believe they were actively doing anything with those. So probably filing those.

20

MS CAHILL: But you were the Chief Casino Officer?

MR CONNOLLY: I was.

25 MS CAHILL: So you would have had some sense of what was going on with junkets and the regulation at GWC.

MR CONNOLLY: Well, my understanding was that we didn't approve junkets. I wasn't going through the manual on a daily basis or regular basis to look at these sort of requirements. It's not something I would have done myself.

30

MS CAHILL: But you knew that the names and passport numbers were being provided?

35 MR CONNOLLY: I was aware that was a requirement. I didn't know that it hadn't been removed from the manual at that point in time, I don't think.

MS CAHILL: I just ask you this because it's not directly related to what I just asked you but it comes chronologically in the right order. I want to show you not on the public screen, please, this document, CRW.008.001.3869. It is an email from you to Mr Preston of 15 May 2014. And you wanted to know if the people you had named in that email were members of the Pearl Room. Why did you want to know that?

40

MR CONNOLLY: I believe that that email was in response to a request from the Victorian police. I believe that that was a phone call from an officer in Victorian police who gave me those names and dates of birth and wanted to check. I did have a conversation with him at the time to say that the only way I can find that out is to actually ask the casino licensee. They were comfortable with that. I asked the

45

10:17AM

question. I believe that's what that was.

5 MS CAHILL: And knowing that the Victorian police were interested in these names, did that cause you to have any concerns about those people being (inaudible)?

10 MR CONNOLLY: I didn't know why they were interested in those people or names. He wouldn't have told me that. So, no, it didn't really raise too many alarms for me.

MS CAHILL: Now, in September 2014 you will recall Four Corners broadcasted a program called High Rollers, High Risk?

15 MR CONNOLLY: I don't, actually. I thought the first program was in 2016. But I'm aware now, yes.

MS CAHILL: But you say you weren't aware at the time?

20 MR CONNOLLY: I didn't think it was 2014. I thought the first Four Corners report was in 2016.

MS CAHILL: So you remember the Four Corners report, it might have been 2014, it might have been 2016, you remember it as 2016?

25 MR CONNOLLY: Yes, I do.

MS CAHILL: Whether it was 2014 or 2016, you remember seeing it at the time?

30 MR CONNOLLY: I absolutely would have seen it at the time.

MS CAHILL: And you understood it was a program that dealt with the threat posed by organised crime in Australian casinos?

35 MR CONNOLLY: Yes.

MS CAHILL: And claimed there was a link between organisers in Macau and organised crime groups?

40 MR CONNOLLY: Yes.

MS CAHILL: And one of the points made by the program, you recall, was that Australian casinos that target Asian VIP gamblers could run a serious risk of exposure to organised crime?

45 MR CONNOLLY: On the program, yes.

MS CAHILL: You gave a verbal briefing to the GWC about the program, didn't you?

10:18AM

MR CONNOLLY: I believe so, yes.

MS CAHILL: If we go to this document, not on the public screen, please,
5 GWC.0002.0016.0135, which is the minutes of the GWC meeting held on 23
September 2014 at 0003. Your verbal briefing is at 0008. There is some memory
jog as to whether it is 2014 or 2016, Mr Connolly.

MR CONNOLLY: Yes.

10

MS CAHILL: You explain in the first paragraph the contents of the program and
then you go on to say that the junket operators for operators in Macau are
significantly different to those in Australia. And you place some focus on the junket
operators leasing and operating gaming rooms within a casino that may include
15 provision of credit. Why was that significantly different in your mind to Australia in
terms of risk of criminal infiltration and money laundering?

MR CONNOLLY: Because junket operators in Macau control the room, control the
gaming, and control the movement of chips. In Australia that is done by the licensed
20 casino operator and the casino operator only.

MS CAHILL: So did you conclude from that process of reasoning that there was
nothing to worry about in terms of risks at the Perth Casino in respect of junkets?

25 MR CONNOLLY: For my part I concluded that the risks were less in respect of
junkets. I think there is always something to worry about but I think having a
licensed casino operator control the gaming, control the movement of chips, and
control revenue and tax reporting, reduces those risks significantly.

30 MS CAHILL: So the point you make in the second-last paragraph in this section,
you say, while Junket operators are no longer licensed, you refer to their entry to
Australia being controlled by Border Protection, Department of Immigration, and
then the casino licensee having to comply with AUSTRAC and AML requirements.
Was your assumption at this time that those two things were adequate to mitigate the
35 risks of money laundering or criminal infiltration of junkets to Perth Casino; is that
right?

MR CONNOLLY: Yes. Yes.

40 MS CAHILL: Before the verbal briefing to the GWC, did you make any inquiries or
conduct any investigations into the subject matter of the Four Corners report?

MR CONNOLLY: I don't recall.

45 MS CAHILL: Did you make any inquiries of Crown Perth?

MR CONNOLLY: I honestly don't recall.

MS CAHILL: The Suncity junket was mentioned in the Four Corners report. Do you recall that?

5 MR CONNOLLY: Yes.

MS CAHILL: The Suncity junket had been conducting tours to Perth Casino since 2010, to your knowledge?

10 MR CONNOLLY: Not to my knowledge, but probably, yes.

MS CAHILL: Did you look back into the information GWC held about Suncity?

MR CONNOLLY: Honestly, I don't recall.

15

MS CAHILL: Or asked Crown about its due diligence on that junket operator?

MR CONNOLLY: I believe that Crown gave --- was asked to provide a briefing to the Commission about their due diligence on junket operators per se, but not just Suncity.

20

MS CAHILL: The Four Corners program also mentioned the Neptune group VIP clients or high rollers being invited by Perth Casino to come over from time to time for functions; you recall that?

25

MR CONNOLLY: I recall it from the article, yes.

MS CAHILL: From the program?

30 MR CONNOLLY: I read the transcript from that document last night so I recall it from that, yes.

MS CAHILL: And the program mentioned that the Neptune group was backed by Cheung Chi-tai who was alleged to have triad links?

35

MR CONNOLLY: Yes.

MS CAHILL: And were you aware that junket operators associated with the Neptune group had been operating in Perth since 2011?

40

MR CONNOLLY: I wasn't aware of that, no, but that doesn't mean it didn't happen. I wasn't aware of that.

MS CAHILL: Well, did you look into whether ---

45

MR CONNOLLY: I don't recall.

MS CAHILL: Do you recall whether you asked Crown about its due diligence on

entities or people associated with the Neptune group?

5 MR CONNOLLY: With the Neptune group specifically, no, I don't recall, but I've had to ask Crown on a number of occasions about their due diligence around junket operators, and they've presented that to the Commission on a number of occasions as well.

10 MS CAHILL: The last paragraph of this section of general business identifies that you were going to prepare an information paper in relation to junket operators for the next meeting. We'll go to that document now. It is not to be displayed on the public screens, please, GWC.0002.0016.0121 at page 0053. You've read this agenda paper over the last day or so?

15 MR CONNOLLY: I haven't in any detail, no.

MS CAHILL: You might recall that it simply provides an explanation about what junkets are and how they work. If we go over the page. And at 0054, the third full paragraph, you identify that the licensee conducts its own due diligence on players. 20 You describe that for the purposes of protecting its own commercial interests. Do you see that?

MR CONNOLLY: I do.

25 MS CAHILL: To what extent did you understand that that due diligence involved checking for criminal associations of operators or junket participants?

MR CONNOLLY: Sorry, could you ask that again.

30 MS CAHILL: To what extent did you understand that Crown's due diligence on junket participants or junket operators involved checking for criminal associations of those participants or operators?

35 MR CONNOLLY: I understood that Crown's checks look at the reputation of players and information that is publicly available. I don't understand that they had any ability to check their criminal associations.

MS CAHILL: So when we get to the next paragraph you are talking about the AUSTRAC reporting requirements that the casino licensee is required to comply 40 with. And your reference to that AUSTRAC legislation reflects the position you had had since at least 2012, when you commenced as CCO, that because of that AUSTRAC legislation and the role that AUSTRAC had, the Department and therefore GWC had no role in monitoring or overseeing the risk of junkets or high rollers using Perth Casino to facilitate money laundering; is that right?

45 MR CONNOLLY: That's correct, yes.

MS CAHILL: That was something that AUSTRAC was responsible for.

10:26AM

MR CONNOLLY: That was my understanding at the time and still is.

5 MS CAHILL: And the department and GWC did not have the means to take on that responsibility?

MR CONNOLLY: That's correct.

10 MS CAHILL: Nor should it because it would be duplicating or at least overlapping with AUSTRAC's role and responsibility?

MR CONNOLLY: That's correct.

15 MS CAHILL: Not only was that your position and understanding until 2019, I think you just said you still hold that position?

20 MR CONNOLLY: I do. I actually have advice from general counsel of the Department to that effect as well, that says the role of the Commission is to regulate the gaming operations and has no role to monitor or enforce AML/CTF.

25 MS CAHILL: So when you wrote that, though, that paragraph about the AUSTRAC responsibilities and legislation, you didn't consider there was anything in the Four Corners report that caused you to reflect on the correctness of your position or understanding?

30 MR CONNOLLY: There was a reflection for sure, but for me it was more about capacity and who is the right organisation, the organisation with the ability to deal with that. It certainly wasn't the Department of Racing, Gaming and Liquor, or the Gaming and Wagering Commission.

35 MS CAHILL: The effect of your evidence on the last occasion you were here was also that through 2014 to 2019, and I presume you will say continuing to today, that Border Force did and does check a person's criminal history to determine whether they should be given a visa?

MR CONNOLLY: That's how I understood that, yes.

40 MS CAHILL: And it is therefore suitable that the checks that Border Force do are therefore a suitable proxy for a decision about whether or not to allow a junket operator or junket participant to come to Perth Casino?

MR CONNOLLY: That's how I understood that, yes.

45 MS CAHILL: As a consequence, you considered from at least 2014 until the present day that the Department and GWC does not have the means to take on that same responsibility?

10:29AM

MR CONNOLLY: Yes.

MS CAHILL: Nor should it because it would duplicate or at least overlap with what
5 Border Force's role and responsibility is?

MR CONNOLLY: Yes. Yes.

MS CAHILL: There was nothing in the Four Corners report that caused you to
10 reflect on the correctness of that view?

MR CONNOLLY: Not that I recall. And I still maintain that view so I would say
no.

MS CAHILL: It suggested, didn't it, that people with criminal associations were
15 being committed to organise and participate in junkets to Perth Casino?

MR CONNOLLY: It did suggest that.

MS CAHILL: So didn't that lead to a question in your mind that maybe Border
20 Force wasn't sufficiently vetting the people who were coming into the country as
suitable people to come to Perth Casino?

MR CONNOLLY: Perhaps, but certainly the Department of Racing, Gaming and
25 Liquor and the Gaming and Wagering Commission didn't have any ability to vet
those people in a meaningful way, certainly not in a more meaningful way than
Border Force.

MS CAHILL: Did it occur to you from the contents of the Four Corners report that
30 the then current practice of Crown providing names and passport numbers of junket
participants might be useful to address that issue?

MR CONNOLLY: No. In what sense?

MS CAHILL: They could easily be provided to the police, those names and passport
35 numbers, couldn't they?

MR CONNOLLY: They could have, yes. And they had been in the past. Not that
40 anything had ever come from that practice.

MS CAHILL: Nothing had ever come from that practice?

MR CONNOLLY: Not that I'm aware of.

MS CAHILL: That was before your time as CCO?

MR CONNOLLY: It was absolutely before my time as CCO, yes.

10:30AM

MS CAHILL: You accept that at least theoretically the police could identify whether junket participants had criminal associations that would render them unsuitable to attend Perth Casino?

5

MR CONNOLLY: Yes.

MS CAHILL: And then you could at least speak to the licensee about that?

10 MR CONNOLLY: Yes. Or the Commissioner of Police could bar those people from the casino himself.

MS CAHILL: But none of those things as possibilities of action that could be taken occurred to you in the wake of the 2014 Four Corners report?

15

MR CONNOLLY: No. Not that I recall, and not that they were decisions for me alone. There were --- Gaming and Wagering Commission had to consider all of those, and there were all those other possibilities as well.

20 MS CAHILL: Now I want to come back to this document, DLG.8001.0023.7494, and this is that February 2017 compliance review junket document that you had prepared for ---

MR CONNOLLY: Yes.

25

MS CAHILL: Now at the bottom of page 7497, I think it is, we'll go to 7496, towards the bottom, do you see the heading "Corporate junket operators operating at Crown: (raised by compliance inspector Vanessa Webb)".

30 MR CONNOLLY: Yes.

MS CAHILL: Who is that is saying they spoke to Vanessa on 13 February 2017?

35 MR CONNOLLY: The author of this particular document. I don't know who that is. It's not signed and I don't recall who wrote that.

MS CAHILL: In any event, you read this document at the time?

MR CONNOLLY: Yes, I did.

40

MS CAHILL: And you understood what was being explained here was Ms Webb's concern that she had expressed, that the way in which the Jimei Group operated their junket tours raised questions about whether the tours were being used to facilitate money laundering?

45

MR CONNOLLY: Does she talk about money laundering?

MS CAHILL: Have a look at the last sentence then I'll take you to the next page:

The transactions would be similar to what used to be done by the 'bagman' but not by means of use of printers, laptops, et cetera.

5 MR CONNOLLY: Yes.

MS CAHILL: So you understood she was voicing a concern about this tour operating in a way that might facilitate money laundering?

10 MR CONNOLLY: I don't think she's talking about money laundering. But a bagman is a normal process for a junket operator, a junket operator controls funds and issues chips and gets chips back from junkets while they are conducting their play.

15 MS CAHILL: So where she has voiced concerns in the past about these groups having their own basically facilities, office facilities at the casino, that's precisely the concern you had about the operations in Macau, isn't it?

MR CONNOLLY: It is.

20

MS CAHILL: Yes. And that was why you understood Macau to be qualitatively different from Australia in terms of the exposure to the risk of money laundering?

MR CONNOLLY: Can I just correct myself a little. Not precisely. In Macau, as I understand it, they control the room. A bagman for a junket, he doesn't control the room. They administer the gaming and the players' participation. So they will issue chips and receive chips back. But they are not controlling the gaming. They have no influence or control over the gaming. They are just conducting the business of that junket.

30

MS CAHILL: So let's go over the page. In the second paragraph Vanessa reported that the Lau group would come to Crown Perth and have exclusive use of one of the salons. The group had been known to leave chips on the table for days at a time. She wasn't aware whether this was still occurring. She said that sometimes they would only bet for half an hour and then they may not bet for three hours. The reason wasn't known but it was noted that they received calls that appeared to tell them when to bet, possibly depending on what funds were available. See? According to Vanessa it was possible that some junket participants were not genuine players but acting as agents for others.

40

MR CONNOLLY: Yes.

MS CAHILL: You understood she was raising this because of a concern that this behaviour was indicative of a risk that the Perth Casino was being used to facilitate money laundering?

45

MR CONNOLLY: I think --- I don't think --- again, I don't think she's talking about

money laundering, I think she's talking about potential breaches of our gaming legislation and people taking instructions over the phone on what to bet on. I don't think she's talking about money laundering specifically. I think she is talking about the way the junkets were conducting their business.

MS CAHILL: There is a plain risk of money laundering from this activity, isn't it?

MR CONNOLLY: There is a risk of money laundering from this activity, yes.

MS CAHILL: And that was apparent to you reading this part of the paper?

MR CONNOLLY: I didn't think about money laundering being the primary concern of this paper.

MS CAHILL: I didn't ask you whether you saw it as a primary concern, it leaps off the page, doesn't it, there is a risk of money laundering in this sort of conduct?

MR CONNOLLY: There is --- yes. Yes.

MS CAHILL: And that occurred to you at the time?

MR CONNOLLY: It wasn't the first thing that occurred to me at the time, but yes, yes, I accept that.

MS CAHILL: And so did you have cause to reflect on your position that Border Force and AUSTRAC legislation together was sufficiently mitigating the risk of money laundering at Perth Casino?

MR CONNOLLY: Not as a result of this paper.

MS CAHILL: A few days before, so if we accept that this is 16 February when this document was produced, a few days before, on 10 February 2017, you received a request from Crown Perth for amendments to the Casino Manual. And if we put this not on the public screen, please, GWC.0004.0008.0005.

This letter from Mr Preston to you refers to a discussion you and Mr Hulme had had on the previous day about some amendments to the Casino Manual --

MR CONNOLLY: Yes.

MS CAHILL: --- and Mr Preston is asking for part 16.2 of the manual to be amended. If we go to page 005 you can see there, by the tracked amendment, Mr Preston is seeking to have removed from the manual the requirement for approval of junket operators by GWC to bring it in line with the repeal ---

MR CONNOLLY: Yes.

MS CAHILL: --- of the regulations. But note here he is not advocating for the removal of the requirement to provide the names and passport numbers. Do you see at what is new numbered paragraph 2?

5

MR CONNOLLY: I do, yes.

MS CAHILL: I suggest that in light of the concerns that you had heard of that Ms Webb had expressed in the document produced a few days later, you would have been very cautious before acceding to any request to relax or remove requirements in respect of junket operations set out (inaudible).

10

MR CONNOLLY: Perhaps. I don't recall what I was thinking at that time, but perhaps, yes.

15

MS CAHILL: Can we go to CRW.708.008.7829, which is a letter from Mr Hulme to you dated 16 March 2017. You had had a further discussion with him by this time about the amendments to the Casino Manual?

20

MR CONNOLLY: Yep.

MS CAHILL: And basically the idea is to do some more major amendment to the Casino Manual in respect of junket operations; is that right?

25

MR CONNOLLY: I think at the time there was more major amendments to the Casino Manuals to bring them into a new format as well. This, as I understood, was part of that.

30

MS CAHILL: So if we have a look at 7382 --- 7832 you will see that part 16 is being removed in respect of junket programs entirely. If we go over the page, as are part 17 and 18. And then if we go to 7856, this is part of a new part 28 where, instead of GWC being provided with the player names and passport details, these are provided internally to Crown and forwarded to its legal officer, AML. You see in row 3?

35

MR CONNOLLY: Yes.

MS CAHILL: Who was that at the time?

40

MR CONNOLLY: I think that was Joshua Preston at the time.

MS CAHILL: Right. So there was a discussion, was there, between 10 February and 16 March between you and Mr Hulme in which you discussed, amongst other things, discontinuing the requirement to provide junket participant names and passport numbers to GWC?

45

MR CONNOLLY: Yes, I believe so.

MS CAHILL: In addition to the previous request from Mr Preston to remove the

10:41AM

requirement for GWC approval of junket operators?

MR CONNOLLY: Yes, I believe so. As an administrative catch-up for the
5 regulation changes, but, yes, I believe so.

MS CAHILL: How, as far as you are aware, has the responsibility for managing this
issue with the GWC been transferred from Mr Preston to Mr Hulme?

10 MR CONNOLLY: Sorry?

MS CAHILL: You got the first letter from Mr Preston --

MR CONNOLLY: Yes.

15

MS CAHILL: --- and the second letter from Mr Hulme and you had discussions with
Mr Hulme ---

MR CONNOLLY: Yes.

20

MS CAHILL: --- in addition. Had Mr Preston handed over the conduct of this issue
on behalf of Crown to Mr Hulme?

MR CONNOLLY: I don't know.

25

MS CAHILL: You were planning a fishing trip with Mr Marais and Mr Hulme at
this time, weren't you?

MR CONNOLLY: Probably.

30

MS CAHILL: Probably, CRW.709.132.6194.

MR CONNOLLY: Yes, the timing seems to be about right.

35 MS CAHILL: Up to Jurien Bay?

MR CONNOLLY: Mm-hmm.

MS CAHILL: You think you were planning skydiving with Jurien Bay with Mr
40 Hulme and Mr Marais?

MR CONNOLLY: That's correct. Mr Hulme.

MS CAHILL: Let's look at DLG.8001.0046.1396. So that email goes to Mr Hulme,
45 Mr Marais, Mr Preston and Mr Nicolls.

MR CONNOLLY: Yes, it does.

10:43AM

MS CAHILL: Were you planning skydiving with all of them?

MR CONNOLLY: No.

5

MS CAHILL: Just Mr Hulme?

MR CONNOLLY: That's correct.

10 MS CAHILL: And I think towards the end of March you ended up rescheduling that trip. It had previously been planned for 24 March but you needed to reschedule?

MR CONNOLLY: I believe so.

15 MS CAHILL: And by about 29 March you were emailing Mr Hulme, Mr Marais and so forth to try and reschedule that fishing trip?

MR CONNOLLY: Yes, I believe that's correct.

20 MS CAHILL: So returning to the discussion we were having a moment ago about the 16 March letter with Mr Hulme and the discussions you were having with him about the relaxation of the Casino Manual, did it occur to you at the time that your friendship with Mr Hulme might cloud your judgment with respect to what the GWC should be doing in responding to that request for amendments to the Casino Manual?

25

MR CONNOLLY: No. It didn't occur to me at the time and I don't believe it did, but, no.

30 MS CAHILL: --- or that Mr Hulme and also Mr Marais might be deliberately cultivating a friendship with you in order to facilitate your approval to requests such as these?

MR CONNOLLY: No, I don't believe that happened.

35 MS CAHILL: As to the proposal to, in addition to removing the requirement for the approval of junket operators to also remove the requirement for junket participant names and passport numbers to be provided to the GWC, was that your idea or Mr Hulme's idea?

40 MR CONNOLLY: I don't recall. I don't think it would be mine.

45 MS CAHILL: And the fact that what was being proposed was that instead of GWC receiving those names and passport numbers, Crown was required to provide them to their legal officer AML, that's anti-money laundering, didn't it occur to you at that point that your faith in AUSTRAC to adequately mitigate the risk of money laundering, and your faith in Border Force to prevent criminal infiltration into Perth Casino through junkets, was misplaced to the extent that Crown itself was identifying a need to have an additional layer of AML mitigation?

MR CONNOLLY: No, it didn't occur to me at that point. And I maintained that view and faith in AUSTRAC and Border Force and their liaison with WA police as well.

5

MS CAHILL: 16 March, you got your letter from Mr Hulme with these expanded requirements for removing the names and passport numbers disclosure to GWC from the Casino Manual. A few days before that you had received an email from AUSTRAC, hadn't you? Remember?

10

MR CONNOLLY: I believe so, yes.

MS CAHILL: Let's have a look at it. Not for presentation on the public screen, please, GWC.0004.0019.0026. If we go to page 0003. All the email chains start at the back, Mr Connolly. So the AUSTRAC officer explains to you that there's a campaign AUSTRAC is undertaking to look at casino junkets. Did you review this email over the last few days?

15

20

MR CONNOLLY: I've seen this email over the last few days, yes. Last night.

MS CAHILL: In the second paragraph, the writer is very clear about wanting to know what GWC as a regulator does, as well as the casino, by way of oversight of junket operations and whether that extends to probity audits and inquiries. You see that?

25

MR CONNOLLY: Yes, I do.

MS CAHILL: And asks specifically in that last sentence in the second paragraph whether there are any regulatory changes proposed in this space, which of course for GWC at this time there was, wasn't there? Because you were actively discussing with Crown whether to remove the requirement for names and passport numbers of participants in junkets to be provided to the GWC.

30

MR CONNOLLY: Yes. I'm not sure I would have seen it at that, but I agree with you now. I don't know if I would have told AUSTRAC that, given AUSTRAC that information but ---

35

MS CAHILL: Clearly you should have because it is plain, yes? Yes? It is plain, isn't it?

40

MR CONNOLLY: Yes, I agree, yes.

MS CAHILL: Now you respond after the writer chases you up on 4 April. If we go at 0002, let me show you so that you have the sense of your email at 0001, this is your response, which you've read recently, and if we go over to page 002, thank you, operator, at the penultimate paragraph:

45

There has been considerable media and interest around junkets

That's what you say there.

5

MR CONNOLLY: I do.

MS CAHILL: So you were aware at the time that concerns were being raised in the media and elsewhere about the risks of criminal infiltration of junkets, weren't you?

10

MR CONNOLLY: I was.

MS CAHILL: And the use of casinos by junkets to facilitate money laundering?

15

MR CONNOLLY: Yes.

MS CAHILL: You go on to say that "we", and that is a reference to the Department and GWC, isn't it?

20

MR CONNOLLY: "We are currently conducting a review", is that where we are looking?

MS CAHILL: Yes.

25

MR CONNOLLY: Yes.

MS CAHILL:

30

..... of compliance activities in that space with an interim report expected to be provided to the Commission this month

That was April.

35

MR CONNOLLY: Mm-hmm.

MS CAHILL: But you hadn't done anything to advance that interim report, had you?

MR CONNOLLY: Not that I recall.

40

MS CAHILL: So what was the basis of saying that to AUSTRAC?

MR CONNOLLY: Well, it was planned.

45

MS CAHILL: You say:

At this point I can't tell you what some of those changes, if any, may be

Well, you could have frankly said ---

10:50AM

MR CONNOLLY: Please remove passport requirements, I could have said that.

MS CAHILL: Or that the casino has asked us to and the GWC is considering.

5

MR CONNOLLY: I could have, yes.

MS CAHILL: Why didn't you?

10 MR CONNOLLY: I don't know. That was 2017, I don't know what I was thinking at that point. I don't know, but I could have.

MS CAHILL: Coming back to AUSTRAC wanting to know what regulators do by way of oversight of junket operations and whether that extends to audits and probity inquiries, you appreciated at the time, didn't you, when you received the email from AUSTRAC, that it was assuming that at least some of the casino regulators in Australia were or might be doing their own probity inquiries of junket operators?

15

MR CONNOLLY: Yes.

20

MS CAHILL: And that AUSTRAC did not therefore assume, as you did, that probity inquiries by casino regulators was something that regulators did not have the means or ability to do or would overlap with what AUSTRAC was doing?

25 MR CONNOLLY: I don't know what other jurisdictions were doing in particular, but I suggest from previous experience and discussions that I had with them, that they were doing things we had done in the past, asking for things like a national police clearance certificate as part of a probity investigation. Whether there is any value in that, I seriously doubt it.

30

MS CAHILL: This email from AUSTRAC, talking about this campaign and inquiry that it was undertaking didn't change your attitude to the position GWC should take regarding the amendments to the manual that were under consideration at that time?

35 MR CONNOLLY: No.

MS CAHILL: After you received Mr Hulme's letter of 16 March 2017, you attended an operations meeting with Crown Perth people on 30 March; didn't you?

40 MR CONNOLLY: I believe so, yes.

MS CAHILL: If we go to those minutes, CRW.700.001.0167, page 0169, 2.12, do you have it?

45 MR CONNOLLY: Yes.

MS CAHILL: Reference to the proposed amendments in respect of junkets, CLO

advised that the proposed amendments to the above procedure had recently been lodged for the GWC's consideration. That's a reference to them having been provided to you?

5

MR CONNOLLY: Yes.

MS CAHILL: And then at CRW.709.118.5925, there is an email from Mr Hulme on 10 April inviting you to a pizza and movie night on the following Thursday, 13 April?

MR CONNOLLY: Yes.

MS CAHILL: And the next day after receiving that email, that's the Tuesday, you approved the amendments to the Casino Manual under delegated authority, didn't you?

MR CONNOLLY: I believe so, yes.

MS CAHILL: Well, let's have a look. GWC.0004.0008.0004. 11 April, your letter to Mr Preston and you say in the second paragraph that you have "determined to approve the amendments" and enclose the instrument of approval and finalised copies of the amended manual, or parts of the manual.

25 If we go over the page, please, to the delegation instrument, also dated 11 April. You have exercised delegated authority as CCO.

MR CONNOLLY: That's correct.

MS CAHILL: You did not raise with the GWC these amendments for their consideration and obtain their approval of the amendments before exercising your delegated power, did you?

MR CONNOLLY: I would --- no.

35

MS CAHILL: That was contrary to your practice at the time, wasn't it?

MR CONNOLLY: Not for all things, no. So I didn't prepare these documents. They were reviewed by officers within the Department. Officers prepared the documents for my signature. So I'm not the only one looking at these. They do go through a process and officers look at these in my assessment that didn't need to go to the Commission. They are reported to the Commission, the fact that I have done that is reported to the Commission in a following and subsequent meeting, where I've exercised my delegation officers, prepare an agenda paper to advise the Commission, and if the Commission have questions they can ask questions of me then on those approvals.

45

MS CAHILL: Was it the case that you were expected to exercise delegated authority

on any given occasion only after the GWC had specifically approved you doing so?

MR CONNOLLY: No, I don't believe so. If I understand the question correctly.

5

MS CAHILL: Would you like me to ask it again?

MR CONNOLLY: I think I would, yes.

10 MS CAHILL: Was it the case that you were expected to exercise delegated authority on any given occasion only after the GWC had specifically approved you doing so?

MR CONNOLLY: No, I think I had the ability to exercise delegated authority as I saw.

15

MS CAHILL: I want to take you back to your witness statement that you filed in these proceedings MCN.0001.0001.0039 at page 0051, paragraph 100. Under the heading of "Delegation of Power", you describe after paragraph 100, the ordinary practice you have always adopted since receiving this delegated power, and if we look at 101:

20

A matter, whether that, inter alia, be a change to policy or the introduction of a new game, would ordinarily end up as an application, that requires a determination to be made by the GWC.

25

You would accept, wouldn't you, that an amendment to the Casino Manual would be included within the sorts of matters you are describing at paragraph 101?

MR CONNOLLY: No, I don't think I would. In paragraph 101 I'm talking about Gaming and Wagering Commission policy on different matters and a new game. I don't think that the matters that we are talking about fit into that.

30

MS CAHILL: Well, it is amongst other things, that's why you've used the expression "inter alia", isn't it? It's not just a change of policy or an introduction of a new game that you are referring to?

35

MR CONNOLLY: It's not just a change of policy or introduction of a new game and I can't think of an example off the top of my head, but it's not everything. Otherwise I would have said I would seek permission from the Gaming and Wagering Commission before I determined anything under delegated authority.

40

MS CAHILL: Well, it is a matter. Whether that be, amongst other things, a change to policy or the introduction of a new game, would ordinarily end up as an application that requires a determination. Well, you would accept that Crown was applying to you for an amendment to the Casino ---

45

MR CONNOLLY: Yes, I would.

MS CAHILL: --- Manual and the GWC needed to make a determination about that?

MR CONNOLLY: Well, somebody with the delegated authority, be that GWC or
5 someone had to make a determination on that.

MS CAHILL: So it fits within the ordinary practice you've identified at 101?

MR CONNOLLY: There are matters that I have exercised delegated authority on
10 without going to the Gaming and Wagering Commission. Again, I'm struggling to think of examples of that off the top of my head, but obviously this is one, yes.

MS CAHILL: So at 103 you say:

15 *I will then work constructively with the Department and Crown to ensure that by the time an application is made to the GWC it is in a format that allows the GWC to understand and consider it.*

MR CONNOLLY: Yes.

20

MS CAHILL: You didn't do this on this occasion?

MR CONNOLLY: No, I didn't.

25 MS CAHILL: 104, 105, there is reference in effect to drawing an agenda paper.

MR CONNOLLY: Mm-hmm.

MS CAHILL: You didn't do that on this occasion?

30

MR CONNOLLY: No. But, again, the matters are reported to the Commission even though not beforehand. The use of the delegated power is reported to the Commission, and the Commission has the opportunity to interrogate that if they choose to.

35

MS CAHILL: We go on to 108. Once that agenda paper has been considered by the GWC, it then approves or rejects the application in principle.

I would then give effect to that decision through using my delegated powers.

40

That didn't happen on this occasion?

MR CONNOLLY: No, it didn't.

45 MS CAHILL: You exercised the delegated powers first?

MR CONNOLLY: Yes.

MS CAHILL: Why?

5 MR CONNOLLY: Because it was a matter I believed I had the ability to exercise delegated powers on. When I'm talking in the statement here, and I would concede it is not as clear as perhaps it could have been, I'm talking about new games, changes to policy, changes to direction that would go to the Gaming and Wagering Commission first, not what I would see as administrative type functions and cleaning up manuals.

10 MS CAHILL: I want to take you to your transcript on the last occasion, PDF page 35. I'm sorry I don't have the exact page number for the operator, but it should be the 35th PDF page on that day's transcript. Thank you. We are at transcript P-0248. Do you see at line 35 you tell me that the Chief Casino Officer is a very limited role, revolves around licensing, casino employee licensing and functions within the
15 Department. Do you see that?

MR CONNOLLY: Yes, I see that.

20 MS CAHILL: How then did you think that you could exercise delegated power as CCO to approve the amendments to the Casino Manual without reference to the GWC?

25 MR CONNOLLY: So I think in that paragraph I'm talking about the legislative role of the CCO. So within the legislation the CCO has very limited powers, but the powers delegated to the CCO and to me as Deputy Director-General are more extensive.

30 MS CAHILL: Did you decide to exercise delegated authority on this occasion without reference to the GWC first because of your friendship with Mr Hulme?

MR CONNOLLY: Absolutely not.

MS CAHILL: As a favour to him?

35 MR CONNOLLY: Absolutely not.

40 MS CAHILL: Just to confirm, Mr Connolly, you remained of the view as at 2017 that there was no benefit in retaining in the Casino Manual the current practice of Crown providing names and passport numbers of junket participants to GWC because you considered that AUSTRAC was doing the job adequately?

MR CONNOLLY: Yes.

45 MS CAHILL: As was Border Force?

MR CONNOLLY: Yes.

MS CAHILL: And despite what Vanessa Webb had said to you?

MR CONNOLLY: Yes.

5 MS CAHILL: And despite what AUSTRAC had said it was doing in terms of an inquiry into junket regulation?

10 MR CONNOLLY: AUSTRAC was asking us what we did, and they were told what we did. I gave a presentation to AUSTRAC at one point in Melbourne as to what we did, and reaffirmed my view, and the Gaming and Wagering Commission's position, in regard to AUSTRAC. So they weren't suggesting to us that we should do other things, they were simply asking what we did and didn't do.

15 MS CAHILL: Did you check or consider before exercising delegated power on this occasion what other casino regulators were doing at the time in Australia?

MR CONNOLLY: I believed I had a reasonable understanding of what they were doing already in Australia at that time.

20 MS CAHILL: In particular, were you aware whether or not the Victorian regulator was approving junket operators or participants?

MR CONNOLLY: I don't believe they were at that point in time.

25 MS CAHILL: Were they receiving information about junket participants?

MR CONNOLLY: I don't know.

30 MS CAHILL: I thought you --- so there were limits to your knowledge of what other regulators were doing?

MR CONNOLLY: Yes, there were.

35 MS CAHILL: So did you check, therefore, at the time before exercising delegated power?

MR CONNOLLY: No, not before.

MS CAHILL: Why not?

40 MR CONNOLLY: Because it didn't occur to me at the time to do that.

45 MS CAHILL: Surely it would be relevant to your consideration of the request to consult with other regulators to make sure that your assessment of the request as being adequate and correct was consistent with what other regulators were doing?

MR CONNOLLY: It didn't occur to me at the time. No, I didn't do it.

MS CAHILL: It didn't occur to you that it might be prudent to await the outcome of AUSTRAC's inquiries before making any regulatory changes?

5 MR CONNOLLY: No, and certainly the outcome of AUSTRAC inquiries could inform regulatory changes and revert those back. Nothing in that would have been set in stone, but, no.

10 MS CAHILL: You wrote to AUSTRAC in the following week after you exercised delegated authority in favour of Crown. So we go to this 18 April document, which is not for publication on the public screens, GWC.0004.0019.0008. You are setting out in letter form the position in WA in similar terms to your email to AUSTRAC on 4 April. If we go to page 0002, you are explaining from the third paragraph about the circumstances leading to the repeal of the regulations in 2010, how that was
15 based on a National Competition Policy review.

Then if you go to the fifth paragraph, that's the one that commences "The review concluded", you articulate the conclusions of the review from a competition point of view, that the approval process could be removed without affecting the primary
20 objective, and you understood the primary objective of the approval process was to ascertain whether junket operators and participants had any criminal associations?

MR CONNOLLY: That's how I would understand that, yes.

25 MS CAHILL: And were otherwise suitable to participate in junket tours to Perth Casino?

MR CONNOLLY: Yes.

30 MS CAHILL: You understood that the reason the review concluded that the approval process could be removed without affecting that objective was because, on your understanding, the review considered that rigorous checks of people coming in via junkets to Perth Casino were conducted by appropriate regulatory authorities?

35 MR CONNOLLY: Yes.

MS CAHILL: Which you understood to be AUSTRAC and Border Force?

MR CONNOLLY: Yes.

40 MS CAHILL: And you yourself don't know what Border Force checks --

MR CONNOLLY: I don't.

45 MS CAHILL: --- entailed, I think we established that on the last occasion. And you had assumed that up to this point they were rigorous?

MR CONNOLLY: Yes.

11:06AM

MS CAHILL: Without checking that yourself?

MR CONNOLLY: No.

5

MS CAHILL: And you made the same assumption about the ---

MR CONNOLLY: I would have --- I thought that would have been a reasonable assumption though, that Border Force and AUSTRAC are --- when they do checks they do rigorous checks.

10

MS CAHILL: You made the same assumption about AUSTRAC, that they were rigorous checks, although you didn't know what the checks were?

15

MR CONNOLLY: No.

MS CAHILL: Now, you informed --- I beg your pardon, GWC was informed of the amendments to the Casino Manual in the agenda for the 23 May meeting; you recall that?

20

MR CONNOLLY: I'm aware that has happened.

MS CAHILL: Let's go to it. Not for publication on the public screens, please, GWC.0002.0016.0222 at page 0093. It looks as if this document is prepared by Nicola Perry looking at the footer, Mr Connolly. Do you remember whether you prepared it?

25

MR CONNOLLY: It's prepared by officers, not by me.

MS CAHILL: Did you check this paper before it was given to GWC members?

30

MR CONNOLLY: I would have read it before it was given to members.

MS CAHILL: So in the second box ---

35

MR CONNOLLY: If I was at that meeting and I don't know if I was, but I'm assuming that I was at the meeting and I would have read the papers before that meeting.

MS CAHILL: You see the second table and then the second row of the second table, "Casino Manual (operations), international interstate gaming business (new section)"

40

MR CONNOLLY: Yes.

45

MS CAHILL: --- and the details of the approval that had been given under delegation, got a new section 19 inserted, it tells us, and the second sentence:

Requirement for Junket Operators to be approved by GWC has been removed, in line with Regulations that were previously amended in 2010.

5 It doesn't refer to the other information requirements being removed though; do you see that?

MR CONNOLLY: I do.

10 MS CAHILL: What's the reason for that?

MR CONNOLLY: I don't know. Again, I didn't prepare the paper and it probably just didn't --- the penny didn't drop with me when I read that. So I don't know.

15 MS CAHILL: An oversight?

MR CONNOLLY: I would suggest an oversight.

MS CAHILL: Now, you attended the subsequent meeting ---
20

MR CONNOLLY: Yes.

MS CAHILL: --- of the GWC members. Did you tell them, in relation to this approval that you had given under delegation, about the concerns Vanessa Webb had expressed around junkets as reflected in the draft February review paper?
25

MR CONNOLLY: I believe I had that conversation with the Director-General, and the concerns that Vanessa Webb had raised, I had asked --- in response to that I asked for a GWC agenda paper to be prepared for that to be investigated and if that was happening, a paper to be prepared for the information of the Commission. That didn't come. Nothing eventuated from that. So I assumed that there was no issue that was actually taking place there, there was nothing to report to the Gaming and Wagering Commission.
30

MS CAHILL: And the Director-General that you are referring to there that you spoke to is Barry Sargeant?
35

MR CONNOLLY: Barry Sargeant, that's correct.

MS CAHILL: Now, did you tell the GWC in their meeting in May, with reference to this approval you had given under delegation, that AUSTRAC had been in communication with you requesting information about the method of regulation of junkets by the GWC?
40

MR CONNOLLY: I don't recall. If I said that at the meeting I would have had the conversation with Barry, though.
45

11:10AM

MS CAHILL: Were the GWC members told at any time about your interactions with AUSTRAC in 2017?

5 MR CONNOLLY: They certainly no --- I believe I did, and they would certainly be aware of that in terms of travel because there was expenditure for travel to go to Melbourne in 2017 for AUSTRAC as well, which the GWC would have paid for.

MS CAHILL: I refer to this document, it's not for publication, operator,
10 GWC.0004.0019.0025. If we go over the page you can get the sense from the email header at the bottom of page 1, Mr Connolly, that this is an email from AUSTRAC to you in response to your 18 April letter. And, amongst other things, what AUSTRAC wants to know specifically from you is what information about junkets that Crown provides to the regulator. And your response is at 0001. Just going to
15 the second dot point:

We receive no AML information

That's money laundering, or anti-money laundering information:

20

It has been our understanding that we are not permitted to ask for it and Crown are not permitted to give it to us.

You are referring there to the information Crown provides to AUSTRAC?

25

MR CONNOLLY: Yes, I am.

MS CAHILL: Notification of suspicious transactions that are required to be reported under Commonwealth legislation?

30

MR CONNOLLY: Yes, that's correct, and normal financial transactions reports as well.

MS CAHILL: You obviously appreciated that you could receive other information
35 from Crown relevant to whether and how a junket should operate at Perth Casino that bore relevance to a money laundering risk?

MR CONNOLLY: Yes.

40 MS CAHILL: That could be reported by the regulator, that is the GWC, to law enforcement agencies?

MR CONNOLLY: Yes.

45 MS CAHILL: That is whether an operator or a participant had a criminal record, for example?

MR CONNOLLY: We wouldn't know if they had a criminal record.

MS CAHILL: You would if you asked WAPOL?

MR CONNOLLY: Yes.

5

MS CAHILL: Or criminal associations, that information could be passed on ---

MR CONNOLLY: Presumably, yes.

10 MS CAHILL: --- if you had junket participant names and numbers and you ascertained from WAPOL any criminal associations.

MR CONNOLLY: Yes.

15 MS CAHILL: Whether the manner in which a junket was being conducted suggested a risk of money laundering?

MR CONNOLLY: So just with --- sorry, can I just take you back to the previous question about the names. That was the practice prior to 2010 when police were
20 involved in those processes and effectively they provided an opinion on suitability. The Gaming and Wagering Commission moved away from that from my point, my view and perspective, they moved away from that from a reason. Why would they reintroduce that and go back to a previous practice which they've abandoned and changed the regulation in 2012?

25

MS CAHILL: Your point being though you don't need to do that because you have Border Force and AUSTRAC?

MR CONNOLLY: Exactly, yes.

30

MS CAHILL: And there was nothing that you had heard of yet that shifted your view, that maybe my confidence in Border Force and AUSTRAC isn't as it should be, is misplaced?

35 MR CONNOLLY: Certainly I didn't see a more practical alternative to that approach.

MS CAHILL: How about this: you have inspectors on the floor and if they see large amounts of money in cash being passed through the cage but only a small amount of
40 that cash being gambled, that might be indicative of money laundering?

MR CONNOLLY: It may be, yes.

MS CAHILL: And that could be recorded to WAPOL or a regulatory authority?
45

MR CONNOLLY: Junket operators generally don't bring large amounts of cash, they transfer it through the banking system, but, yes, it could be.

11:15AM

MS CAHILL: Persons located overseas appearing to gamble large amounts of money by giving instructions to a junket participant by telephone might raise a risk of money laundering?

5

MR CONNOLLY: Yes.

MS CAHILL: And that could be observed by inspectors and reported to the appropriate law enforcement agencies, yes?

10

MR CONNOLLY: Perhaps, yes.

MS CAHILL: And it wouldn't be beyond GWC or the Department's capabilities to do that?

15

MR CONNOLLY: Yes.

MS CAHILL: This is a convenient time, Commissioner.

20

COMMISSIONER JENKINS: Mr Connolly, we will take morning tea now. We will return at 11.30. Thank you. We will now adjourn.

ADJOURNED

[11.15AM]

25

RESUMED

[11.31AM]

30

COMMISSIONER JENKINS: Please be seated. Ms Cahill?

MS CAHILL: Thank you, Commissioner. We are back on this email for the transcript GWC.0004.0019.0025 that I had you at before the morning break, Mr Connolly. Can I take you to your fourth dot point in your response to AUSTRAC. You say that the compliance review is still ongoing. Was it at this point?

35

MR CONNOLLY: As I say there, not in any meaningful way, no.

MS CAHILL: Had any work been done to progress it since you had last advised AUSTRAC of that review?

40

MR CONNOLLY: No, not that I believe.

MS CAHILL: And you explain in this fourth dot point the second sentence:

45

The scope of the review will include review of what we currently audit, and

what we don't, whether there is a change in focus required, what we can do with respect to overseas players, what is or should be the role of police and other agencies and a review of company structures used by junket operators.

5

MR CONNOLLY: Yes.

10 MS CAHILL: So what you were intending to convey to AUSTRAC here was that GWC was looking in a very open-textured way about whether and what it should change in relation to its junket regulation?

15 MR CONNOLLY: Yes, that's right. So what I was getting at there and what I was talking about was a proposal around a national framework. That's what I was thinking about at that time. And I think that comes up a little bit later on.

15

MS CAHILL: You don't mention that?

MR CONNOLLY: I don't, no.

20 MS CAHILL: And instead what you are talking about is what we, that is GWC, currently audit and what you don't?

MR CONNOLLY: That's correct.

25 MS CAHILL: In relation to junkets?

MR CONNOLLY: That's correct.

30 MS CAHILL: And the answer was you didn't audit anything in relation to junkets at that point; is that right?

MR CONNOLLY: Not quite. Revenue, tax, the gaming turnover, yes, but in respect of probity suitability, who those people were, no, nothing.

35 MS CAHILL: In respect of the things that AUSTRAC was interested in?

MR CONNOLLY: That's right.

40 MS CAHILL: There was no audit?

MR CONNOLLY: Correct.

45 MS CAHILL: And whether there should be a change of focus, whether GWC itself, not as part of a national effort, but GWC itself should change focus?

MR CONNOLLY: Well, in my mind I was thinking about a national framework for that in how the GWC could be a part of that rather than doing all of those things in itself and understanding what the GWC's role was in the context of what everybody

11:33AM

else was doing.

5 MS CAHILL: You go on to say "what can we do with respect to other overseas players, "we" as GWC?

MR CONNOLLY: Mm-hmm.

10 MS CAHILL: So were you questioning at this time in your own mind the validity of your previous rationale that AUSTRAC and Border Force were effectively covering the field?

15 MR CONNOLLY: No, I don't believe so. Again, in my own mind I was thinking at that time about a national framework and I still don't believe, as of today, that we have --- "we", the Gaming and Wagering Commission and, the department, has any ability to look at overseas players.

20 MS CAHILL: You go on to say "what is or should be the role of police and other agencies", and as we went through before the morning break the GWC could provide, could obtain information from Crown ---

MR CONNOLLY: It could.

25 MS CAHILL: --- about its junkets that could then be passed on to the police for the police to do things with that.

MR CONNOLLY: It could.

30 MS CAHILL: So that's plainly something that the GWC could do, isn't it?

MR CONNOLLY: Yes.

35 MS CAHILL: And when you are talking about what we can do with respect to overseas players you are plainly contemplating whether or not GWC could be involved in assessing probity; isn't that right?

40 MR CONNOLLY: I'm still of the view that we wouldn't have the capability, the capacity to assess probity, but what we could do is potentially provide names to police. That would be the extent of that I would have thought at this point.

MS CAHILL: So you must have contemplating, therefore, when you wrote this to AUSTRAC, that perhaps Border Force was not covering the field in vetting the suitability of people coming on junkets to Perth Casino?

45 MR CONNOLLY: What I think I was contemplating at that time, that was the formation of the idea of a national framework, and what I think I was contemplating was identifying quite clearly what everybody's roles and responsibilities were, and having an understanding that AUSTRAC, Border Force, Department of Home

Affairs are the agencies responsible for letting people get into the country. If they are appropriate to be in the country through their assessment, then they can come and gamble at casinos.

5

MS CAHILL: Yes, but on your existing rationale at the time, if Border Force was covering the field and AUSTRAC was covering the field, there didn't need to be a national framework?

10 MR CONNOLLY: Well, there was enough media and attention around this to make --- what I wanted to do was clarify and articulate quite clearly who was responsible for what. So the Gaming and Wagering Commission and the Department weren't being held accountable for things this they couldn't possibly do.

15 MS CAHILL: But it was clear in your mind?

MR CONNOLLY: It was clear in my mind, it wasn't clear in everybody else's mind.

MS CAHILL: Who else?

20

MR CONNOLLY: Certainly there was pressure from media about what our role was.

MS CAHILL: And who else?

25

MR CONNOLLY: I don't think the Gaming and Wagering Commission was totally clear on those positions as well.

MS CAHILL: You mean the members?

30

MR CONNOLLY: Members, yes.

MS CAHILL: Had you not articulated it?

35 MR CONNOLLY: Yes, I had.

MS CAHILL: So how were they not clear?

40 MR CONNOLLY: I don't think --- not everybody agrees with everything that is articulated, and I don't think there was complete agreement on those, and I don't think, with respect to the GWC members, that some of the members actually understood all of the information that was being provided to them.

MS CAHILL: And did you see it as your role to make it clear to them?

45

MR CONNOLLY: I saw it as my role to try and make it clear to them.

MS CAHILL: Did you do that?

MR CONNOLLY: Certainly I believe I made my position, my view clear to them, yes.

5 MS CAHILL: Just finishing off on this fourth bullet point, you say at the end of that second last sentence, in terms of what this review is covering "and a review of company structures used by junket operators". You had concerns around the company structures used by junket operators, didn't you?

10 MR CONNOLLY: I put that in as a result of information provided by Vanessa, and as a result of what I knew about junket operators, stock market listed junket operators operating in Macau.

15 MS CAHILL: You had some concerns around the company structures used by junket operators, didn't you?

MR CONNOLLY: Again, I had concerns --- I wanted to cover off on those points that were raised by Vanessa Webb and to understand, to make sure that we didn't have the same situation that was happening in Macau.

20 MS CAHILL: Wasn't it the case that you were concerned that if a junket operator used company structure rather than an individual, it might make the detection of criminal associations with junket operators more difficult?

25 MR CONNOLLY: That's not what I thought at the time.

MS CAHILL: Now, you say finally in this bullet point:

30 None of this work has been completed in any meaningful way at this time.
You recognised that it needed to be, didn't you?

MR CONNOLLY: Yes, I did.

35 MS CAHILL: You recognised that it was very important for a compliance review to be undertaken with respect to junket operations ---

MR CONNOLLY: Yes.

40 MS CAHILL: --- as you've described here?

MR CONNOLLY: Yes.

45 MS CAHILL: To ensure that GWC was appropriately monitoring and addressing the criminal risks associated with junkets?

MR CONNOLLY: Yes.

MS CAHILL: In addressing whether junket operators and junket participants were suitable to come to Perth Casino to gamble, it was important that GWC was regulating that properly?

5

MR CONNOLLY: It was important the GWC were comfortable in the assessment process and understood who these people were, and that they had been assessed through a suitable process, whether the GWC or somebody else did that, but they had to have comfort in the process.

10

MS CAHILL: You are explaining this compliance review in respect of junket operations to AUSTRAC at June 2017. But this was the review that you had been envisaging since February; is that right?

15

MR CONNOLLY: That's correct.

MS CAHILL: Yes. So why did you not wait until that review had been completed before removing the Casino Manual requirements for the names and passport numbers of the junket participants to be provided to GWC?

20

MR CONNOLLY: Again, I didn't see that as a significant issue as part of the review and the review hasn't been completed still. To my knowledge, there is no final complete review of junket operations still.

25

MS CAHILL: The compliance review between February and June was contemplating an in-depth look at whether what GWC was doing ---

MR CONNOLLY: There was.

30

MS CAHILL: --- in respect of junket operations was sufficient, wasn't it?

MR CONNOLLY: Yes.

35

MS CAHILL: So on what view could you have taken the step, before that review was complete, of further relaxing the requirements in the Casino Manual, Mr Connolly?

MR CONNOLLY: Well, at that point in time there was no purpose to gathering that information because we weren't using it. It wasn't being used.

40

MS CAHILL: But surely the compliance review could have looked at whether there could be a use to which that information could be put.

45

MR CONNOLLY: And if it did, we would have asked for it again. But at that point in time we weren't using it.

MS CAHILL: It was quite imprudent of you not to wait, wasn't it, until the

compliance review was finished before amending the Casino Manual?

5 MR CONNOLLY: Well, it's not still not finished. So they would have been providing us that information and not being used for the last four years.

10 MS CAHILL: The fact of the matter is that if the compliance review had been completed, it might have shown you that the information should be --- should continue to be disclosed to GWC and perhaps even further strengthened?

MR CONNOLLY: It may have.

15 MS CAHILL: I want to show you this document, GWC.0004.0019.0012. An information report that you were provided by AUSTRAC by email on 17 July 2017; weren't you? Mr Connolly?

MR CONNOLLY: I don't recall getting the email, but I'm sure I did, yes.

20 MS CAHILL: You remember receiving this report?

MR CONNOLLY: Yes, I remember seeing this report.

MS CAHILL: In July 2017?

25 MR CONNOLLY: Sometime ago. So, it is dated July 2017, so, yes.

MS CAHILL: And you reviewed it carefully at the time?

30 MR CONNOLLY: I read it.

MS CAHILL: Did you review it carefully at the time?

MR CONNOLLY: I don't recall. I read it.

35 MS CAHILL: On this first page, in the information summary box, do you see numbered paragraph 3?

Many junket business models involve international movements of value that *circumvent transaction reporting requirements*.

40 MR CONNOLLY: I see that.

45 MS CAHILL: Immediately it was headlined to you that your faith in AUSTRAC in being able to detect and regulate AML risk was misplaced; you would agree?

MR CONNOLLY: With the benefit of hindsight now, yes, probably I would agree. I didn't see it that way then.

MS CAHILL: Well, you must have seen it that way at that time, Mr Connolly, because it is set out in black and white, isn't it?

5 MR CONNOLLY: Yes, it is.

MS CAHILL: And that's what you did appreciate at the time, didn't you?

10 MR CONNOLLY: I appreciate that is what AUSTRAC were saying at the time, yes.

MS CAHILL: Well, AUSTRAC was telling you in terms, wasn't it, that your confidence that AUSTRAC was effectively monitoring money laundering risks was misplaced; that's what you understood them to be telling you?

15 MR CONNOLLY: No, I don't think that's what I understood them to be telling me.

MS CAHILL: Look at numbered paragraph 4.

20 MR CONNOLLY: Yes.

MS CAHILL:

25 *Overreliance on the due diligence undertaken by the Department of Immigration and Border Protection when processing the visa applications of junket participants also poses a ML/TF risk.*

30 You understood that what you had been doing up to this point and what the Department and GWC had been doing was overrelying on the due diligence undertaken by the Department of Immigration and Border Protection; yes?

MR CONNOLLY: I would concede that.

35 MS CAHILL: So it must have occurred to you, even just reading the summary on the front page of this report, that there might be reason to reinstate the information and approval requirements that had been removed from the Casino Manual and by the repeal of the regulations?

MR CONNOLLY: That didn't occur to me at the time.

40 MS CAHILL: So, let's go to the "Background" and we look at the second dot point, it is telling you that various agencies in the States and Territories of Australia and in the Commonwealth have increased their interest in international junkets over the last 12 to 24 months. The second bullet point tells you that one of the reasons why is the increasing awareness that junkets are high risk in terms of money laundering and
45 increasingly feature in investigations in respect of money laundering and proceeds of crime.

MR CONNOLLY: Yes.

MS CAHILL: Now, you could be in no doubt, I suggest, from this point that there was a risk, indeed, a high risk, of junkets coming to Perth Casino being associated with criminality and money laundering.

5

MR CONNOLLY: A risk, yes.

MS CAHILL: High risk, you are being told, Mr Connolly.

10 MR CONNOLLY: Yes.

MS CAHILL: So that's what you knew ---

MR CONNOLLY: Yes.

15

MS CAHILL: --- as of July 2017?

MR CONNOLLY: Yes, and that's what the Gaming and Wagering Commission knew as of July 2017.

20

MS CAHILL: We'll come to that in a moment, Mr Connolly --

MR CONNOLLY: Yes.

25 MS CAHILL: --- let's go to 0003, section 3, the "Regulation of Junkets". 3.1 discusses the Commonwealth regulation, the AML/CTF Act. Can you see down the bottom of the page, the last two sentences. What it's talking about here is what happens under the name of the operator to AUSTRAC, rather than under the name of individual participants and says:

30

This means that all reporting on these transactions occurs only under the [operator's] name, and not the financial activity of individual participants. This is a significant ML/TF vulnerability for junket operations.

35 So again you are being told very squarely that there are risks of money laundering not addressed by the AUSTRAC regulatory regime. You would agree with that?

MR CONNOLLY: I agree with that.

40 MS CAHILL: And that's what you understood at the time?

MR CONNOLLY: Yes, I agree with that.

45 MS CAHILL: Then if we go over the page to 0004, section 3.2 deals with "State-Based regulation" and discusses that. You see in the second paragraph, AUSTRAC found that there is inconsistency between the states and territories in relation to the extent of the junket oversight they undertake?

MR CONNOLLY: Yes.

MS CAHILL: Are you aware of that?

5

MR CONNOLLY: Yes, inconsistency?

MS CAHILL: You told me a while ago that you kept yourself somewhat informed about what regulators were doing?

10

MR CONNOLLY: Yes.

MS CAHILL: Were you bothered by that inconsistency?

15 MR CONNOLLY: "Bothered" I think I accepted the inconsistency, that that was happening. I was aware of it.

MS CAHILL: Can we have a look at the table which assesses the position in the relevant States and NT and Territories that have casino and, therefore, casino regulation --

20

MR CONNOLLY: Yes.

MS CAHILL: --- and you will see from the table that the WA regulator has the least oversight of any of the jurisdictions in the sense of only following one of the five oversight activities, that is reviewing casino procedures.

25

MR CONNOLLY: Yes.

30 MS CAHILL: You see that?

MR CONNOLLY: Yes.

MS CAHILL: And it goes on to say underneath the table --- sorry, before I go there, you were aware, were you, before you received this report, that WA didn't do many of the oversight activities that other jurisdictions did?

35

MR CONNOLLY: Yes.

40 MS CAHILL: And what was the rationale for that?

MR CONNOLLY: Again, the Gaming and Wagering Commission had moved away from those oversight activities in 2010 and made a decision to do that.

45 MS CAHILL: So you as Chief Casino Officer since 2012, now five years down the track in 2017, hadn't turned your mind to whether that position should be revisited in light of what was happening in other States and the NT?

MR CONNOLLY: Well, I wouldn't turn my mind to it as the Chief Casino Officer. Again I saw that as a very limited role, and I don't think --- I turned my mind to it as Deputy Director-General, and I sought those inconsistencies which is why I wanted
5 to progress the idea of a national framework, to address those inconsistencies and have regulators get together and agree on what an appropriate framework approval process and framework looked like for junket operators.

10 MS CAHILL: Underneath this table at the next paragraph it says:

Several state-based regulators are in the process of reviewing their supervisory activities in the junket space

15 That included WA, didn't it, because you were telling AUSTRAC about the compliance review ---

MR CONNOLLY: That was certainly the plan for WA, yes.

20 MS CAHILL: All right. And it goes on to say:

..... some indicating they will increase their due diligence in relation to junkets.

25 You hadn't flagged that though to AUSTRAC?

MR CONNOLLY: I had not flagged that, no.

MS CAHILL: In fact, WA had recently relaxed its requirements --

30 MR CONNOLLY: Yes.

MS CAHILL: --- and was awaiting a completion of a compliance review as to whether it would increase due diligence or not; is that a fair way to put it?

35 MR CONNOLLY: I think that's a fair way to put it.

MS CAHILL: And if we go back to the table, you will see that Victoria receives junket participant details; you see that?

40 MR CONNOLLY: Yes.

MS CAHILL: And Crown Melbourne operates in Victoria, obviously ---

45 MR CONNOLLY: Yes.

MS CAHILL: So what was the rationale for your approval under delegated authority of Crown Perth having to provide the details of junket participants when Crown had to do it in Melbourne?

11:51AM

MR CONNOLLY: Again, we weren't doing anything with them. So in Melbourne Crown --- the VCGLR have an onsite presence with the police as well. So presumably they are sharing those details, because I don't know. But we weren't
5 doing anything with them at the time ---

MS CAHILL: Why not, why not do exactly what was happening at Crown Melbourne?

10 MR CONNOLLY: Honestly, I can't answer that question.

MS CAHILL: Now, if we drop down to the third paragraph under the table, do you see it commences "While JTO"?

15 MR CONNOLLY: Yes.

MS CAHILL:

20 *..... junket representative and junket participant details are likely to be provided by casinos to state-based regulators*

It then goes on to say the use and dissemination of these details is limited, and recognises in the next paragraph that information sharing across jurisdictions could be difficult. Notwithstanding those caveats that AUSTRAC has identified in the
25 report, surely at this point it must have caused you to reflect that the decision made a couple of months before to remove the junket participant information should be kept in place until further investigations had been undertaken by GWC?

MR CONNOLLY: Well, it didn't. What it did do was firm up, again, the idea of a
30 national framework to make sure that everybody is doing the same thing. That information sharing protocols, MOUs and whatever agreements are necessary are in place, and everybody is doing the same thing. There is a consistent and national framework for junket operators. That for me was going to be the answer to these problems.

35

MS CAHILL: Let's go to 0006 at section 4.4. This is the section that deals with overreliance on the due diligence undertaken by Border Force.

MR CONNOLLY: Yes.

40

MS CAHILL: You see the second sentence in that section:

45 *Several of the entities engaged by AUSTRAC for this campaign, both casinos and regulators, indicated that they place heavy reliance on the probity undertaken by DIBP when granting junket participants their visas.*

GWC was one of those entities, wasn't it?

MR CONNOLLY: Yes.

MS CAHILL: And the third sentence:

5

These entities argued that if DIBP is prepared to issue a visa to allow the individual entry into the country, they must be of sufficiently good character to engage in a junket.

10 That was absolutely your position, wasn't it?

MR CONNOLLY: It was.

MS CAHILL: And you told me earlier this morning that that remains your position?

15

MR CONNOLLY: It does. In the absence of any better solution at this point in time.

MS CAHILL: Well, you didn't give me that qualification this morning --

20

MR CONNOLLY: Okay.

MS CAHILL: --- but let's go down to then what it says next, over the page, please:

25

AUSTRAC contacted DIBP to determine what due diligence was undertaken during the visa application process.

And you see there that AUSTRAC is doing what you I think, frankly acknowledged on the last occasion you had never done, which was actually find out what was involved in the Border Force due diligence process, and what you are told there is that unless an application for a visa declares a self-declared criminal history or Border Force has a relevant information holding about that person, they don't request police clearance certificates.

30

35 MR CONNOLLY: Yes.

MS CAHILL: And the next paragraph:

Given the high ML risk associated with junket activities in comparison to other tourist activities, wholly relying on DIBP's tourist visa processing practices is unlikely to be sufficient to effectively identify high risk junket participants. Therefore, AUSTRAC considers the heavy reliance on the due diligence undertaken by DIBP to be misplaced and to institute an ML/TF vulnerability.

40

45 That you knew after reading this report?

MR CONNOLLY: Yes.

MS CAHILL: And together with what AUSTRAC told you in this report about the deficiencies in the suspicious matter reporting to AUSTRAC, because it didn't encompass individual junket participants, you understood that the entire
5 underpinning of the de-regulation of junket activities from 2010 through to 2017 in Western Australia was misplaced; isn't that the case?

MR CONNOLLY: It should have been the case, so, yes.

10 MS CAHILL: Well, it was the case, Mr ---

MR CONNOLLY: Yes.

MS CAHILL: --- Connolly.

15

MR CONNOLLY: Yes.

MS CAHILL: You've told me on more than one occasion that even as you are sitting here, you say that we shouldn't be regulated junkets here in Western Australia
20 because Border Force ---

MR CONNOLLY: Yes.

MS CAHILL: --- and AUSTRAC are doing the job.

25

MR CONNOLLY: Yes.

MS CAHILL: You were told in July 2017 that that is not the case.

30 MR CONNOLLY: Yes.

MS CAHILL: And that is what you understood from July 2017; isn't that so?

MR CONNOLLY: Yes.

35

MS CAHILL: If we go to section 5, "Opportunities for risk mitigation", section 5.2, it is advocating greater collaboration between State and Commonwealth regulators and talks about AUSTRAC being in the process of negotiating memoranda of understanding to receive information from regulators. You understood that that
40 would require GWC to actually collect information if it was going down that path?

MR CONNOLLY: If it was going down that path, yes.

MS CAHILL: This is July 2017. Mr Ord has started in the position of Director-General by this time. Do you say you shared the report with Mr Ord?
45

MR CONNOLLY: I certainly would have had discussions with him about this report in our regular meetings, yes.

11:58AM

MS CAHILL: Did you watch his evidence to the Commission yesterday?

MR CONNOLLY: No, I did not.

5

MS CAHILL: He says the report was not shared with him.

MR CONNOLLY: I don't know what to say to that.

10 MS CAHILL: Did you share the report with Mr Sargeant?

MR CONNOLLY: I don't recall.

MS CAHILL: Did you say you shared it with the GWC members?

15

MR CONNOLLY: I would be very surprised if I didn't, but I don't recall actually doing it.

MS CAHILL: Mr Connolly, it would be remarkable that you didn't recall ---

20

MR CONNOLLY: Yes.

MS CAHILL: --- given that it turned on its head the entire basis upon which junkets were being regulated in WA to this point; would you agree?

25

MR CONNOLLY: Yes, I would agree. Yes.

MS CAHILL: So I suggest to you that you didn't disclose it to them.

30 MR CONNOLLY: Okay, unless there is evidence to prove that I did --- it certainly wouldn't have been something that I was wilfully hiding from them, it would have been --- I don't know, I can't explain that.

35 MS CAHILL: Let me ask you about that, Mr Connolly. You accept, don't you, that having received this report ---

MR CONNOLLY: Yes.

40 MS CAHILL: --- and how fundamentally it challenged the basis upon which decisions about junket regulations had been made in Western Australia ---

MR CONNOLLY: Yes.

45 MS CAHILL: --- over the then last seven years, it would have necessitated you bringing forward an agenda paper to GWC squarely putting the contents of this report to the GWC and advocating for an immediate review of junket regulation in the State?

MR CONNOLLY: That's what should have happened.

MS CAHILL: And it didn't, did it?

5

MR CONNOLLY: I don't know. I don't recall it happening. So, no, I don't think it did. I would have recalled that. Certainly this would be, again, why I was pushing the idea of a national framework.

10 MS CAHILL: Well, let's move away from the national framework and ask about the compliance framework.

MR CONNOLLY: Sure.

15 MS CAHILL: What was happening with that in July 2017, Mr Connolly?

MR CONNOLLY: July 2017 was a fairly tumultuous period in the Department and the period after that. That was the period of Machinery of Government changes as you correctly point out when Mr Ord took over. At that point in time I took on a range of new responsibilities. Every day was a triaging exercise. So the review hasn't been completed.

25 MS CAHILL: So the review as at July 2017 in light of this report had now become not just important, but urgent; would you agree?

MR CONNOLLY: I would agree, but there was also a number of other --- a range of other inquiries that were going on nationally into these subjects, inquiries in Victoria, not too long after the Bergin Inquiry in NSW looking at all these, and the position was what I say happened as a result of those inquiries.

30

MS CAHILL: You had been told squarely ---

MR CONNOLLY: I had.

35 MS CAHILL: --- that WA's regulation was the least ---

MR CONNOLLY: I had.

MS CAHILL: --- of all the casino states, if I can put that, in all jurisdictions?

40

MR CONNOLLY: Yes.

MS CAHILL: So it was incumbent, wasn't it, on GWC and through you as the Deputy Director-General and Chief Casino Officer to address that?

45

MR CONNOLLY: It should have been.

12:01PM

MS CAHILL: As a matter of urgency.

5 MR CONNOLLY: It should have been. I would accept that was a failing on my part.

MS CAHILL: You were aware because you mentioned it a moment ago that there was media interest at the time around this topic.

10 MR CONNOLLY: Yes.

MS CAHILL: It wasn't as if it was something that didn't need attention, the community was clearly interested in it, you would accept?

15 MR CONNOLLY: Yes.

20 MS CAHILL: Now, in terms of your interactions with Crown at this point, obviously there might have been some question about disclosing the actual contents of the AUSTRAC report to Crown, but you could have at least questioned with them their position in relation to the reinstatement of stronger regulations ---

MR CONNOLLY: I could have.

25 MS CAHILL: --- in respect of junkets, couldn't you --

MR CONNOLLY: I could have.

MS CAHILL: --- but you didn't, did you?

30 MR CONNOLLY: No.

35 MS CAHILL: Did you not raise with GWC or Crown this AUSTRAC report because you thought that it would cause difficulty for Crown, and in particular your friends Mr Hulme and Mr Marais?

MR CONNOLLY: Absolutely not. Absolutely not.

MS CAHILL: Mr Hulme, in particular, had had the carriage on behalf of Crown ---

40 MR CONNOLLY: No.

MS CAHILL: --- the amendments to the Casino Manual, hadn't he?

45 MR CONNOLLY: Absolutely not. No.

MS CAHILL: And perhaps if the requirements were going to be reinstated, perhaps that would have reflected adversely on Mr Hulme within Crown; is that what occurred to you?

MR CONNOLLY: No, it did not.

5 MS CAHILL: We come back to the compliance review, Mr Connolly. Now the junket, the review of junket operations was but one aspect of the compliance review, wasn't it? The compliance review was going to be a whole of GWC review?

MR CONNOLLY: That's what was intended.

10 MS CAHILL: If we go to this document which is not for publication, the minutes of meeting of GWC of 22 August 2017, GWC.0002.0016.0211 at page 0002, item 5.2. This is you providing an update to the GWC members on the compliance review. So it was only at this stage, was it, that a proposed scope and purpose statement for the review was provided to GWC?

15 MR CONNOLLY: I believe so, yes.

MS CAHILL: So this is sort of the starting position, isn't it, August 2017?

20 MR CONNOLLY: Yes, it is.

MS CAHILL: And what you were identifying in the second sentence here was this, wasn't it, that instead of just preparing the compliance review in one whole sum and then handing it over to the GWC members you were going to provide it in parts on a
25 monthly basis?

MR CONNOLLY: Updates on a monthly basis, that's correct, yes.

30 MS CAHILL: Did you prioritise the junket operations part at this point, in light of what AUSTRAC had revealed to you?

MR CONNOLLY: I don't recall. So I would suggest no.

35 MS CAHILL: Well, the first report was in respect of casino revenue and tax verification procedures, wasn't it?

MR CONNOLLY: I believe so.

40 MS CAHILL: Let's have a look at that, GWC.0002.0016.0213, minutes of GWC meeting of 26 September 2017 at page 0003. We might need to go back to 0002. You see 5.3 down the bottom?

MR CONNOLLY: Yes.

45 MS CAHILL: So a report was provided for the casino revenue and tax verification procedures at that point?

12:06PM

MR CONNOLLY: Yes.

MS CAHILL: You provided it?

5

MR CONNOLLY: Yeah, I believe so.

MS CAHILL: For noting by the GWC?

10

MR CONNOLLY: Yes.

MS CAHILL: Why did you fasten on that topic first ahead of junket operations?

MR CONNOLLY: I don't recall.

15

MS CAHILL: I will show you this document, it's not for publication, GWC.0004.0019.0023. It is an email to AUSTRAC from you of 29 September 2017. Go down to the bottom, please.

20

This is an email that you sent to AUSTRAC subsequent to having flown to Melbourne to participate in a meeting or conference held by AUSTRAC which a number of the other regulators attended; is that right?

MR CONNOLLY: That's correct.

25

MS CAHILL: And on that occasion you presented an overview of casino regulation in WA?

MR CONNOLLY: That's correct.

30

MS CAHILL: And there was a discussion about steps that could be taken to better mitigate money laundering risks of junkets at Australian casinos?

MR CONNOLLY: That's correct.

35

MS CAHILL: And then you wrote this email that commences at the bottom of 0001?

MR CONNOLLY: Mm-hmm.

40

MS CAHILL: Can we look at the third sentence in this email:

The Gaming and Wagering Commission does see junkets as an area that requires close monitoring

45

Why did you say that?

MR CONNOLLY: Because the Gaming and Wagering Commission at that time had their --- junkets were well and truly on their radar at that time, because of media

interest, because of public interest in junket activities at that time.

5 MS CAHILL: Well, GWC wasn't doing any monitoring on the probity side?

MR CONNOLLY: They weren't doing any monitoring on the probity side not at all.

10 MS CAHILL: And you had been told fairly and squarely a few months before by AUSTRAC that there were gaps in the Border Force and AUSTRAC monitoring.

MR CONNOLLY: Yes.

15 MS CAHILL: So when you say the Gaming and Wagering Commission sees junkets as an area that requires close monitoring, what did you have in mind?

MR CONNOLLY: I don't recall that at all. Again, probably what I had in mind and what I had in mind early in the piece and was trying to push was again that framework, was trying to address it through a consistent framework so that each jurisdiction wasn't doing things on their own, working together with junket operators.

20 MS CAHILL: What did that have to do with close monitoring in Western Australia?

MR CONNOLLY: I don't recall what I was getting at there. I don't recall the conversation. I really don't.

25 MS CAHILL: And speaking there on behalf of the GWC, had you raised it with the members of the GWC at this point, that junkets require close monitoring?

MR CONNOLLY: I don't recall.

30 MS CAHILL: Well, isn't it the case that on the minutes the last thing that the GWC members had heard about junkets from you was that you had exercised delegated authority to approve removals requirements from the Casino Manual?

35 MR CONNOLLY: Probably, yes.

MS CAHILL: And you hadn't raised with them the AUSTRAC reports, the AUSTRAC report?

40 MR CONNOLLY: No.

MS CAHILL: In this sentence after you say:

45 The Gaming and Wagering Commission does see junkets as an area that *requires close monitoring*

You go on to say:

..... we are in the process of undertaking a full review of compliance activities

But not in relation to junkets at that point.

5

MR CONNOLLY: No.

MS CAHILL: Why did you say that?

10

MR CONNOLLY: Because we were in the process of undertaking a review of compliance activities at Crown Perth more broadly, and at some point there would be a focus on the regulation of junkets and what we were doing in that space.

15

MS CAHILL: You say the regulation of junkets and their activity will be a key area of focus.

MR CONNOLLY: Yes.

20

MS CAHILL: Do you mean compared to other areas of compliance activity?

MR CONNOLLY: Well, yes, and again what I'm talking about there is having the Gaming and Wagering Commission focus on a framework that worked for everybody and was something that we could achieve something meaningful with.

25

MS CAHILL: What were you talking about?

MR CONNOLLY: Again I'm talking about a national framework ---

30

MS CAHILL: Yes, but what was this national framework, what was the content of it?

MR CONNOLLY: The idea was to have all regulators adopt the same ---

35

MS CAHILL: Yes --

MR CONNOLLY: --- process ---

40

MS CAHILL: --- and what was the content of that process and procedure that you were thinking of?

MR CONNOLLY: That was something that had to be worked out with regulators. But again I would be relying on Border Force, AUSTRAC, police. I think for Western Australia it definitely needed a greater involvement from WA police, absolutely.

45

MS CAHILL: That was open to you to achieve without a national framework?

12:11PM

MR CONNOLLY: It was.

MS CAHILL: And you had already been told about the deficiencies ---

5

MR CONNOLLY: I had.

MS CAHILL: --- at Border Force and AUSTRAC procedures?

10 MR CONNOLLY: I had, yes.

MS CAHILL: And when you say that you wanted a national framework, had you developed in your own mind a single idea about what that national framework would look like?

15

MR CONNOLLY: At a very, very high level.

MS CAHILL: So this national framework actually had no content?

20 MR CONNOLLY: Discussions had started with other regulators and then pretty much halted when NSW commenced the Bergin Inquiry, yes.

MS CAHILL: We're in 2017, Mr Connolly, is what I'm talking to you about ---

25 MR CONNOLLY: Yes, yes, yes.

MS CAHILL: --- and you are telling me you had the idea of a national framework. It had no content in 2017 in your mind?

30 MR CONNOLLY: No.

MS CAHILL: So were these just platitudes you were offering to AUSTRAC at this point?

35 MR CONNOLLY: No. They were intentions to do things and it didn't happen.

MS CAHILL: Let's go over the page and you say:

40 *I am interested in exploring the idea of an MOU with AUSTRAC that will provide key information*

You were wanting to provide information to AUSTRAC (inaudible) --

45 MR CONNOLLY: I was more interested in receiving information from AUSTRAC in respect of people.

MS CAHILL: Well, just in terms of the exchange, what information were you contemplating the GWC could provide to AUSTRAC at this time?

MR CONNOLLY: Again they could provide details of players or anything that AUSTRAC might find useful that the GWC could have directed a casino licensee to provide.

5

MS CAHILL: GWC couldn't provide the details of players because it had ---

MR CONNOLLY: We stopped it at that point, yes.

10 MS CAHILL: Yes, so what information were you contemplating at this time that GWC could provide ---

MR CONNOLLY: I think I was contemplating at that time if AUSTRAC tell us what information they would find useful, and we could provide it to them. If that included the names and passport numbers of participants in junkets, that was an easy thing to reinstate.

15

MS CAHILL: At September 2017 thereafter you didn't actually progress this discussion about the MOU with AUSTRAC, did you?

20

MR CONNOLLY: No.

MS CAHILL: And nor did you identify any alternative measures that GWC could put in place on an interim basis ---

25

MR CONNOLLY: No.

MS CAHILL: --- pending completion of the review of junket operations to mitigate the risks of junkets?

30

MR CONNOLLY: No.

MS CAHILL: Why not?

35 MR CONNOLLY: Again, 2017 and 2018 were extremely busy and chaotic periods. And I think I gave evidence in my first appearance here about how much time I was spending on Gaming and Wagering Commission matters. There were other things that on a day-to-day basis were taking priority. I understand that these are really high risk, highly important matters, but other things were happening that were taking more of my time.

40

MS CAHILL: Mr Connolly, AUSTRAC had told you about a high risk of criminal infiltration and money laundering ---

45 MR CONNOLLY: Yes.

MS CAHILL: --- and there was media interest around ---

12:15PM

MR CONNOLLY: Yes.

MS CAHILL: --- those topics ---

5

MR CONNOLLY: Yes.

MS CAHILL: --- and your evidence to this Commission is other things were more important than addressing that, even on an interim basis?

10

MR CONNOLLY: Well ---

MS CAHILL: Is that right?

15

MR CONNOLLY: Yes, it is. Yes, it is correct, yes.

MS CAHILL: So we come back to the compliance review and the monthly updates. We go to the October meeting, GWC.0002.0016.0217, page 0002. At the top, the next topic chosen to be the subject of a paper is table games integrity. Fairness of the rules, whether they are being played according to the rules, that sort of thing.

20

MR CONNOLLY: Yes.

MS CAHILL: Why was that prioritised at this point, devoting resources to the preparation of a paper on that topic rather than junket operations?

25

MR CONNOLLY: Honestly, I don't know. I can't recall why and how they were prioritised. Certainly again my view and understanding was that the Gaming and Wagering Commission primarily were responsible for the conduct of gaming operations, so gaming operations presumably got the important focus there.

30

MS CAHILL: You were the Deputy Director-General ---

MR CONNOLLY: Yes, I was, yes.

35

MS CAHILL: --- and you were the Chief Casino Officer.

MR CONNOLLY: Yes.

40

MS CAHILL: And it was absolutely within your remit to say to Departmental officers responsible for preparing these papers, "The next one you need to do as an urgent priority is junket operations" ---

MR CONNOLLY: That's correct.

45

MS CAHILL: --- and you did not do that.

12:17PM

MR CONNOLLY: That's correct.

MS CAHILL: Why not?

5

MR CONNOLLY: I don't know.

MS CAHILL: November minutes, not for publication please,
10 GWC.0002.0016.0025.0201, the meeting on 28 November, 0002. This time we have
a report on security and surveillance, so why was that prioritised?

MR CONNOLLY: Again, the same answer.

MS CAHILL: Which is?

15

MR CONNOLLY: I don't know why that was prioritised. That was how this was
planned and it was

MS CAHILL: Then we go to the December minutes, GWC.0002.0016.0219, page
20 0002, item 5.2, "Electronic gaming machines integrity of gaming". So this is dealt
with the integrity of the gaming machines, not any RSG or harm minimisation
implications, is that right?

MR CONNOLLY: That's how I understand it, yes.

25

MS CAHILL: Why was that prioritised in December ahead of junkets?

MR CONNOLLY: I have no idea.

MS CAHILL: And you note here that the GWC members are starting to complain
30 about the quality of the papers that are being put up to it; do you see that?

MR CONNOLLY: Yes, I do.

MS CAHILL: And wondering whether this compliance review is achieving the
35 desired outcome. What did you do in response to those concerns?

MR CONNOLLY: I don't recall exactly what I did in response to that concern at
those meetings.

40

MS CAHILL: Surely you should have gone back to Departmental officers and
gathered them around and said, "We need to make sure this stays on track".

MR CONNOLLY: I'm sure I had conversations with Departmental officers, I am
45 just saying I don't recall the actual details of those that I can explain to you here.

MS CAHILL: We go to the February meeting, January presumably being a meeting-
free month, and that GWC.0002.0016.0227, 27 February 2018 at

page 0002, item 5.2. That was going to be a compliance review about community gaming. So between September 2017 and February 2018 you had still not prioritised the junket operations.

5

MR CONNOLLY: --- no, that's correct.

MS CAHILL: Compliance review. It obviously wasn't very important to you, was it?

10

MR CONNOLLY: I didn't --- yes --- well, it was important to me but obviously that's a failing on my part. I have

MS CAHILL: We see the agenda item was actually withdrawn?

15

MR CONNOLLY: Yes.

MS CAHILL: And the compliance review was effectively ceased at that point, wasn't it?

20

MR CONNOLLY: I don't recall it going any further forward at that point.

MS CAHILL: So it was ceased?

25

MR CONNOLLY: Yes.

MS CAHILL: And no compliance review of junkets was ever undertaken?

MR CONNOLLY: It hasn't been undertaken at this point, no.

30

MS CAHILL: Despite having told AUSTRAC previously that it was an area that required close monitoring?

MR CONNOLLY: Yes.

35

MS CAHILL: And having the year before removed the residual regulations for approval of junket operators and providing information in relation to junket participants to the GWC?

40

MR CONNOLLY: Yes.

MS CAHILL: Is the reason that you never proceeded with a compliance review at least in relation to junket operations because you thought it obvious that if a review was conducted, it would lead to stricter regulation of junkets to Crown Perth?

45

MR CONNOLLY: No.

MS CAHILL: Including the reinstatement of requirements for approval of junket

operators?

MR CONNOLLY: No. I have no problem with the reinstatement of those
5 requirements, I have no problem with any of the requirements that would come out
of any compliance review.

MS CAHILL: Were you concerned that increased junket regulation in respect of
10 junkets to Crown Perth might pose difficulties for Crown in attracting junkets to
Perth Casino?

MR CONNOLLY: No. It's not a concern of mine.

MS CAHILL: Or that it might pose difficulties for Mr Hulme, your friend, having
15 been involved in, having the approval and information requirements (inaudible)?

MR CONNOLLY: Absolutely not, absolutely not.

MS CAHILL: I want to change topics and talk to you about EGMs and Responsible
20 Service of Gaming, RSG for short.

In relation to electronic gaming machines, or EGMs, you were aware, at least from
2012 when you commenced as CCO, weren't you, that EGMs are of a particular
25 concern in terms of the risk of harm arising from their regular use?

MR CONNOLLY: Like most forms of gambling, yes.

MS CAHILL: But EGMs in particular.

MR CONNOLLY: In particular? The ease of access and use probably makes them
30 so, yes, I would agree with that, yes.

MS CAHILL: And you were aware from 2012 of the prohibition in Western
35 Australia of poker machines?

MR CONNOLLY: Yes.

MS CAHILL: And did you understand that the reason for the prohibition was
40 because of the risk of harm arising from the regular use of poker machines?

MR CONNOLLY: I didn't really understand the reason for the prohibition. I
understood the prohibition. I didn't really understand the reason for that.

MS CAHILL: At all?
45

MR CONNOLLY: I understood that to be in the Gaming and Wagering Commission
Act to restrict their proliferation throughout the community. So I guess as a harm
minimisation measure, yes.

MS CAHILL: Well, you understood the reason for the prohibition was because of the risk of harm arising from the regular use of poker machines?

5 MR CONNOLLY: Yes.

MS CAHILL: And you are aware subsequently of the WA Appendix to the Gaming Machine National Standard that was introduced in 2016?

10 MR CONNOLLY: Yes.

MS CAHILL: Which set out the factors to be used to ensure that games are not played on poker machines in Western Australia?

15 MR CONNOLLY: Can I just take you back. 2016, what was ---

MS CAHILL: The National Standard.

MR CONNOLLY: It's the current standard.

20

MS CAHILL: Yes.

MR CONNOLLY: So there has been a national ---

25 MS CAHILL: 2016 is the most recent.

MR CONNOLLY: 2016 is the most recent, I believe.

MS CAHILL: And WA has an appendix to that Standard.

30

MR CONNOLLY: That's correct.

MS CAHILL: And that sets out the factors in that Appendix ---

35 MR CONNOLLY: That's correct.

MS CAHILL: --- that one follows to ensure that games are not played on poker machines in Western Australia.

40 MR CONNOLLY: That's correct. Because there is no definition of a poker machine.

MS CAHILL: So the GWC itself sets out the factors and in effect via that Appendix on your understanding what constitutes a poker machine and what doesn't?

45

MR CONNOLLY: That's how I understand it, yes.

MS CAHILL: If we look at the standard as of 1 October 2013, this is GWC.0003.0007.0009. So this is the Standard as at 1 October 2016 and I want to be clear it has been amended since then. I will ask you some questions about the amendments at a later point in time but I want to talk to you about it as it stood at October 2016 right now.

And if we go to page 0005. At WA4.2 there is the beginnings of a table to determine what a poker machine is. And if we display the following page side-by-side with this one, so we can see the table in its full format. As at October 2016 when this Appendix was in force, did you understand that many, if not all of the factors nominated here, 1 through 10, had the objective of harm minimisation?

MR CONNOLLY: In some way, shape or form, yes.

MS CAHILL: For example, the type of symbols that could be used?

MR CONNOLLY: Yes.

MS CAHILL: Or could not be used?

MR CONNOLLY: Could not be used.

MS CAHILL: Speed of play?

MR CONNOLLY: Yes.

MS CAHILL: Whether or not the symbols were on a fixed reel strip?

MR CONNOLLY: Mm-hmm.

MS CAHILL: And you understood, didn't you, that to a greater or lesser extent these features are directly or indirectly were considered to contribute to the addictive characteristics of a poker machine?

MR CONNOLLY: Yes, I think that's --- yes.

MS CAHILL: Now, you were also aware of an EGM policy that the GWC had and again directed towards distinguishing, differentiating between a poker machine and an EGM; yes?

MR CONNOLLY: Yes.

MS CAHILL: And by the time you commenced as CCO in 2012, that EGM policy was the 2011 version; is that right?

MR CONNOLLY: I don't recall but, yes.

MS CAHILL: Let be clear about that. If we go to this document not for publication, GWC.0002.0016.0035_R, these are the agenda papers for the GWC meeting of 27 September 2011, page 0407. Here we have an agenda paper, brief in nature with a
5 recommendation for the GWC to approve the EGM policy, and it mentions in the text in the second paragraph that the policy that is attached here that I will take you to in a moment is based on the Commission's paper of December 2005, which specifies requirements for determining a machine not to be a poker machine, and then you've got the policy at attachment 3. So taking that in order, 0408 is the start
10 of the 2005 policy, 2005 paper for differentiating between EGMs and poker machines. And that forms the basis for the policy that appears at 0417. You recognise that?

MR CONNOLLY: Yes.

15

MS CAHILL: Again, this is the version as at 2011 --

MR CONNOLLY: Yes.

20 MS CAHILL: --- so it gets amended. And it contains similar information to the Appendix, doesn't it?

MR CONNOLLY: It does.

25 MS CAHILL: The policy. Except if we go to page 0418. It has numbered paragraph 4, a discussion about winning combinations and the prohibition at sub-paragraph (iii) on multi-line and multi-directional winning combinations. It's not actually in the Appendix but features in the policy and not permitted as at 2011; you agree with all of that?

30

MR CONNOLLY: I do.

MS CAHILL: And you understood that the prohibition on multi-line and multi-directional winning combinations was again because of the harmful characteristic
35 that that had in a poker machine, causing people to bet more because there were more ways in which you could have a winning combination?

MR CONNOLLY: I'm not really sure on the justification of the multi-line, presumably that's correct, but I don't know. I don't know if I had any involvement in
40 how that was determined.

MS CAHILL: So if we go back --- but you understood that it had primarily at its heart some kind of harm minimisation?

45 MR CONNOLLY: Or some kind of objective to stop machines looking like spinning reel poker machines, yes.

MS CAHILL: But again for harm minimisation purposes or objectives?

12:30PM

MR CONNOLLY: I wasn't involved in the initial ---

MS CAHILL: I'm asking you what you would assume.

5

MR CONNOLLY: I would assume so, yes.

MS CAHILL: If we go back to page 0413, when we are in the 2005 paper that the 2011 paper is based on, do you see that paper there?

10

MR CONNOLLY: I do.

MS CAHILL: Which is a ready reckoner, if you like, of the differences between video poker machines and video gaming machines at that time in 2005.

15

MR CONNOLLY: Yes.

MS CAHILL: And you used that table, didn't you, from time to time, as I say, as a ready reckoner of how to distinguish between a poker machine and an EGM?

20

MR CONNOLLY: I don't recall using it but I could have done.

MS CAHILL: Well, you used ---

25

MR CONNOLLY: I certainly could have, yes.

MS CAHILL: You used it and copied and pasted it into a briefing note you prepared for Duncan Ord in July 2017.

30

MR CONNOLLY: Yes.

MS CAHILL: Do you recall doing that?

MR CONNOLLY: Yes.

35

MS CAHILL: Do you recall that in March 2014 were you asked by GWC to examine the speed of play requirement in the Appendix to the National Standard?

MR CONNOLLY: Yes.

40

MS CAHILL: If you have a look at these minutes of meeting of 25 March 2014, DLG.0002.0002.0052 at page 0007, item 0.2. The GWC at this point was looking at a particular EGM and the ball delivery mechanism in that EGM.

45

MR CONNOLLY: Yes.

MS CAHILL: And in the second paragraph --- I will just go back. The first

paragraph is looking at how this EGM is using a video depiction of rotating balls dropping into tubes. And the members go on to say in the second paragraph that they accept that the machines is using a ball delivery system that are not poker machines, et cetera, et cetera, but then it says:

The Deputy Director-General [that's you] was requested to liaise with Crown Perth with a view to decreasing the game speed by a further 20 per cent.

10 MR CONNOLLY: Yes.

MS CAHILL: You understood the game speed at that time was a 5-second minimum?

15 MR CONNOLLY: 5-second minimum, that's correct.

MS CAHILL: And again for harm minimisation reasons.

MR CONNOLLY: Yes. I was asked to do that on the basis of the video that was provided to the Commission --

MS CAHILL: In relation to that game?

MR CONNOLLY: --- in relation to that game and I think what members, not all members understood was that was not actually a depiction of the game being played. It was a video representation of what the game was going to be and the speed was faster than it would have been under ---

MS CAHILL: Yes, but what you were asked to do was liaise with Crown Perth with a view to decreasing the same speed by a further 20 per cent.

MR CONNOLLY: Yes.

MS CAHILL: So you understood precisely what GWC was asking you to do.

MR CONNOLLY: Yes, I did.

MS CAHILL: You go to Crown and discuss with them ---

MR CONNOLLY: Yes.

MS CAHILL: --- with a view to getting the outcome GWC wanted, which was a decrease of the game speed by a further 20 per cent.

MR CONNOLLY: Yes.

MS CAHILL: Which you meant increasing it from 5 seconds to 6 seconds.

MR CONNOLLY: I also understood it as part of that instruction that they wanted to understand the implications of that as well, even though that is not captured.

5 MS CAHILL: You were told precisely what they were wanting you to do ---

MR CONNOLLY: Yes.

MS CAHILL: --- and it is recorded in the minutes.

10 MR CONNOLLY: Yes, it is.

MS CAHILL: Go to Crown, liaise with them with a view to decreasing the game speed from 5 seconds to 6 seconds.

15 MR CONNOLLY: Yes.

MS CAHILL: And you appreciated that to slow the speed of play, your assumption was it would be to Crown's financial disadvantage, didn't you?

20 MR CONNOLLY: Yes.

MS CAHILL: In the sense that the slower the speed of play, the fewer the games that are played ---

25 MR CONNOLLY: That's correct.

MS CAHILL: --- in a finite period, fewer bets that are placed; yes?

30 MR CONNOLLY: Yes.

MS CAHILL: Now, a few days later on 27 March 2014 there is an operations division meeting. This time you are an apology for this meeting. But you would have been provided with the minutes subsequently; is that right?

35 MR CONNOLLY: Yes.

MS CAHILL: DLG.0004.0001.0236. Item 4.1 at page 0002, second paragraph. It says:

40 *DDG further advised*

Presumably that's --- let me just check you are an absentee, having said that you were. Let's go to page 1. I'm sorry ---

45 MR CONNOLLY: No, I'm there.

MS CAHILL: I had misunderstood. So you were there.

12:35PM

MR CONNOLLY: Yes.

5 MS CAHILL: So let's go to page 0002. You advised that GWC had been examining the game. You further advise in the second paragraph:

10 *..... GWC required the DRGL to examine the current 5 second 'speed of play' provisions detailed in the Appendix and provide a report on whether this speed of play should be increased to 6 seconds.*

Well, that's not what the minutes had told you to do.

15 MR CONNOLLY: It's not what is in the minutes, but I believe that is 20 per cent increase, is it not 5 seconds? It talks about increasing the speed, or decreasing the speed by 20 per cent, is that not ---

MS CAHILL: GWC members told you to liaise with Crown ---

20 MR CONNOLLY: Yes.

MS CAHILL: --- with a view to decreasing the speed from 5 to 6 seconds for that game; daughter-in-law that?

25 MR CONNOLLY: Yes.

MS CAHILL: And here you say something different:

30 *..... GWC required the DRGL to examine the current 5 second speed of play provisions in the appendix and provide a report on whether this speed of play should be increased to 6 seconds.*

Where did you get that idea from?

35 MR CONNOLLY: That was my understanding of the instruction from the GWC. Whether that is captured completely in the minutes or not, it was to explore the idea and the implications of decreasing the speed of machines by 20 per cent and what that meant.

40 MS CAHILL: Over the page at 0003 you advised that you would liaise with Crown Perth in that regard.

MR CONNOLLY: Yes.

45 MS CAHILL: And then you engaged with both Mr Preston and Mr Hulme about that, didn't you?

MR CONNOLLY: Yes, I did.

MS CAHILL: At the same time you were emailing Mr Preston and Mr Marais about boats and fishing; you would agree?

5 MR CONNOLLY: Yes, probably, yes.

MS CAHILL: Well, probably, let's have a look --

MR CONNOLLY: Yes, I agree.

10

MS CAHILL: --- CRW.709.132.2387, an email of 31 March 2014.

MR CONNOLLY: Yes, I agree.

15 MS CAHILL: And an email of 7 April 2014, CRW.709.132.1739, emailing Mr Preston, Mr Marais, Mr Hulme about boats ---

MR CONNOLLY: Yes, I agree.

20 MS CAHILL: Did it occur to you that it might not be appropriate to be engaging with officers of Crown Perth in this way while you were actively engaged in discussing with them a proposal from the GWC to increase the speed of play?

25 MR CONNOLLY: Obviously it didn't occur to me at the time but with the benefit of hindsight and reflection, yes, it does. I would not have done that had I thought about it as I should have.

30 MS CAHILL: Did you subsequently meet with Mr Hulme in around June 2014 and ask him if Crown Perth could provide you with high level dot points explaining the impact of the change on Crown Perth of the decrease in the speed of play ---

MR CONNOLLY: Yes, I did.

35 MS CAHILL: --- so that you could present it as your views to the GWC at its meeting on 24 June ---

40 MR CONNOLLY: I'm not presenting it as my views, understanding the implications of that and then presenting that in my paper as part of my views. So I wanted to get an understanding of what they were estimating what that would mean to them.

MS CAHILL: CRW.709.139.8384. This isn't an email in which you are involved. You've neither written it nor received it.

45 MR CONNOLLY: Yes.

MS CAHILL: It is from Mr Hulme to Mr Bossi and Mr Preston:

Hi Lonnie and Josh You may recall some months ago that the GWC requested senior officers at the DRGL to examine the 'Speed of Play' requirement detailed in the Western Australian Appendix

5

Whether this should be increased by 20 per cent, that is to 6 seconds.

Mr Mick Connolly has just met with me and requested if we could provide him *with, a high level and in a dot point form, document explaining the impact this change will have on Crown Perth. Mick has requested us to provide with this information to him by 20 June 2014, as he intends to present his views to the GWC at its meeting on Tuesday 24 June 2014.*

10

15

MR CONNOLLY: So that information was to inform my views, not to be my view.

MS CAHILL: Did you wish to advocate for Crown in respect of this change?

MR CONNOLLY: I didn't see --- my personal view, I didn't see a need to change from the requirement as it had been for a long period of time.

20

MS CAHILL: Why did that matter? That you didn't see a need to change?

MR CONNOLLY: It didn't. It didn't matter. But I was not advocating for Crown. I'm putting my views. And my view would be that I didn't see a need for that.

25

MS CAHILL: Had you decided already that you would not see if Crown could be persuaded to accept a reduction to six seconds?

MR CONNOLLY: I think as part of those conversations we'd already had, captured in the minutes or not, they had already information me that they wouldn't voluntarily do that, it wouldn't be something they would offer up voluntarily so it would something that had to be imposed.

30

MS CAHILL: Did you see it as your role to advocate for the GWC members to Crown for the increase of the minimum speed of play to six seconds?

35

MR CONNOLLY: I saw it as my role to inform Crown that that is what the Gaming and Wagering Commission was considering and my role to inform the Gaming and Wagering Commission on what the full implications of that decision may be because there may be unwanted implications for that that they weren't considering. Again, they were looking at a video, not an actual game.

40

MS CAHILL: Did you consider it your role to try to ascertain whether there were benefits to increasing the minimum speed of play?

MR CONNOLLY: I think there are obvious benefits to increasing the minimum speed of play and they are harm minimisation benefits, what they do is reduce the number of spins. That can happen in any period of time. And I think the
5 Commission members understood that, which is why they asked for that. So I thought that was obvious.

Again, the Commission would need to weigh and balance those obvious advantages against the implications of that decisions, what that meant for Crown as an employer
10 and revenue and tax and all the things that go along with that.

MS CAHILL: Go to DLG.8001.0022.7525. This is an email exchange between you and Mr Preston of 20 June 2014. If you go to the bottom of this email on this page at 7525, you have Mr Preston writing to you and saying "is the info suffice?"
15 Presumably he means "sufficient".

MR CONNOLLY: "Sufficient".

MS CAHILL: And if we go over the page, you can see there that he has given you a set of dot points as you asked for to extricate Crown's position as to the implications of increasing the minimum speed of play to six seconds. He mentions nothing about harm minimisation.
20

MR CONNOLLY: No, he doesn't.
25

MS CAHILL: Where he says at page 7525 at the bottom will this information suffice, you understood him to mean would it suffice to dissuade the GWC form increasing the minimum speed of play?

MR CONNOLLY: No, I understood him to be responding to the questions that I asked him about, those implications. I wanted to know what the financial implications were likely to be. And as I said to him there, it "sounds a little dramatic" to me, I think they were a little overestimated but that's what I got from him.
30

35

MS CAHILL: So what you say in response to Mr Preston if we come to about point three on page 7525:

Yeah, I have already put together dot points for an argument against increasing the speed, which includes some of the info you provided.
40

MR CONNOLLY: Yes.

MS CAHILL: Why did you think it was your role to advance arguments against the increase of the speed of play?
45

MR CONNOLLY: Again, I probably haven't chosen my words particularly well.

And the last sentence would demonstrate that even further, the second last sentence. But I'm mounting an argument both ways. So I have an argument for and against that. The argument for it is clearly a harm minimisation strategy and the argument
5 against it the financial impact it has on Crown and on that business. So I didn't just see it as my role to argue against. My role is to provide information and to try and balance that.

10 MS CAHILL: Well, you don't speak of balance here do you in this email?

MR CONNOLLY: No, I don't and it's poorly worded.

MS CAHILL: So let me go back, you had put together dot points for an argument
15 against increasing the speed before you had heard from Crown as to its position, its justification.

MR CONNOLLY: Yes.

MS CAHILL: Yes?

20 MR CONNOLLY: Mm-hmm.

MS CAHILL: And in the next sentence:

25 *The revenue loss figures [these are the ones Mr Preston has provided you] sound a bit heavy".*

By which you meant overstated?

30 MR CONNOLLY: Yes.

MS CAHILL: And then you say:

35 *Regardless, I don't think it's a good idea and the figures will be useful for me for illustration.*

Why did you not think it was a good idea to increase the minimum speed of play?

40 MR CONNOLLY: Again, five seconds has been long-standing and has proved to be a useful measure. The other part of that is if all of those machines are changed, if the requirement changes to five seconds blanket, there is a considerable, a considerable amount of administrative process and work that goes around that and I just didn't know if we had the capacity to do that.

45 MS CAHILL: What on earth are you talking about, Mr Connolly?

MR CONNOLLY: Well, five seconds to me is a reasonable number. It has stood the test of time.

12:47PM

MS CAHILL: Let me come back to your administrative arrangements around the six seconds. What are you talking about?

5 MR CONNOLLY: All the games' software would have to be changed to have a six second minimum spin speed.

MS CAHILL: As they would if you were going the other way and decreasing the minimum speed ---

10

MR CONNOLLY: That's correct.

MS CAHILL: --- from five seconds to three seconds, for example?

15 MR CONNOLLY: That's correct, but they wouldn't all go that way as a blanket, they would be progressively

MS CAHILL: Well, presumably you could negotiate that as part of a change, couldn't you?

20

MR CONNOLLY: Yes.

MS CAHILL: So a one-off alteration of machines, recalibration of them to change the minimum speed of play ---

25

MR CONNOLLY: Yes.

MS CAHILL: --- are you saying that was one reason you were against it?

30 MR CONNOLLY: I was --- personally I thought five seconds was an appropriate spin time. It is the slowest spin time in Australia. It remains the slowest spin time in Australia.

MS CAHILL: What was the basis for your conviction that it was an appropriate spin time?

35

MR CONNOLLY: It's stood the test of time. It's been there for that length of time. Again, the request for that came out of members looking at a video of a game, not an actual game. I thought that in itself was a flawed rationale for going "Oh, let's increase the game speed by 20 per cent".

40

MS CAHILL: So GWC had either asked you to liaise to get that six seconds for one particular game ---

45 MR CONNOLLY: Yes.

MS CAHILL: --- or asked you to prepare a report on the pros and cons of increasing

the speed across the board?

MR CONNOLLY: Mm-hmm.

5

MS CAHILL: And you decided not to interrogate the pro case on the basis that five seconds had stood the test of time so why change it?

MR CONNOLLY: Well, again I think the pro case is obvious. The pro case is reducing the amount of spins per hour. What else is there in the pro case? It is definitely a harm minimisation measure, it would have a harm minimisation impact because it reduces the number of spins, it reduced the ability --- people have to stay there longer to spend the same amount of money. The other side of the argument is it is worth that. It was for the Commission to weigh and balance that as a decision.

15

MS CAHILL: No, you had effectively decided you weren't going to allow it to weigh that evenly, Mr Connolly, because you were coming out with arguments against it. You said it was a bad idea.

MR CONNOLLY: I --- yes, I think the basis of the idea was flawed because it was considered on the video. That's where I think the mistake was. They looked at a video and went "this game is too fast" and the knee-jerk decision to that was "we need to decrease that to 20 per cent".

MS CAHILL: Didn't you just tell me it had obviously harm minimisation benefits?

MR CONNOLLY: It does. It does.

MS CAHILL: So that's not a flawed idea?

30

MR CONNOLLY: No, but the genesis of that was watching the video and going "the game is too fast". And that's not what was --- if they had seen the correct timing on that video, I don't know whether they would have said "we need to reduce this across-the-board".

35

MS CAHILL: Following your logic there, if absent that game the GWC had just said to you in meeting that they would like you to explore whether the minimum game speed should generally be increased to six seconds, you would have thought that that was a more solid foundation ---

40

MR CONNOLLY: It would have made more sense to me, I think, yes.

MS CAHILL: --- but because they had watched a video in relation to one particular game and that had led them to make the inquiry of you ---

45

MR CONNOLLY: Yes.

MS CAHILL: --- it was a bad idea?

12:51PM

MR CONNOLLY: Effectively, yes.

MS CAHILL: Well, that makes no sense.

5

MR CONNOLLY: Sorry, but that's how I saw it.

MS CAHILL: That makes no sense does it?

10

MR CONNOLLY: That's how I saw it.

MS CAHILL: It makes no sense.

MR CONNOLLY: Okay.

15

COMMISSIONER JENKINS: I think he's answered the question, Ms Cahill.

MS CAHILL: Coming back to the overstatement of the revenue loss figures, you say that the figures will be useful to you for illustration. So overstated figures, which you understood to be not accurate, you were nevertheless prepared to use to demonstrate to the GWC that they shouldn't increase the minimum speed of play to six seconds.

20

MR CONNOLLY: I think that when I went to the GWC to show that I said to the GWC that these were the figures provided by Crown and they may have been overstated, they sound heavy to me.

25

MS CAHILL: You say you said that?

30

MR CONNOLLY: I think I did, yes. I believe I did. I wouldn't have hid that from the Gaming and Wagering Commission if that's what I thought.

MS CAHILL: Next paragraph we talk about the "thin end of the wedge when considering your proposals". What you are referring to there is when Crown goes too far in asking for approvals and dispensations and the like and it is "just as valid a concern when considering ours". You considered an increase in the minimum speed of play to six seconds to be the thin end of the wedge as far as ---

35

MR CONNOLLY: I don't think that's what I meant.

40

MS CAHILL: It's what you said?

MR CONNOLLY: It might be what I said, but I don't think that's what I meant. No, I don't know what that is intended to mean. I read it the same as you but I don't think that's what I was talking about at that time.

45

MS CAHILL: Isn't it the case that you regarded the GWC members' proposal to increase the minimum speed of games to six seconds as the thin end of the wedge?

MR CONNOLLY: No. I see the casino licensee's requests more often as the thin end of the wedge. I don't see that the Commission has a thin end of the wedge. The Commission has the ability to do what they think is appropriate.

5

MS CAHILL: "It sounds a little dramatic, but the current system and requirements work"; what do you mean by that?

MR CONNOLLY: Again, what I was talking about before, I think the current --- the system as it was then worked effectively to balance harm minimisation against the commercial interests of the casino licensee.

10

MS CAHILL: How would you know?

MR CONNOLLY: A relatively low incidence of problem gambling when compared to all the other states, which WA does have, and those controls have been in place for such a long period of time that keep that position. WA has maintained that position throughout prevalence studies over a long period of time.

15

MS CAHILL: Well, WA doesn't have EGMs outside of the casino ---

20

MR CONNOLLY: No, it doesn't.

MS CAHILL: --- except in very specific and limited circumstances, which is essentially the reason why the prevalence of addictive gambling behaviours is lower in WA than other States. You understand that very well, don't you?

25

MR CONNOLLY: I understand that, yes.

MS CAHILL: But in terms of the relative benefit of a five-second minimum speed of play versus six seconds in terms of harm minimisation, you wouldn't know would you?

30

MR CONNOLLY: No, there would have to be a prevalence study after that to see what impact that had on problem gambling.

35

MS CAHILL: That might be a great idea?

MR CONNOLLY: It might be a great idea.

40

MS CAHILL: Moving from five second to six seconds might materially reduce the incidence of harm minimisation.

MR CONNOLLY: It may.

45

MS CAHILL: It might really be worth it.

MR CONNOLLY: It might keep people at a casino for longer periods of time spending more money than they would otherwise, who knows.

MS CAHILL: Who knows.

5

MR CONNOLLY: Who knows.

MS CAHILL: And you didn't know when you wrote this email.

10 MR CONNOLLY: No.

MS CAHILL: No. And after you wrote this email you didn't undertake any investigations or research to find out, did you?

15 MR CONNOLLY: Well, investigations or research to find out are going to take time. The Commission wanted a report. They would have to change those features and see what impact they had in order to find out what difference that had made.

MS CAHILL: Now, the penultimate paragraph, which I think you've already
20 referred to, you obviously have read that overnight and reflected on that have you?

MR CONNOLLY: I have reflected on that and it is very poor judgment.

MS CAHILL: "Anyway, I can put my hand on my heart and say we have
25 consulted". You hadn't consulted with Crown to advocate for an increase in the minimum speed of play to six seconds had you?

MR CONNOLLY: I think the operations manager consulted with Crown and asked
30 the questions of them; what they think about that, what are the implications, are you prepared to accept that, will you give that I trial? They are not captured in the minutes, but those conversations were had.

MS CAHILL: You had asked Crown to provide you with supporting information to
35 argue against the proposal.

MR CONNOLLY: I did.

MS CAHILL: And ultimately you recommended to the GWC that it not increase the
40 minimum speed of play?

MR CONNOLLY: I did.

MS CAHILL: Let's go to the minutes of meeting on 24 June 2014.
45 DLG.0002.0002.0052 at page 0019. If we go down the bottom. Why didn't you make this an agenda paper item?

MR CONNOLLY: I really don't know. It was a matter arising so it was reported as

a matter arising.

5 MS CAHILL: So you reported on your inquiries relating to reducing the speed of play, outlined a number of adverse consequences and that included primarily that Crown was going to lose a significant amount of revenue.

10 MR CONNOLLY: Well, by their estimates. I would have said to the Commission that they are their estimates and you have to take that with a grain of salt.

MS CAHILL: What were the adverse consequences that you identified?

MR CONNOLLY: I'm talking about revenue for Crown.

15 MS CAHILL: Any others?

MR CONNOLLY: Not that I can recall.

20 MS CAHILL: So there was one adverse consequence?

MR CONNOLLY: Yes.

MS CAHILL: Which is that Crown would lose revenue?

25 MR CONNOLLY: Yes.

MS CAHILL: Versus what you said was the office harm minimisation benefits of increasing the minimum speed of play?

30 MR CONNOLLY: And I would have said that to the Commission as well. That is a summary of a discussion and just a grab from the end. But I would have said that to them and again I've pointed out to the Commission that that's consideration for their decision, it's not my decision. They need to make a decision on whether or not they want to trial that.

35 MS CAHILL: Let's go over the page:

In order to reduce inconsistencies in the requirements between game types

40 So it was only in relation to the game that had been ---

MR CONNOLLY: I think so, yes. The ball dropping. I think that was the first iteration of that type of game.

45 MS CAHILL: Right. So you didn't understand that GWC was asking you to liaise about an across-the-board increase in the minimum game speed?

MR CONNOLLY: I think I did. I got the information for across-the-board as well.

MS CAHILL: But you understood that's not what they were asking you because you've identified here that one of your arguments against the increase was that it would create inconsistencies between different games.

5

MR CONNOLLY: Look, my recollection of all this is obviously a little vague and hazy, it is 2014 but ---

MR DHARMANANDA: I just note, Commissioners, there is a patron name on that page and it may be appropriate not to reveal that publicly.

10

MS CAHILL: Thank you, Mr Dharmananda.

COMMISSIONER JENKINS: Is this an appropriate time?

15

MS CAHILL: I just need one question to finish up on that topic, Commissioner, if I may.

Isn't it the case, Mr Connolly, that in relation to the GWC's limited request to liaise with Crown Casino with a view to increasing the minimum speed of play for this one particular game you, from the outset, worked hard to ensure that that increase in minimum speed of play did not occur?

20

MR CONNOLLY: No, I don't accept that. I don't believe the minimum increase should --- I think the position was solid as it was, but I did not work hard against that. They are decisions for the Commission, not for me.

25

MS CAHILL: Thank you.

COMMISSIONER JENKINS: Mr Connolly, we will now take lunch until 2 pm. You are free to go. We will adjourn until 2 pm.

30

ADJOURNED

[1.00PM]

35

RESUMED

[2.00PM]

COMMISSIONER JENKINS: Yes, Ms Cahill.

40

MS CAHILL: Thank you, Commissioner.

45

Where I left you before lunch, Mr Connolly, was at the point where you had made and had accepted your recommendations against the increase of the minimum game speed for either one or across the board the EGMs at Perth Casino on 24 June 2014.

02:00PM

Now, from July 2014 you undertook to provide the GWC with further information on the impact of game speed on the average return per gaming machine, didn't you?

5 MR CONNOLLY: I don't recall, but ---

MS CAHILL: DLG.0002.0002.0052_0024. These are the minutes of the 29 July 2014 GWC meeting. If we go to 4.1, matters to be actioned, number 2:

10 *The Deputy Director undertook to provide further information on the impact of game speed on the average return per gaming machine at the August meeting.*

MR CONNOLLY: Yes.

15 MS CAHILL: Now, did you understand that that was because the members had some reservations about the information that had been provided to them in support of your recommendation against increasing the minimum speed of game as to the revenue consequences for Crown?

20 MR CONNOLLY: I don't --- it's 2014, I don't recall. I just would have done what they asked me to do I'm sure.

MS CAHILL: This reflects what you were asked to do?

25 MR CONNOLLY: Yes, I guess so. I mean I don't have a recollection of it, it's so long ago, but, yes. The minutes ---

MS CAHILL: Sorry, I beg your pardon.

30 MR CONNOLLY: Sorry.

MS CAHILL: You were about to say the minutes ---

MR CONNOLLY: Would be a reflection of what I'd been asked to do.
35

MS CAHILL: So looking at the minutes therefore, in the absence of your recollection, if that is what you had been told to do, you undertook to do, you would have understood that the GWC was looking for information about the impact of game speed, either increasing it or reducing it? Yes?
40

MR CONNOLLY: Yes.

MS CAHILL: And the impact on revenue in those situations. This is 29 July 2014 and that advice wasn't forthcoming until February 2015, was it?
45

MR CONNOLLY: Again, I don't recall the dates.

MS CAHILL: Well, let's look at GWC.0002.0016.0137 which is the minutes of the

GWC meeting of 24 February 2015 and go to page 0002. 4.1.2:

5 *The Deputy Director General briefed the Commission on the impact of GWC
game speed on the return to player. The Deputy Director General relayed the
following advice from accredited testing facility GLI*

You see that?

10 MR CONNOLLY: Yes, I do.

MS CAHILL: You accept there was no prior reporting to the GWC ---

MR CONNOLLY: Yes.

15

MS CAHILL: --- in accordance with what you had undertaken to do in July 2017?

MR CONNOLLY: Yes.

20 MS CAHILL: Did you delay in getting this information from the accredited testing
facility?

MR CONNOLLY: No, no, I wouldn't have done that.

25 MS CAHILL: It just took that long?

MR CONNOLLY: It could take that long, yes.

MS CAHILL: Why could it take that long?

30

MR CONNOLLY: Because they are doing other things and to get the information
from them, it could have taken that long. There could have been a delay in me
asking for the information as well, but certainly that would have been carried over on
at the agenda and I would have been asked about every meeting. It's not something I
35 would have deliberately delayed.

MS CAHILL: You gave a verbal briefing to the GWC in this meeting, did you?

MR CONNOLLY: I would assume that I have, yes.

40

MS CAHILL: Is there a reason you didn't provide that advice in document form?

MR CONNOLLY: Perhaps to get it to that meeting in February.

45 MS CAHILL: If we go to the bottom line that you recite at the end of this section:

*Bottom line --- an increase in game speed is likely to increase net revenue to a
limited extent".*

MR CONNOLLY: Yes.

5 MS CAHILL: And the main reason given for that conclusion in the paragraph above is the supposition that most players are what they call purse limited rather than time limited, meaning that they will play gaming machines until the budget is spent?

MR CONNOLLY: Yes.

10 MS CAHILL: Now, there is no information specifically in the advice that you relayed to the GWC about the effect of decreasing the minimum game speeds. Sorry, increasing the minimum game speeds --

MR CONNOLLY: Yes.

15 MS CAHILL: --- on net revenue. Did you ask?

MR CONNOLLY: I don't recall. Presumably increasing is the opposite --- would give the opposite to that.

20 MS CAHILL: All right. Did you understand, therefore, or assume from this advice that in respect of increasing game speed that conversely it was likely to have only a limited affect on reducing net revenue?

25 MR CONNOLLY: I don't know if I asked the question if I didn't get that as part of the advice, but increasing game speed, I certainly was of the view that the figures that were provided were inflated --

30 MS CAHILL: Let's come back to the advice and what GL has told you and you relayed to GWC, which is decreasing the minimum game speed, so it is a faster game ---

MR CONNOLLY: Yes.

35 MS CAHILL: --- has a limited effect on increasing revenue, net revenue, because most players are purse limited as opposed to time limited. They will keep playing the gaming machine until their budget is spent. So did you assume, therefore, that in the reverse case, the converse case of increasing the minimum speed that the decrease in net revenue was also likely to be limited?

40 MR CONNOLLY: Limited. Yes, I would have thought so. Again, it's the purse limit that is the important thing. It is how quickly that is spent for most people.

45 MS CAHILL: Yet, wasn't the primary justification for your recommendation against increasing the minimum game speed from 5 to 6 seconds the revenue consequences that Crown had reported to you?

MR CONNOLLY: I did say that in my judgment, those revenue consequences were overestimated as well.

5 MS CAHILL: But this is telling you that you assumed that the revenue consequences would be limited.

MR CONNOLLY: Again, these are the thoughts of GLI. I don't know what would have happened.

10

MS CAHILL: Well, you went out and got some advice and this was it?

MR CONNOLLY: Yes.

15 MS CAHILL: So shouldn't you have, acting in the interests of GWC, raised for their consideration whether the issue of increasing the maximum game speed should be revisited? The minimum game speed?

MR CONNOLLY: Perhaps I didn't do that.

20

MS CAHILL: Well, you should have, shouldn't you?

MR CONNOLLY: Perhaps.

25 MS CAHILL: Because you told me before lunch that there was an obvious harm minimisation benefit in increasing the game from 5 to 6 seconds.

MR CONNOLLY: Mm-hmm.

30 MS CAHILL: And now you assume on the back of the GLI advice that there was limited downside to Crown in terms of revenue consequences, yes?

MR CONNOLLY: Perhaps, yes.

35 MS CAHILL: So it was an obvious point to go back to them and say no, not only increase the game speed for the particular game that GWC had asked you to, but across-the-board.

40 MR CONNOLLY: If it is an obvious point for me it is an obvious point for the Gaming and Wagering Commission members as well who are reading this.

MS CAHILL: But you were in the position of Deputy Director-General and the Chief Casino Officer.

45 MR CONNOLLY: Yes.

MS CAHILL: And you understood that the GWC looked to you for guidance?

MR CONNOLLY: For advice, yes.

MS CAHILL: For guidance?

5

MR CONNOLLY: Yes.

MS CAHILL: And you often suggested to them strategic directions in which they should move?

10

MR CONNOLLY: Yes.

MS CAHILL: And this was an obvious one based on the advice that you got from GL?

15

MR CONNOLLY: GLI, but, yes.

MS CAHILL: GLI, I beg your pardon. So why didn't you do something?

20

MR CONNOLLY: I don't know. 2015, I really don't know. I would have --- I thought this would have been a fairly obvious thing. And, again, I obviously had provided a verbal advice. I can't remember what that verbal advice was, as you point out there was no document to support it, but I can't recall what I told the Gaming and Wagering Commission in 2015.

25

MS CAHILL: Well, your evidence of what you told them is recorded in the minutes, isn't it?

MR CONNOLLY: Yes.

30

MS CAHILL: You accept now that you should have gone back to GWC and pursued a recommendation that the game speed be increased?

35

MR CONNOLLY: I don't know if I accept that a recommendation the game speed would be increased. I would --- I think the best advice for me to the Commission is to provide them with all of the information and let them decide what they want to do with that.

MS CAHILL: What would that information include?

40

MR CONNOLLY: All of this. All of this that we talked about, the positives and negatives and proactives ---

45

MS CAHILL: You previously, when you were looking at providing advice and a recommendation to the GWC, you explained to me before lunch that you didn't include a specific component regarding the harm minimisation benefit because that was obvious.

02:10PM

MR CONNOLLY: Mm-hmm.

5 MS CAHILL: So now the information is, well, Crown says that there are revenue consequences but here is GLI saying those are limited?

MR CONNOLLY: Those are limited, yes.

10 MS CAHILL: So what would your recommendation be in those circumstances?

MR CONNOLLY: Again, increasing the speed of the game is a significant step for the Commission to take. That's a decision for the Commission, not for me. I could recommend that increase the speed by 20 per cent, I could have done that, yes.

15 MS CAHILL: You should have done that, shouldn't you, based on what this tells you?

20 MR CONNOLLY: Well, is that their total intent to do that? I don't know. I mean, for me, when I'm giving this information, the implications of this are relatively obvious. They are smart people sitting around a table looking at this. They could work out for themselves the implications of decreasing the game speed by 20 per cent.

25 MS CAHILL: So in this circumstance you would wash your hands of it?

MR CONNOLLY: I don't recall what I said to them, unless you point out the best evidence of what I said to them is here, but I don't recall what I said to them at this particular meeting.

30 MS CAHILL: Let's move forward to 2019 and the time when some changes were made to the Appendix to the National Gaming Machine Standard.

MR CONNOLLY: Yes.

35 MS CAHILL: There is an agenda paper that you prepared in this regard, dated 22 July 2019, that we can pull up at GWC.0002.0016.0281. You made a recommendation on this occasion that the GWC approved changes to the appendix and relevant policies to reduce the minimum game speed to 3 seconds and remove reference to the independence of outcomes.

40

MR CONNOLLY: Yes.

45 MS CAHILL: Just in relation to the game speed, you felt comfortable to make a recommendation to reduce the minimum game speed from 5 seconds to 3 seconds?

MR CONNOLLY: Based on the conditions of this application, yes. And if I can explain that?

MS CAHILL: Not yet. We will come to that and I will give you that opportunity to explain.

5 MR CONNOLLY: Sure.

MS CAHILL: But let me just be clear, is the reason why you made a recommendation and set it out in an agenda paper because it wasn't obvious whether the GWC should or should not reduce the minimum game speed ---

10

MR CONNOLLY: Yes, I think so.

MS CAHILL: --- and so they need some information and some guidance from you on that?

15

MR CONNOLLY: Yes.

MS CAHILL: And that puts it in a different position in your mind to the situation in 2014 when the game speed was being considered to be increased from five seconds to six seconds?

20

MR CONNOLLY: Again, I don't recall the specific circumstances of 2014 ---

MS CAHILL: But ---

25

MR CONNOLLY: --- but, yes.

MS CAHILL: But you were telling me ---

30

MR CONNOLLY: Yes.

MS CAHILL: But you were telling me a moment ago that a person with a modicum of intelligence could work it out and tell what to do.

35

MR CONNOLLY: Yes.

MS CAHILL: So you didn't need to make a recommendation in that regard.

MR CONNOLLY: Yes.

40

MS CAHILL: Now if we go to page 0003, this letter from Mr Felstead to Mr Ord on 7 March 2019, which you saw at the time, didn't you ---

MR CONNOLLY: Yes.

45

MS CAHILL: --- Mr Ord would have passed this to you ---

MR CONNOLLY: Yes.

MS CAHILL: --- was the letter which articulated in terms for the first time that amendments were wanted to the appendix. And if you look over the page at 0004, you've got some explanation of the different features of the appendix that were to be amended. And if we go over to the next page, please, you will see the table at WA4.2, that's a replica, if you will, of the Standard and you can see there under item 2 is a proposal to reduce the speed of play from 5 seconds to 3 seconds, reduce the return to player and then if we go over the page, at factor 10, removal of the independence of outcomes; you see that?

10

MR CONNOLLY: Yes.

MS CAHILL: And if we take the reduction in the speed of play to three seconds which was being posed, and we go back to that table in the 2005 GWC paper, GWC.0002.0016.0035_R, only on the room screens, please, at 0413, if we blow up that table for Mr Connolly, noting that little additional explanation under the heading of "Speed" in the table, you could see that as proposed by Crown, reducing the minimum speed of the game from 5 seconds to 3 was bringing it closer to the characteristics of a poker machine?

20

MR CONNOLLY: Yes.

MS CAHILL: And if we return to Mr Felstead's letter to Mr Ord at GWC.0002.0016.0281 at 0003, you can see in the second paragraph that it is stated quite frankly that the intention of the review that is proposed to the appendix is to be able to contain revenue losses. You see that?

25

MR CONNOLLY: Yes, I do.

MS CAHILL: Two things: first of all, you knew back in 2014 Mr Preston had overstated revenue losses to you when seeking to justify not agreeing to the increase to 6 seconds.

30

MR CONNOLLY: Well, I didn't know it, I suspected they were overstated, but, yes.

35

MS CAHILL: Well, that's what you assume.

MR CONNOLLY: That's what I assume, yes.

MS CAHILL: That was your state of mind?

40

MR CONNOLLY: Yes.

MS CAHILL: So did you just take this at face value, that it was legitimately and truthfully a rationale to contain revenue losses rather than to increase revenue, just to try and get more money?

45

MR CONNOLLY: I think everything Crown does is to try and get more money.

5 MS CAHILL: Yes, but there is a difference between being in a serious loss situation which requires something to be done, that you wouldn't normally do to try and address the situation, versus just always trying to increase your revenue and therefore your profit.

10 MR CONNOLLY: Yes.

MS CAHILL: Did you take this at face value --- (overspeaking) --- I'll finish the question.

15 MR CONNOLLY: Sorry.

MS CAHILL: Did you take this at face value or did you interrogate what was put to you there?

20 MR CONNOLLY: I think I took the letter at face value and then interrogated the information and the request for 3 seconds, because it wasn't simply a request to reduce game speed to 3 seconds.

25 MS CAHILL: Are you saying you interrogated on this assertion that it was trying to address revenue losses?

MR CONNOLLY: No, I'm not saying that. I didn't do that.

30 MS CAHILL: You knew from what you had been told by GLI in 2015 that decreasing the minimum speed of play would only have a limited effect on revenue in any event, didn't you?

35 MR CONNOLLY: The net result of this submission and this application to the Commission was not to reduce game speed to 3 seconds. That's not what happened. What happened was game speed was reduced to 3 seconds where there are additional features which slowed the games down.

MS CAHILL: Almost all the games had additional features at Perth Casino by this time, didn't they?

40 MR CONNOLLY: I don't know if all the rest of all the games. Lots of games had additional features at Perth Casino because they were what players found to be attractive and they were what were drawing players. The net effect of that for Crown was instead of a 5-second game speed cycle, it was taking closer to 8 or 9 or 10 seconds.

45 MS CAHILL: Let's just understand what you mean by that. An additional feature is, for example, an extra game or a bonus set of credits in circumstances where the patron, the player, wins a game?

MR CONNOLLY: Yes, so when a set of symbols appears onscreen and takes the player off into a bonus game, a different game. They pop bubbles or they do something different in order to win bonus credits.

5

MS CAHILL: But that only applies in circumstances where they've had a "win" of some description?

MR CONNOLLY: That's right.

10

MS CAHILL: So if they don't have a win, they lose a game, and there is no additional feature?

MR CONNOLLY: That's correct.

15

MS CAHILL: And the 3 seconds, the minimum of 3 seconds per game speed of play applies as an average across a finite period, does it?

MR CONNOLLY: That's how testing laboratories test them, that's how I understand they test them.

20

MS CAHILL: So when somebody --- if you have a minimum 3-second speed of play, and someone presses a button to start a game, and they lose that game, how many seconds pass between the time that they finish that game and press the button to start the next game?

25

MR CONNOLLY: Well, the minimum amount of time is required, so it could be 3 seconds or 5 seconds. Again noting that a game with a 3-second game speed --- they all have additional features whether they have a 3-second game speed, they still have the same return to player with games, with no features and 5 seconds. So there is a win amount built into those features as well, again which will slow those games down.

30

MS CAHILL: So, in the eastern states where poker machines are permitted and EGMs are permitted, and were at this time with 3 seconds' minimum speed of play, the position would be the same in relation to any games that had additional features?

35

MR CONNOLLY: I'm not sure, but I presume so, yes.

MS CAHILL: Well, logically, if you are telling me here that if the game speed was 5 seconds and that translated to 8 seconds with additional features, over in the east where you had additional features with a minimum speed of play of 3 seconds and that would translate to something like 5 seconds.

40

MR CONNOLLY: Well, the game speed would be different because the return to player is different. If the return to player is less, the game will go quicker because they are not winning, patrons are not winning as much, when they win it slows the

45

games down because meters increment and other things happen.

5 MS CAHILL: The return to player doesn't need to be linked to the speed, does it?

MR CONNOLLY: It doesn't need to be linked to the speed, no.

10 MS CAHILL: Just coming back to the GLI testing, whatever else was being proposed as an amendment to the appendix in respect of independence of outcomes or return to player, you knew from the GLI advice that there was no benefit of a revenue nature to decreasing the minimum speed of play to any great extent?

MR CONNOLLY: From which GLI advice?

15 MS CAHILL: GLI advice in 2015 that you gave to the GWC, limited effect on revenue.

MR CONNOLLY: Yes.

20 MS CAHILL: So you could immediately discount that, couldn't you, because you knew there would be a harm minimisation problem in reducing the game speed from 5 seconds to 3 seconds, wouldn't you?

25 MR CONNOLLY: Yes. Something that didn't even need to be investigated, it was so obvious? Yes?

MR CONNOLLY: Yes.

30 MS CAHILL: And only a limited benefit in terms of revenue?

MR CONNOLLY: Yes.

35 MS CAHILL: So you should have been recommending against that whatever else was considered as an amendment to the appendix; would you agree?

40 MR CONNOLLY: Not necessarily. Again I'm getting back to that 5-second game speed. So with the features they were running at 8 or 9 seconds. By reducing it to 3, we got --- we're still running at over 5 seconds game speed, so --- yet we haven't --- there hasn't been any real change in game speed by the Commission accepting that proposal.

MS CAHILL: But most certainly there has on your case, Mr Connolly. There has been a reduction from 8 seconds to 5 seconds.

45 MR CONNOLLY: Yes, where they have a game feature.

MS CAHILL: Correct?

MR CONNOLLY: And the Commission was well aware of that timing and understood that as well. So they are the ones that have also accepted that argument about revenue.

5

MS CAHILL: So you are providing some advice here ---

MR CONNOLLY: Yes.

10 MS CAHILL: --- because it wasn't obvious to the GWC. So you needed to make a recommendation, provide information and give advice, which you did?

MR CONNOLLY: Mm-hmm.

15 MS CAHILL: And what I'm putting to you is that it was obvious that there was only benefit and no advantage to anybody, including Crown, to decrease the minimum speed of play for games with additional features.

MR CONNOLLY: Again I'm not quite sure I'm following you with that.

20

MS CAHILL: Let's go through it again.

MR CONNOLLY: Yes.

25 MS CAHILL: Minimum game speed at the point we are looking at, this is 5 seconds.

MR CONNOLLY: Yes.

30 MS CAHILL: What Crown has come to you and said ultimately, not that they were asking for this qualification in the first letter, was, oh, with additional features, if you have a 5-second minimum speed of play, by the time you take account of all these additional features, over time it averages to eight. So if you bring it back to three, then you will closer to your 5 seconds.

35

MR CONNOLLY: Yes.

MS CAHILL: But the fact of the matter is, whatever the reduction, it's got a harm minimisation effect ---

40

MR CONNOLLY: It does.

MS CAHILL: It reduces harm minimisation.

45 MR CONNOLLY: Yes.

MS CAHILL: It impacts that.

MR CONNOLLY: It reduces harm minimisation from 5 seconds with a game

feature to 3-seconds with a game feature, yes, it does.

5 MS CAHILL: You know from the GLI advice that there is only a limited effect on net revenue. Yes?

MR CONNOLLY: Yes.

10 MS CAHILL: So it's not worth the candle, is it?

MR CONNOLLY: Again, this was the application that was put to us, this is what was considered by the GWC, and this is the decision that they made.

15 MS CAHILL: Your recommendation is what we are looking at, Mr Connolly, because it wasn't obvious what to do and they were relying on your guidance and information that you provided?

20 MR CONNOLLY: Yes, and I was instructed by Duncan Ord to have a conversation with Barry Sergeant about this and to test his view.

MS CAHILL: Instructed by Duncan Ord?

25 MR CONNOLLY: Duncan to have a conversation with Barry Sergeant about this and to test his view on this to see if this had some sort of veracity and it did, apparently.

MS CAHILL: So you remember having a conversation with Mr Sargeant?

30 MR CONNOLLY: I do remember having a conversation with Mr Sargeant.

MS CAHILL: Tell me about that conversation.

35 MR CONNOLLY: Just to ask him about what his view was of going from a 5-second game speed to a 3-second game speed with a game feature. And also, the other part of the application was to reduce RTP from 90 to 87.5 ---

MS CAHILL: We'll come to that. We're talking about game speed at the moment.

40 MR CONNOLLY: I understand.

MS CAHILL: What did Mr Sargeant tell you about game speed and his view about that?

45 MR CONNOLLY: If I recall the conversation correctly, it was, well, if it comes back to 5 seconds, as long as it's over 5 seconds, it doesn't reduce it from what it is now. He didn't have a particular issue with it, if I recall correctly.

MS CAHILL: You couldn't have possibly accepted that logic because it plainly

wasn't correct.

5 MR CONNOLLY: It is a difficult position for me to be in with my former Director-General and a member of the member of the Gaming and Wagering Commission if they are prepared to accept that logic.

MS CAHILL: But that is one voice on the GWC?

10 MR CONNOLLY: A strong voice, but it is.

MS CAHILL: He is entitled to put that view in meeting to the members, but what you were required to do was put your recommendation, based on your view in the agenda paper, make a recommendation accordingly.

15 MR CONNOLLY: And I was comfortable with what I put, which was, okay, let's accede to that and 3 seconds plus a game feature.

20 MS CAHILL: But what I'm putting to you now is that there was no basis for you to make the recommendation in respect of speed of play. You were basically incorrect to make a recommendation that the speed of play should be changed?

25 MR CONNOLLY: I don't know if I agree with that. I mean, I had to have a position at some point. Obviously my position is different from what it was in 2015, but I've got to go with a view and that's the view I went with.

MS CAHILL: It was the wrong view, wasn't it?

30 MR CONNOLLY: Okay, it's the wrong view --- well, I didn't think it was the wrong view at the time.

MS CAHILL: What was the benefit?

35 MR CONNOLLY: I didn't think it was the wrong view at the time. That is what I was thinking at the time.

40 MS CAHILL: Just come back to my question, what was the benefit to anybody in reducing the game speed for games with additional features from 5 seconds to 3 seconds?

MR CONNOLLY: I guess what I've done here is what everybody else has done is taken Crown's position as it's written, that there was a commercial impact for that.

45 MS CAHILL: But you had been told 2 years --- sorry, 4 years before that that there wasn't?

MR CONNOLLY: Yep.

MS CAHILL: So why did you take Crown's position?

5 MR CONNOLLY: I don't know. I don't know. I don't recall why I got to that position but that was the position that I got to.

10 MS CAHILL: Let's come back to Mr Felstead's letter at page 0004. And what is being discussed under section 3 and then over the page is the removal of independence of outcomes on 0006, we're looking at prohibition on the fixed reel strip --- or the perception of a fixed reel strip?

15 MR CONNOLLY: So I'm not a gaming machine technical expert. I couldn't explain the independence of outcomes to you from any technical perspectives. We don't have reel strips, I don't believe, in the gaming machines at Crown Perth. They are all virtual, if you like. They are computer, I don't know what the right word is, they are virtual strips, they are not real strips. So there are no spinning reels.

20 MS CAHILL: When you say you don't understand the technicality of it, you still felt comfortable to write an agenda paper and make a recommendation about whether that requirement, the independence of outcomes should be removed?

25 MR CONNOLLY: So for a long period of time we've relied on accredited testing facilities, GLI being the primary one that we've relied on. GLI's view was that the removal of independence of outcomes had no impact on the consideration of it being a poker machine or not. I was comfortable with what GLI were telling me.

MS CAHILL: Let's go to the 2005 paper. GWC.00002.0016.0035_R, not on the public screen, please, at 0413.

30 You will see there that fixed symbols on a reel is a distinction between a poker machine and an EGM. Do you see that?

MR CONNOLLY: Yes, I do.

35 MS CAHILL: And so again did you understand that based on GWC's own paper, that this was a move to bring EGMs in WA closer to what it had traditionally regarded as poker machines?

40 MR CONNOLLY: I understand it brought it closer, but again I've relied on the advice of the GLI and so has the Gaming and Wagering Commission.

45 MS CAHILL: And in relation to the return to player that was being proposed to change from 90 per cent to 87 .5 per cent, you recall that ultimately it was decided that the GWC could only deal with the spinning play and independence of outcomes and RTG matters should be dealt with (inaudible).

MR CONNOLLY: Yes. As I recall, that wasn't supported by the GWC or in any of my material as well.

MS CAHILL: If we go back to your agenda paper, GWC.0002.0016.0281 and we put the two pages of it side by side, you have less than 1.5 pages of commentary there, haven't you? And it simply sets out what Crown has submitted, doesn't it?

5

MR CONNOLLY: It does.

MS CAHILL: It doesn't offer any analysis or critique of the submission?

10 MR CONNOLLY: No.

MS CAHILL: It doesn't contain any reference to harm minimisation or RSG considerations?

15 MR CONNOLLY: No.

MS CAHILL: Had you considered harm minimisation or RSG at all in the context of considering this proposal?

20 MR CONNOLLY: I don't recall but there is nothing in the paper, so, no.

MS CAHILL: Did you undertake any investigation or research as to the affect on harm minimisation of reducing the minimum game speed from 5 seconds to 3 seconds whether you were dealing with machines generally or only those with additional features?

25

MR CONNOLLY: No.

MS CAHILL: Did you undertake any investigation or research as to the affect on harm minimisation of removing the reference to the independence of outcomes such that games could be in a fixed reel strip?

30

MR CONNOLLY: No.

35 MS CAHILL: So what was your recommendation based on?

MR CONNOLLY: Based on an understanding, correct or incorrect, that a three-second game speed with a game feature had no real difference to what was currently in place.

40

MS CAHILL: What about the independence of outcomes?

MR CONNOLLY: Independence of outcomes I've relied on the ATF's technical advice that that isn't an issue. As I recall, Barry Sergeant spoke to that as the Gaming and Wagering Commission meeting.

45

MS CAHILL: Now, if we look at that recommendation on page 0002, the

5 recommendation is that GWC approves the changes to the appendix and relevant policies to do two things: reduce the minimum game speed to 3 seconds and remove reference to the independence of outcomes. So what is being identified there is an amendment of the appendix and then the amendment of the 2011 policy; is that right?

MR CONNOLLY: Yes.

10 MS CAHILL: And the amendments to the policy are attachment five, proposed by this paper at page 0032. Now, before we get there, let's go to attachment four, which is amendment to the appendix, I think. That is 0030. Do you see there there is the removal of the independently moving symbols at factor 1?

15 MR CONNOLLY: Yes.

MS CAHILL: You've got a proposal for the change, the reduction of the minimum speed of play but no reference to it being limited to games with additional features at this point. Why is that?

20 MR CONNOLLY: I don't recall. I just recall the outcome and the outcome was that additional features had to be in there.

MS CAHILL: And then --- were you advocating for a reduction only in respect of
25 additional features or did you want it to be across the board?

MR CONNOLLY: I think it should only be done for additional features. Not across the board.

30 MS CAHILL: So why didn't your paper address that?

MR CONNOLLY: I don't know.

MS CAHILL: You see there the deletion of the independence of outcomes?
35

MR CONNOLLY: Yes.

MS CAHILL: Then when we get to the tracked amendments over the page at 0033, we have symbols not in fixed positions, that was dealt with in the appendix, speed of
40 play reduced from 3 seconds to 5, again no reference to the additional features yet, and here is something new, winning combinations. What has been deleted is the prohibition on multi-line, multi-directional winning combinations at 4(iii) --

MR CONNOLLY: Yeah.
45

MS CAHILL: --- which is not the subject of the agenda paper and is not even the subject of any amendment that Crown sought to the appendix or the policy.

MR CONNOLLY: It was part of Crown's presentation. They presented the winning combinations at a Gaming and Wagering Commission meeting and showed them what they looked like and the Commission agreed to that, as I recall.

5

MS CAHILL: Why wasn't it in your agenda paper then?

MR CONNOLLY: I don't know. I don't know.

10 MS CAHILL: Is that truthful evidence?

MR CONNOLLY: It is truthful evidence, which part that they came to a meeting or all of it?

15 MS CAHILL: Yes, they came to a meeting and the multi-direction, multi-line winning bets?

MR CONNOLLY: I recall the presentation being pulled up in front of the Gaming and Wagering Commission to show how the different line and the patterns of wagers could be made, and the changes.

20

MS CAHILL: Let's go back to GWC.0002.0016.0035_ R, page 0413, only on room screens, please. You will see the very last row in the cable, it is yet another characteristic that brings it closer to a poker machine.

25

MR CONNOLLY: It is.

MS CAHILL: So, not included in the agenda paper you accept, yes?

30 MR CONNOLLY: Yes.

MS CAHILL: Did you investigate whether multi-line multi-directional betting on EGMs could increase the risk of harm to patrons?

35 MR CONNOLLY: No.

MS CAHILL: Why not?

MR CONNOLLY: I don't know why I did but I didn't --

40

MS CAHILL: Well, you should ---

MR CONNOLLY: --- again that was part of the conversation with Barry as the most knowledgeable Gaming and Wagering Commission member. What --- that information was at some point in time presented to the Commission, I do recall the presentation being given to them and showing them what the lines looked like around development of new games, but, no, I didn't investigate that.

45

MS CAHILL: Speaking to Barry about his views could not possibly be a substitute for you properly discharging your duties by looking into the question of whether or not removing the prohibition on multi-line or multi-directional betting would
5 increase the risk of harm to patrons, would you agree?

MR CONNOLLY: Okay, I agree.

MS CAHILL: When we go to the minutes of meeting on the GWC on 23 July 2019,
10 GWC.0002.0016.0285, page 0002, item 5.3, you will see there that you briefed members on the proposed changes to the appendix and the policy. You provided further information, recommended that in addition to approving a minimum game speed for base games which incorporate game features. So there is the reference to additional features there. The Commission also mandate a minimum game speed of
15 5 seconds where no game features are incorporated. Now, how many games did you think that was going to affect?

MR CONNOLLY: I have no idea.

MS CAHILL: Well, let's go back to your agenda paper, please.
20 GWC.002.0016.0281. Have a look at the last paragraph on page 001:

In relation to the speed of EGM game play Crown is seeking a reduction *from 5 to 3 seconds. Crown argue that the original determination of a 5 second minimum was made at a time when games were almost exclusively standalone and did not have any extra play game features. In more recent times all EGM games approved by the Commission have had additional game features as part of the overall game proposal.*
25

So this was going to be the default position, wasn't it?
30

MR CONNOLLY: It would likely be the default position, yes.

MS CAHILL: So if we come back to the minutes of meeting of 23 July,
35 GWC.0002.0016.0285, at page 0002, item 5.3, it says that a minimum game speed of 5 seconds where no game features are incorporated with the base game, you understood at this point that that was likely to apply (inaudible); is that right?

MR CONNOLLY: I think I understood at that point it was likely to apply to a small number of games but that would become the default position because game features were the trend. That's what people wanted to play.
40

MS CAHILL: It says:

Members agreed to approve the changes requested including those related to game design and the independence of outcomes and requested that the Minister be briefed in relation to this approval.
45

Then when we get to the resolution, what is approved is changes to the Appendix and policies to reduce the game speed, for games with additional features, to not reduce the game speed where there's no additional features, and to remove references from those documents relating to the independence of outcomes. There is no resolution to remove the prohibition of multi-line or multi-directional line betting. So how does that appear in the policy now?

MR CONNOLLY: The policy document is not a document that is approved by me, it is approved by the Chairman of the Gaming and Wagering Commission, or at a Gaming and Wagering Commission meeting. So that has been approved by somebody else. That's not a decision that I have made.

MS CAHILL: You are the CCO at the time and the DDG.

MR CONNOLLY: Yes, I am.

MS CAHILL: So you know what is in the policy?

MR CONNOLLY: Yes, I am. But again, I'm --- my recollection is that the Commission was briefed on a multi-line. If it is not captured in the minutes, I agree.

MS CAHILL: Well, it's not captured in the resolution.

MR CONNOLLY: Sorry, in the resolution, I agree.

MS CAHILL: So how do we get to the point where the policy reflects something that the GWC has not resolved to change?

MR CONNOLLY: So perhaps in this case the Director-General, who is the chairman of the GWC, was at the meeting and understood that the policies had been put to him, and he signed it off because he knows that conversation has been had.

MS CAHILL: But it would have to be by resolution, isn't it, to change the policy?

MR CONNOLLY: Well, the Director-General has the full delegation of the Commission.

MS CAHILL: You are suggesting that the Director-General exercised delegated authority to change the policy to remove the prohibition on multi-line ---

MR CONNOLLY: The policy was changed.

MS CAHILL: Yes, the question is whether it was done so validly or not, Mr Connolly.

MR CONNOLLY: I don't know the answer to that question. Again, I recall the Commission having the conversation. Obviously the resolution doesn't pick that up.

MS CAHILL: Can I ask you about approving games to be played at the casino and how GWC went about that, particularly approving games to be played on EGMs?

5 MR CONNOLLY: So, typically?

MS CAHILL: No, I'm about to ---

MR CONNOLLY: Sorry, I thought that was the question.

10

MS CAHILL: I'm just introducing it, so you know where I am going.

MR CONNOLLY: Sorry.

15 MS CAHILL: Approving games and, in particular, approving games to be played on EGMs, was a significant part of the monthly work of the GWC members in the meeting; is that right?

MR CONNOLLY: Yes.

20

MS CAHILL: I want to take you to the briefing paper you prepared for Mr Ord when he commenced in the role of DG and chair of GWC. That is DLG.8001.0045.9601. At 9655, at the bottom there is a reference to - do you see that heading "Nature of Gaming Machines at Crown Perth"? Clause 22(2) of the State Agreement is referred to there?

25

MR CONNOLLY: Yes.

MS CAHILL: Over the page at the top of 9656, having drawn Mr Ord's attention to clause 22(2) of the State Agreement, you say:

30

The above clause puts an onus on the Commission to approve a game if: It is played in another casino in Australia; and the rules are acceptable to the Commission.

35

Is that what you understood throughout your time as CCO and Deputy Director-General?

MR CONNOLLY: Yes, that's what I understood.

40

MS CAHILL: It goes on to say in the next paragraph that if a game is not played outside of Perth Casino, so it is a game unique to Perth Casino, the Commission has a discretion as to whether to approve the game, if the rules are acceptable and it is not considered to be a poker machine. I want to ask you a couple of questions to understand a little better what you have put here.

45

MR CONNOLLY: I want to clarify, I don't believe I wrote this briefing note, but I have certainly read it and passed it on to the Director-General.

5 MS CAHILL: Yes, and you accept the contents of it?

MR CONNOLLY: Yes. I did at the time.

10 MS CAHILL: So if you have a game being played on an EGM which is already being played at some casino outside of Western Australia and the rules are acceptable to GWC, is it the case you thought GWC had no discretion, it simply had to approve that game?

MR CONNOLLY: If it's not a poker machine.

15

MS CAHILL: That was my next question. So, as long as it wasn't a poker machine?

MR CONNOLLY: Yes.

20 MS CAHILL: One thing you had to do was ascertain whether the rules were acceptable to the GWC. How did you go about ascertaining what the rules of the game were?

25 MR CONNOLLY: Generally, in terms of submissions, the casino licensee would provide rules of the games for consideration as well, if they were new games.

MS CAHILL: And if they weren't?

30 MR CONNOLLY: If they were existing games, they were just modified to include -- - I mean, lots of the games at Crown are --- there are not that many different types of games. There are lots of clones of a base type of game. So there aren't that many sets of rules for EGMs.

35 MS CAHILL: I will come back to that in a moment, Mr Connolly. But can I understand this by reference to an example. Can we go to the agenda papers for 23 October 2018 GWC meeting. Not for publication, please, operator. GWC.0002.0016.0256 at page 0087, please. Thank you.

40 This is agenda item 6.4. Accepting that you haven't written this agenda paper, but you will be able to speak to it because it conforms to a conventional style of agenda paper for the approval of games.

45 The question is whether the Commission is going to determine to approve, in principle, a new game Casino Cruise and another one called Mighty Coins Wealthy Tiger. At 0088 is the first one, Casino Cruise Jackpots. At 0090 we get an explanation of the game. That's a very typical way that Crown would present these games for approval.

MR CONNOLLY: Very typical.

5 MS CAHILL: That example continues over to 0091. They will usually play a video of the game to the members so they can see it in action?

MR CONNOLLY: Correct.

10 MS CAHILL: Did they ever actually bring the machines in to the GWC for the members to operate them themselves?

15 MR CONNOLLY: Not very often but on more rare occasions, yes. From time to time the Commission will hold a meeting at Crown and play the games themselves out of a live environment.

20 MS CAHILL: Looking at this as an example, going over to page 0092, out of the information being provided here, how does the GWC work out what the rules of the game are versus what its features are? For example, are the symbols used a feature of the game or are they a rule of the game?

MR CONNOLLY: The symbols used are in the rules. Lots of the machines have onscreen rules and as part of the presentation, they will show the onscreen rules as well often.

25 MS CAHILL: But is a symbol a feature or a rule?

MR CONNOLLY: A symbol is part of the game which ---

30 MS CAHILL: Is a symbol a feature of the game or is it a rule?

MR CONNOLLY: It's not a rule.

MS CAHILL: Is the number of jackpots a feature or a rule of the game?

35 MR CONNOLLY: The number of jackpots? Jackpots are a feature but they are in the rules, how they are played. There are rules for jackpots but they are a feature.

MS CAHILL: So, here, how does the GWC work out what a rule is?

40 MR CONNOLLY: From the presentation, they probably don't.

MS CAHILL: What were the considerations relevant to the GWC determining whether rules were acceptable or not acceptable?

45 MR CONNOLLY: Onscreen rules, they would likely see from the presentation. I don't know if this presentation shows onscreen rules. They are rules that are accepted by the GWC as well. So the machine has to play in accordance with the rules that are displayed on the screen.

MS CAHILL: That is an answer to a different question, but we will come back to what I asked you.

5 MR CONNOLLY: Okay.

MS CAHILL: You talk about the rules that were displayed on the screen. What sort of rules were displayed on a screen, typically?

10 MR CONNOLLY: How you win, what constitutes a win, what that looks like in terms of symbols and other things, they would be shown on screen. Denomination, those sorts of things.

MS CAHILL: Minimum bet?

15

MR CONNOLLY: Minimum bet.

MS CAHILL: Minimum speed of play?

20 MR CONNOLLY: I don't believe so. How to win jackpots. In some cases you have to bet the maximum bet in order to be eligible for a jackpot, in some cases.

MS CAHILL: Coming back to the question I asked you, assuming the GWC has been given a set of rules and they have to decide whether they are acceptable to them or not, what were the sorts of considerations the GWC took into account when deciding whether or not rules were acceptable?

25

MR CONNOLLY: Whether they were consistent with other rules. If there was something new in there. So, again, most games are clones of existing games. There is a base set of rules, if you like, and the additions are the new games, the new clones that go in there. Generally, more often, rules are approved once the game is approved in principle outside a Commission meeting, that is under delegation. So officers would review the rules and then make a recommendation to me and I would approve them as DDG, Chief Casino Officer.

30
35

MS CAHILL: When you were approving rules, what did you take into account in deciding whether they were acceptable to the GWC or not?

MR CONNOLLY: What I would take into account is the officer's assessment of those rules, how consistent they were with things that already existed, whether there was anything new in there and whether they reported anything that caused them --- whether there was anything that caused them any concern.

40

MS CAHILL: If a rule was new ---

45

MR CONNOLLY: Yes.

MS CAHILL: --- what would be the considerations taken into account to determine whether that new rule was acceptable or not?

5 MR CONNOLLY: Whether or not it would provide auditability of the game, whether or not it was transparent to players, and whether it was fair. That is, the rule actually said what the game was going to do. I mean, in terms of return to player, none of the games are fair because there is only a 90 per cent return to player, but fair in that people could read that rule and understand what was going to happen.

10 MS CAHILL: Was harm minimisation or RSG ever a relevant consideration in relation to considering the acceptability of rules?

15 MR CONNOLLY: I can't think of an example. Harm minimisation was harm dealt with through other mechanisms rather than the rules. Things like 5-second game speeds, the need or the ability to use player cards, set limits, those sorts of things. The rules were more about auditability, transparency and fairness.

20 MS CAHILL: Multidirectional, multiline betting, is that a rule or a feature?

MR CONNOLLY: I think that is probably more a feature. The rules would certainly articulate what was available in each machine, so they would be in the rules, yes.

25 MS CAHILL: That has a harm minimisation aspect to it?

MR CONNOLLY: Yes.

30 MS CAHILL: Was that ever taken into account: well, we won't allow --- this isn't acceptable because it increases the risk of harm?

MR CONNOLLY: Well, if the Gaming and Wagering Commission policy says that it is acceptable, that is what would be acceptable in the rules.

35 MS CAHILL: When you are in the second scenario in your briefing note to Mr Ord, or the note you reviewed, and you have a game that is unique to Perth Casino and has not been played outside of Western Australia, and Crown or the casino operator is looking for approval of that game, what are the considerations that are taken into account in deciding whether to approve that or not?

40 MR CONNOLLY: Return to player. So if it's a table game, house edge, what the hold will be for casino and what that looks like. Again, the rules articulate clearly how the game is played. People can understand how the game is played. It is transparent and it can be audited.

45 MS CAHILL: Harm minimisation?

MR CONNOLLY: Harm minimisation, yes.

MS CAHILL: Not so important?

5 MR CONNOLLY: Harm minimisation is important, it is important, I'm not understating that, but a casino table game is --- I think the RTP of that game, the hold on that game is a big determining factor for harm minimisation as well.

10 MS CAHILL: So what else? Anything else that is taken into account in determining whether to approve ---

MR CONNOLLY: Not that I can think of straight off the top of my head.

MS CAHILL: Was the approval of a new game ever done under delegation?

15 MR CONNOLLY: Not that I'm aware of.

MS CAHILL: Would it have to go to the GWC, in your view?

20 MR CONNOLLY: Certainly for approval in principle, at the very, very least, and I would expect a little bit further, yes.

MS CAHILL: Do you know if the approach to approving games, as is explained in that briefing paper in the first two paragraphs I took you to, was ever the subject of legal advice to the GWC?

25 MR CONNOLLY: I don't know.

MS CAHILL: In addition to approving new games, the GWC also approved variations to the rules of games that had already been approved?

30 MR CONNOLLY: Yes.

MS CAHILL: That was the bulk of the approval work in relation to EGMs?

35 MR CONNOLLY: Yes.

MS CAHILL: And, in particular, in relation to EGMs typically --- well, indeed, almost all of the games that were approved were derivatives of Arishinko or Video Bingo; is that right?

40 MR CONNOLLY: That's how I understand it. They're certainly derivatives of the existing, yes. Other than the games that were video representations of table games, like poker and Keno and those sorts of things.

45 MS CAHILL: Are they called FATGs?

MR CONNOLLY: No. No.

MS CAHILL: That's different?

MR CONNOLLY: Yes.

5

MS CAHILL: At GWC.0002.0016.0256 is the agenda paper for October 2018. Not on the public screens, please. Back to page 0090. The proposed game Casino Cruise is a derivative of the approved game Mystic Wolf.

10 MR CONNOLLY: Yes.

MS CAHILL: That is an example of it being a variation of an existing game?

MR CONNOLLY: Yes.

15

MS CAHILL: And Mystic Wolf, if you are not aware of it yourself, I will let you know it is a derivative of Video Bingo. Were you aware of that?

MR CONNOLLY: No. No.

20

MS CAHILL: How was the distinction made by the GWC between a game to be played on an EGM that was entirely new versus one that was a variation of an existing game?

25 MR CONNOLLY: I don't recall the last entirely new game, to be perfectly honest.

MS CAHILL: How did you distinguish?

30 MR CONNOLLY: Well, if it can't be played in the rules of Video Bingo, Arishinko or the others that exist, it would need a new set of rules. I can't remember the last time that happened.

MS CAHILL: But rules would be added, wouldn't they?

35 MR CONNOLLY: Yes, but there are still base rules. It is still a game of Video Bingo or Arishinko, or whatever the others are. I don't recall.

MS CAHILL: What makes this a Video Bingo game?

40 MR CONNOLLY: The fact that it is a derivative of something that is already a Video Bingo game and the accredited testing facility has provided certification to say this is what that game is.

MS CAHILL: But you are the Chief Casino Officer ---

45

MR CONNOLLY: Yes.

MS CAHILL: Well, you were the Chief Casino Officer ---

MR CONNOLLY: Yes.

5 MS CAHILL: --- and you had been for a long time. What is the essential nature of the Video Bingo game?

10 MR CONNOLLY: I'm not that intimate with it anymore. I couldn't tell you what the essential nature of a Video Bingo game is anymore. But what I could tell you, thought, is we rely again very heavily on the certification of an accredited testing facility, who say this is Video Bingo.

MS CAHILL: What is the essential nature of an Arishinko game?

15 MR CONNOLLY: Oh, I couldn't explain it to you. There would have been a time I could have explained that, but it's not now. I haven't been that close to it for a long time.

20 MS CAHILL: Were there any policies or procedures the GWC had to guide members to distinguish between a new game and a variation of an existing ---

MR CONNOLLY: Not that I'm aware of.

25 MS CAHILL: Were there any policies, procedures or other discussion papers that guided members as to how to identify a derivative of Video Bingo?

MR CONNOLLY: Not that I'm aware of.

30 MS CAHILL: Were there any policies, procedures, discussion papers or the like that guided GWC members in being able to identify derivatives of Arishinko?

MR CONNOLLY: Not that I'm aware of.

35 MS CAHILL: Were considerations taken into account in deciding whether or not to approve a variation to an existing approved game?

40 MR CONNOLLY: For the GWC, when they see these games and give that approval in principle, they are looking at the screen, at how it looks. They are looking at symbols, they are looking at how it is presented and then they are making their own determination on whether or not they think that is a game that should be approved. They are not --- they are taking the certification or taking --- there isn't a certification for an approval in in-principle. They are looking at how it compares to the existing game and whether it looks to be a derivative of that game.

45 MS CAHILL: Is that it?

MR CONNOLLY: Yeah, I think so. Again, we do get certification from an ATF that says this is a derivative of that game.

MS CAHILL: Variations would have new rules?

5 MR CONNOLLY: Variations would have amended rules, yes. They would have rules that would be added, yes.

MS CAHILL: The GWC would need to make a decision about whether to approve the additional rules?

10 MR CONNOLLY: Not necessarily. The rules can be approved under delegation. So they would go to an officer, the officer would review them and then make recommendations. They are likely to approve them under delegation.

MS CAHILL: That's the GWC ---

15

MR CONNOLLY: The GWC, yes.

MS CAHILL: --- is making the decision by the use of delegated authority?

20 MR CONNOLLY: Yes.

MS CAHILL: What considerations are taken into account in deciding whether or not to approve those amended rules?

25 MR CONNOLLY: Well, primarily, the certification from the ATF to say it is a derivative of this particular style of game and again, auditability, transparency and fairness. Whether the game actually plays in accordance with the things that the rules say it should.

30 MS CAHILL: So, essentially, the process and considerations taken into account effectively mirror the same process that is undertaken where it is a new game?

MR CONNOLLY: Effectively.

35 MS CAHILL: I want to change topics and ask you about the 60 Minutes broadcast in July 2019 that contained a story on the Crown Group called Crown Unmasked. Do you remember it?

MR CONNOLLY: Yes.

40

MS CAHILL: You saw or heard about that program, didn't you, at around the time it was broadcast?

MR CONNOLLY: At around the time it was broadcast, yes.

45

MS CAHILL: You understood the story raised issues about the criminal infiltration of Crown Casinos?

MR CONNOLLY: Yes.

MS CAHILL: In particular, by junkets?

5

MR CONNOLLY: Yes.

MS CAHILL: I want to show you an email chain the following Monday after that program was broadcast, DLG.8001.0003.5307. On the next page, we see at the bottom Mr Carbon has forwarded to Mr Ord, you and Ms Butcher some links to newspaper stories related to the contents of that program. You see that?

10

MR CONNOLLY: Yes.

MS CAHILL: Mr Ord then responds with an expression of hope in relation to GWC's probity audit. You see that?

15

MR CONNOLLY: Yes.

MS CAHILL: You then respond. Can we go back to 5307, so we can see the beginning of this, please, and maybe put the pages side-by-side. You felt the need to explain to Mr Ord, did you, what the regulatory architecture was in respect of junket operations?

20

MR CONNOLLY: Yes.

25

MS CAHILL: Did you assume he didn't know what it was?

MR CONNOLLY: He would have been aware but I was reinforcing that as a position.

30

MS CAHILL: You explain that in WA there is no approval or licensing of operators or members of junket groups. You say:

It has historically been extremely difficult to conduct any sort of probity assessment of individuals that have come out of some other countries

35

MR CONNOLLY: That is the experience.

MS CAHILL: What was the basis for that statement?

40

MR CONNOLLY: Previous experience with the Casino Investigations Unit with WA Police and the reliance, at the end of the day, on a National Police Clearance Certificate --- an Australian National Police Clearance Certificate, and conversations with those officers who said it was extremely difficult to get information out of other countries. That wasn't China, that was more Indonesia and other places in those time periods.

45

MS CAHILL: There is a reference to the GWC funding a police unit vetting junket players in the '80s or '90s?

5 MR CONNOLLY: '90s, yes.

MS CAHILL: As far as you knew though, that was a somewhat effective means of conducting probity assessments on foreign nationals coming to Perth Casino?

10 MR CONNOLLY: Well, that's where the information came from that it was difficult to get detailed information about players from overseas jurisdictions.

MS CAHILL: But they did have some success in identifying and vetting some players, didn't they?

15

MR CONNOLLY: Not that I can recall. Perhaps, yes, but I don't recall that.

MS CAHILL: So is it the case, because you weren't the Chief Casino Officer at the time ---

20

MR CONNOLLY: I would have been an inspector at the time.

MS CAHILL: You wouldn't know to what extent it was successful or otherwise?

25 MR CONNOLLY: No. I can only assume it wasn't successful because the practice ceased and the Gaming and Wagering Commission stopped the funding.

MS CAHILL: Now, the next sentence after that in the second paragraph on page 5307, please, where I was on the second paragraph, pop out the paragraph "In WA we do not approve". You talk in the second sentence about the police unit that was discontinued and then you say:

30

Since that time we have relied on border protection agencies to ensure that people getting into the country are appropriate to do so.

35

You see that?

MR CONNOLLY: Yes.

40 MS CAHILL: Well, not since you got the AUSTRAC report in 2017, Mr Connolly; is that right?

MR CONNOLLY: I can accept that, yes.

45 MS CAHILL: You knew that any reliance on border force to ensure that people getting into the country were appropriate to participate in junkets at Perth Casino was misplaced?

03:12PM

MR CONNOLLY: Yes.

5 MS CAHILL: Why didn't you frankly explain to Mr Ord at this point that some two years prior, AUSTRAC had made that point to you?

MR CONNOLLY: I don't know.

10 MS CAHILL: Well, you were misrepresenting the position to Mr Ord here, weren't you?

MR CONNOLLY: I wasn't giving him a complete picture.

15 MS CAHILL: No. Was there a reason you didn't give him a complete picture?

MR CONNOLLY: No, there was not. It was just an oversight.

MS CAHILL: Were you trying to protect Crown?

20 MR CONNOLLY: Absolutely not.

MS CAHILL: In the third paragraph, you say:

25 *We have been criticised for this approach before and I expect will be criticised again*

The entity who had criticised GWC before that you were intending to refer to was AUSTRAC; is that right?

30 MR CONNOLLY: I don't know if AUSTRAC criticised but AUSTRAC provided the report that you referred to, to say ---

MS CAHILL: Well, you say "we". That's GWC?

35 MR CONNOLLY: Yes.

MS CAHILL: Yes?

MR CONNOLLY: Yes.

40 MS CAHILL: "Have been criticised for this approach before"?

MR CONNOLLY: Certainly been criticised publicly in the media for that approach.

45 MS CAHILL: Were you intending to refer to AUSTRAC as well?

MR CONNOLLY: I don't think so, but --- no, I don't think I was intending to refer to

AUSTRAC.

5 MS CAHILL: Then you say "I expect will be criticised again". By whom?

MR CONNOLLY: By the same people who criticised us the first time.

MS CAHILL: Why did you expect to be criticised again?

10 MR CONNOLLY: Because that is the nature of these things. It wasn't resolved so, therefore, we will be criticised again for not having it resolved.

MS CAHILL: What did you expect the criticism to be?

15 MR CONNOLLY: I don't know what my expectation of the criticism was going to be. I guess it's the same as it has always been, that we were allowing these criminals into Crown.

20 MS CAHILL: So you were conscious of the fact that publicly there was a sentiment that GWC wasn't doing enough?

MR CONNOLLY: Yes.

25 MS CAHILL: Now if we pop that back, please, and go to the next page. You see the third paragraph from the bottom, commencing:

The Commission has been provided with a number of detailed presentations from Crown

30 You see that?

MR CONNOLLY: Yes, I see that:

35 MS CAHILL: Many of the AUSTRAC requirements are incorporated into approved operation policy and procedure manuals. Unfortunately the DLGSC is not an authority that AUSTRAC can share information with and Crown are in breach of AML legislation if they provide you with information. Then the last sentence:

40 AUSTRAC is the entity with the overriding responsibility when it comes to AML.

You see that?

MR CONNOLLY: Yes.

45 MS CAHILL: Why didn't you frankly explain to Mr Ord at this point that some two years prior, AUSTRAC had pointed out to you that there was a significant money laundering vulnerability because transactions reported to AUSTRAC under the name

of the junket operator did not expose transactions in individuals names' participants?

MR CONNOLLY: Don't know.

5

MS CAHILL: Why didn't you frankly explain to Mr Ord at this point that WA offered the least amount of regulatory oversight of junket tours and operators in Australia?

10 MR CONNOLLY: I don't know why I didn't do it at that point.

MS CAHILL: Now your suggested response to the 60 Minutes story from the point of the regulator and the point of view of the government was to first wait and see how the regulators in NSW and Victoria wanted to respond; is that right?

15

MR CONNOLLY: If that's what I've said, I don't recall.

MS CAHILL: Well, you wanted to see what they were going to say and collaborate with them in relation to a response; do you recall that?

20

MR CONNOLLY: Yes.

MS CAHILL: And the other thing you proposed was that the state-based regulators develop a uniform process for dealing with junket operators and participants?

25

MR CONNOLLY: Yes.

MS CAHILL: Let's look at that at DLG.8001.0051.9080. You refer here, you see this email from you to Mr Ord and Mr Carbon at (inaudible)?

30

MR CONNOLLY: Yes.

MS CAHILL: And you say in the second paragraph:

35 *Our position will likely be very similar to this in that we rely on other agencies to assess whether people come into the country.....*

Well, you didn't because you were told not to two years earlier, isn't that right?

40 MR CONNOLLY: Sorry, can you repeat that again.

MS CAHILL: Second paragraph:

45 *Our position will likely be very similar to this in that we rely on other agencies to assess whether people come into the country*

MR CONNOLLY: Yes.

MS CAHILL: Well, you didn't, did you?

MR CONNOLLY: No.

5

MS CAHILL: So that was just untrue?

MR CONNOLLY: Well, I don't write things that I think are untrue at the time. I don't know what I was thinking, but that's not what I do.

10

MS CAHILL: You go on to say in the next paragraph, second sentence:

15 *One way forward here that I intend to propose, subject to your approval, is to get all state based regulators to consider how we deal with junket operators and participants so that we have a uniform process from one jurisdiction to the next.*

MR CONNOLLY: Yes.

20 MS CAHILL: That was just passing the buck, wasn't it?

MR CONNOLLY: No, it's not passing the buck, it is actually trying to get that process off the ground and make that work but it didn't happen.

25 MS CAHILL: In the two years since you had thought about that on the back of the AUSTRAC conference, had you come up with a single idea about what this national framework might be comprised of?

30 MR CONNOLLY: Certainly conceptually what it would be comprised of, but it needed to get people into the room to have a discussion and that did not happen.

MS CAHILL: What did you see what the national framework would look like, what would it actually involve?

35 MR CONNOLLY. Again it would involve understanding what each of the regulators and authorities were doing, and coordinating what they were doing, so that there was no duplication in those roles, and everybody had a responsibility for an aspect of that.

40 MS CAHILL: But WA wasn't doing anything.

MR CONNOLLY: Not at that point, no.

45 MS CAHILL: Did you think how the national framework would look is that every regulator would get in a room and Victoria would say "We are doing this", and NSW would say "Yeah, we do that as well and then we do one other thing", and then WA would say "We don't do anything", and there you have your national framework?

MR CONNOLLY: No, we would then take the best of what other people were doing

within our legislative framework that allows us to do. One thing you pointed out to me today is the names of junkets and participants we could give the police and have police do checks on those again, because that could have been part of the framework for WA.

MS CAHILL: That was obvious, Mr Connolly.

MR CONNOLLY: Yes, you've pointed that out to me.

MS CAHILL: And it was obvious as an interim arrangement that should be put in place to address the risks from junkets pending a cross-jurisdictional approach.

MR CONNOLLY: Yes, you pointed that out to me and I've conceded that I failed there.

MS CAHILL: And that is something that should have occurred to you in light of the 60 Minutes report.

MR CONNOLLY: Yes, probably.

MS CAHILL: Now, can I take you to an email on the same day, 29 July 2019 that you sent to Emma Roebuck at the Department of Premier and Cabinet, that is DLG.8001.0007.3012 at 3.14 pm.

Here is some tick-tacking with the Department of Premier and Cabinet to what is going to be the Government response to this media interest in Crown Casino or particularly Perth Casino in light of the 60 Minutes report and the allegations that had been made. And you write to Ms Roebuck saying that you are still waiting to see the full 60 Minutes stories, but in the second paragraph you say that you have a sense of what it involves. And then in the third paragraph, the first sentence you say:

It is important to note that we are yet to establish that Crown has done anything wrong.

Do you see that?

MR CONNOLLY: Yes, I do.

MS CAHILL: Why was that important?

MR CONNOLLY: Well, if we knew they had done something wrong, the Commission would be obligated to do something about it immediately, to take some sort of disciplinary action against them immediately.

MS CAHILL: And conversely, if it was only a possibility but not a certainty, you wouldn't have to act immediately to mitigate a risk, that's what ---

MR CONNOLLY: No, that's not what I'm saying. But we should have. I should have.

5 MS CAHILL: Well, were you concerned to ensure that Crown's commercial interests were protected at Perth Casino unless and until someone had actually proved that they had done something wrong?

10 MR CONNOLLY: That is not my concern. That was not my concern. My concern was around the Gaming and Wagering Commission.

MS CAHILL: Were you concerned that it wouldn't be in Crown's commercial interests to restrict junket activity to Perth Casino and therefore you were going to resist that unless and until it was shown that that was absolutely necessary?

15 MR CONNOLLY: No, that's not my concern, no.

MS CAHILL: Would you agree that you didn't display an appropriate precautionary attitude in the public interest by saying "It is important to note that we are yet to establish that Crown have done anything wrong" ---

MR CONNOLLY: With the benefit of glowing hindsight now, yes, I would.

25 MS CAHILL: Because not doing anything at this point left the Western Australian community exposed to the risk in the interim that the Perth Casino would be infiltrated by criminals or used to facilitate money laundering ; do you agree?

MR CONNOLLY: I accept that.

30 MS CAHILL: Shortly after this you received an email from Mr Preston, copied to Mr Marais, that's DLG.8001.0003.5392. This is Monday 29 July 2019. This is the day after the 60 Minutes report. And he says:

35 *Afternoon Mick, Further to our conversation last week, please find following for your information a copy of the media release that we have issued late today.*

Had you and Mr Preston in the previous week had a conversation about the 60 Minutes program before it was broadcast?

40 MR CONNOLLY: I think I recall a conversation where he advised me that the 60 Minutes program was going to be broadcast.

MS CAHILL: And what did he tell you in that conversation?

45 MR CONNOLLY: I don't recall. It was --- I don't know if he had the full details of what the 60 Minutes story entailed, but I do recall a conversation to say that there

was going to be a story.

5 MS CAHILL: Did he tell you that it was going to concern junkets?

MR CONNOLLY: I don't recall the full details of that, but I would imagine that he would --- I wouldn't have been given that level of detail.

10 MS CAHILL: Did he tell you it was likely to be critical of Crown?

MR CONNOLLY: Don't recall.

MS CAHILL: Did you inform Mr Ord or any of the other GWC members about that conversation before the program was broadcast?

15 MR CONNOLLY: I informed the Director General.

MS CAHILL: Mr Ord?

20 MR CONNOLLY: Yes.

MS CAHILL: Is there a reason why you didn't inform the other members of the GWC before the show was broadcast?

25 MR CONNOLLY: No.

MS CAHILL: Well, wouldn't you want them to see it?

30 MR CONNOLLY: They would see it. We would tell them once it was broadcast as well and circulate, but I don't recall telling other members of the GWC before it was broadcast.

MS CAHILL: And is there a reason why you didn't?

35 MR CONNOLLY: Well, I don't recall doing it.

MS CAHILL: If we look at the attached media statement to this email, the next page at the bottom, this is a statement from a Crown spokesman sent by an email from a Natasha Stipanov, and it says in the second last paragraph:

40 *Crown has a robust paragraph for vetting junket operators and undertakes ongoing reviews of [those] operators*

Did you know that to be a correct statement at the time?

45 MR CONNOLLY: I know that they vet junket operators, they did World-Checks and other checks. Those checks I'm aware of. So robust might be a stretch, but certainly I knew they had a process for vetting junket operators.

MS CAHILL: Did you query with them the reference to the process being "robust" at the time?

5 MR CONNOLLY: No, I didn't, that was their media statement.

MS CAHILL: Did you ask Crown to substantiate any aspect of this media statement at the time?

10 MR CONNOLLY: No, I did not.

MS CAHILL: Why not?

15 MR CONNOLLY: It is their media statement. They were going to have to substantiate down the track but that is their media statement. I wasn't interfering in whatever they were doing putting out to the media.

20 MS CAHILL: Would you not be concerned as the regulator to ensure that the Western Australian public were correctly informed about matters to do with the casino?

25 MR CONNOLLY: At that point in time I wouldn't be aware that they weren't correctly informed. I'm aware they had a process for vetting junket operators. Robust is probably a judgment call than anything else.

MS CAHILL: Let's go to DLG.8001.0003.5394. This is an email from a member of GWC, Mr Duckworth to you on 29 July 2019 at 9.57 pm:

30 *Is there anything which Commission members should be briefed of at this stage with regard to Crown Perth and allegations generally about Crown currently in the media?*

MR CONNOLLY: Yes.

35 MS CAHILL: And your response the next morning is at DLG.8001.0001.9927. And we see that in the second half of the page, sorry, if we go over the page, 9.42 am. So this is your response to Mr Duckworth which you provide to all of the GWC members, and it follows on, in terms, to what you had previously told Mr Ord; is that right?

40 MR CONNOLLY: Yes, it does.

45 MS CAHILL: And it includes, if we cursor down, at the bottom and first of all I will take you to the paragraph, "In terms of probity of the individuals involved" at the top of the screen at the moment, you see that?

MR CONNOLLY: Yes.

MS CAHILL: And about the fifth line down:

5 *Since that time we have relied on border protection agencies to ensure that people getting into the country are appropriate to do so.*

MR CONNOLLY: Yes.

10 MS CAHILL: You fall back on an argument you know has no basis?

MR CONNOLLY: Again, with the benefit of blinding hindsight, yes.

MS CAHILL: It's not with the benefit of blinding hindsight ---

15 MR CONNOLLY: Yes, I have.

MS CAHILL: --- you had been told fair and square that that was not a reasonable basis on which to rest your risk mitigation ---

20 MR CONNOLLY: Yes.

MS CAHILL: --- in respect of criminal infiltration of junkets to Perth Casino. You had been told that two years before. So why were you telling the members that you were relying on Border Force in 2019?

25 MR CONNOLLY: Because we were still relying on Border Force even though we probably shouldn't be.

30 MS CAHILL: You at least had to tell the members here that AUSTRAC had alerted you to the folly of that, two years before.

MR CONNOLLY: I accept that.

35 MS CAHILL: What was the reason that you didn't do that?

MR CONNOLLY: I don't know why I did that.

MS CAHILL: And then when we go to the bottom paragraph:

40 The Commission has been provided with a number of detailed presentations

Et cetera, and it repeats the reference to AUSTRAC, and again, you did not frankly explain to GWC the deficiencies in that approach.

45 MR CONNOLLY: I accept that.

MS CAHILL: It was most unfair to the members that you failed to do that; would

you agree?

MR CONNOLLY: I would accept that.

5

MS CAHILL: Now if we go back up to the first page of this document, in a separate email to the members at 1.50 pm; do you have that?

MR CONNOLLY: Yes, I do.

10

MS CAHILL: You propose a short media release to be issued on behalf of the GWC?

MR CONNOLLY: Yes.

15

MS CAHILL: And what you do is you provide a short version and then a slightly longer version in the second half of the email; you see that?

MR CONNOLLY: Yes, I do.

20

MS CAHILL: Let's go to the slightly longer version. It says:

25 *The Commission does not approve junket operators or players. The issues relating to the issuing of visas are matters for the appropriate Commonwealth agencies. In addition, Crown Perth is subject to obligations imposed by other regulators such as*

Referencing AUSTRAC.

30 MR CONNOLLY: Mm-hmm.

MS CAHILL: Now, that was just wrong to your knowledge, wasn't it?

MR CONNOLLY: I don't think it is wrong.

35

MS CAHILL: The issues relating to the issuing of visas are matters for the appropriate Commonwealth agencies.

40 MR CONNOLLY: Yes, so what's wrong with that --- factually what is --- nothing incorrect.

MS CAHILL: What you intended to represent, if that were to be included in a media statement, was that visas, the approval of visas was a suitable proxy for the approval of someone as appropriate to participate in a junket tour to Perth Casino?

45

MR CONNOLLY: Well, I think the other issue at the time, and I may be wrong in my timing, but the other issue was an issue of visas being issued by the Department of Home Affairs and an investigation being conducted around the process of issuing

visas. But that is --- I don't think that is a wrong statement.

5 MS CAHILL: Let's come back to my question. The issues relating to the issuing of visas are matters for the appropriate Commonwealth agencies. Now, saying that immediately after "The Commission does not approve junket operators", you are seeking to represent that the approval of junket operators is addressed by the approval of visas. Well, that's what you've always believed ---

10 MR CONNOLLY: That is what I believed.

MS CAHILL: You told me this morning --- (overspeaking) ---

MR CONNOLLY: That is what I believe.

15

MS CAHILL: --- (overspeaking) --- to this day.

MR CONNOLLY: Yeah, I do.

20 MS CAHILL: But you can't possibly because AUSTRAC told you fair and square that you can't believe that.

MR CONNOLLY: Yes.

25 MS CAHILL: Yes?

MR CONNOLLY: Yes.

MS CAHILL: So you were misleading in this statement, weren't you?

30

MR CONNOLLY: Not intentionally, but yes.

MS CAHILL: And similarly with your reference to AUSTRAC?

35 MR CONNOLLY: I accept that. It is not my intention to mislead, but yes, I accept what you say.

MS CAHILL: You prepared an agenda paper for the GWC dated 20 August 2019. That is GWC.0004.0018.0007. Here is the recommendation in the grey text box.

40

You recommend that the Commission first of all:

Note that Federal border protection agencies process and approve the issuing of *visas to overseas players*.

45

MR CONNOLLY: The same position.

MS CAHILL: Why did you make that recommendation?

MR CONNOLLY: I have no idea. I really don't recall where my head was at when I wrote that.

5 MS CAHILL: Were you seeking to distract the GWC from the task of squarely embracing what to do to address the risk that was clearly present at Perth Casino posed by junket tours coming?

MR CONNOLLY: Absolutely not.

10

MS CAHILL: Second dot point, you recommend that the GWC note that AUSTRAC is the Federal agency responsible for administering AML legislation. Same point again --

15 MR CONNOLLY: Same point again.

MS CAHILL: --- isn't it, Mr Connolly?

MR CONNOLLY: Yes, it is.

20

MS CAHILL: And yet, if we go through this paper, there is no reference to the AUSTRAC report.

MR CONNOLLY: No, there is not.

25

MS CAHILL: Why not?

MR CONNOLLY: I don't know. I didn't give the AUSTRAC report the gravitas that it deserved. I obviously didn't do that.

30

MS CAHILL: Well, it's a bit more than that. Were you trying to bury ---

MR CONNOLLY: No.

35 MS CAHILL: --- that report so that GWC members did not see it?

MR CONNOLLY: Absolutely not. Absolutely not.

40 MS CAHILL: Well, if ever there were a time to disclose it, the time was now, would you agree?

MR CONNOLLY: To disclose?

45 MS CAHILL: It to the GWC members, when an issue about the propriety of junket tours to Perth Casino were fair and square in front of them.

MR CONNOLLY: Yes, yes, I would agree. I don't know where my head was at,

where the report was at, what the report was at, and what I thought about that report obviously I did not give it the gravitas it deserved, but I did not do that as an intentional matter of distracting them.

5

MS CAHILL: It's not a question of gravitas, Mr Connolly, is it?

MR CONNOLLY: No --

10 MS CAHILL: You were the Chief Casino Officer and Deputy Director-General.

MR CONNOLLY: --- you're right.

15 MS CAHILL: If anyone had carriage of this matter in providing advice and guidance to GWC it was you, would you agree?

MR CONNOLLY: Yes.

20 MS CAHILL: And you understood that the repeal of the Regulations in 2010 and the relaxation of the Casino Manual junket requirements in 2017, both fundamentally rested on an assumption that Border Force and AUSTRAC sufficiently mitigated the risk of junkets to Perth Casino. You recall that?

MR CONNOLLY: Yes.

25

30 MS CAHILL: So, quite obviously, once you had been told by AUSTRAC in 2017 that that reliance on AUSTRAC and Border Force was misplaced, and you then had allegations, as were aired in the 60 Minutes report about the risk of those junkets, you in your position as DG and Chief Casino Officer should have put that all squarely in front of the GWC and said, "We need to find another way to mitigate the risk, here is what I suggest".

MR CONNOLLY: Clearly I have failed. Clearly, I have failed.

35 MS CAHILL: The question is why, Mr Connolly?

MR CONNOLLY: I don't know. I can't answer that question.

MS CAHILL: And even now you don't recommend any interim measures?

40

MR CONNOLLY: In 2019, no.

MS CAHILL: All that you propose again in this paper is that there be the idea of a national framework?

45

MR CONNOLLY: Yes. Yes.

MS CAHILL: And that Mr Preston brief the GWC on Crown's risk management

processes and due diligence processes?

MR CONNOLLY: Yes.

5

MS CAHILL: In maintaining this position of the GWC not having the responsibility to vet the probity of junket participants or operators, and not having the responsibility to oversee money laundering risks, were you trying to act for Crown's benefit?

10

MR CONNOLLY: Absolutely not.

MS CAHILL: Were you trying to discourage the GWC from taking any interim steps to protect Perth Casino from the risks of junket tours?

15

MR CONNOLLY: Absolutely not.

MS CAHILL: Were you trying to avoid or discourage GWC from involving itself more directly in the regulation and oversight of junket activities at the Perth Casino?

20

MR CONNOLLY: Absolutely not.

MS CAHILL: Were you trying to avoid the prospect that Crown's junket activities would be subject to greater scrutiny from GWC and perhaps WAPOL?

25

MR CONNOLLY: No.

MS CAHILL: Can I ask you one last set of questions and they will only be brief, Mr Connolly. In your witness statement that you gave to this Commission you made some disclosure, I think you described it as full disclosure of your relevant friendships. If you go to your statement MCN.0001.0001.0039, and we go to page 0066 at page 252, you say there:

30

35

In respect of conflict of interests, I set out below my knowledge of the relevant Department policies and personal friendships that I had, and still have.

At page 0070 over the page at 292, under the heading "personal relationships", you say that:

40

Set out below is a complete disclosure of my friendships with individuals who, at one time or another have been Crown employees.

You go on at 293 to identify Mr Hulme, Mr Nicoll and Mr Marais. You don't mention Mr Preston there. Is there a reason for that?

45

MR CONNOLLY: I don't consider Mr Preston to be a personal friend. I'm friendly with Mr Preston, I'm not friends with him. I don't socialise with him generally, I don't consider him to be a "friend".

MS CAHILL: Well, let's go to CRW.709.132.2391.

MR CONNOLLY: Yes.

5

MS CAHILL: Wasn't he included in invitations to go fishing?

MR CONNOLLY: He was included in a couple of invitations to go fishing because of Paul and Claude and their relationship with him. To my recollection I don't think
10 he came. He may have come on one fishing trip and that would be it. But, again, I don't have that same personal relationship with him that I have with the others.

MS CAHILL: But you regularly invited him ---

15 MR CONNOLLY: I didn't regularly invite ---

MS CAHILL: You did not?

MR CONNOLLY: He was invited because of Paul and Claude. So I don't know if I
20 regularly invited him.

MS CAHILL: Did you understand that he was friends with them?

MR CONNOLLY: Yes.

25

MS CAHILL: Friends outside of work?

MR CONNOLLY: Yes.

30 MS CAHILL: What did you understand about their friendship?

MR CONNOLLY: Well, they are work colleagues, that's what I understood about their friendship. I don't know what else they did together outside of work.

35 MS CAHILL: Precisely my question, Mr Connolly; aside from them working together, what did you understand their relationship to be?

MR CONNOLLY: Well, friends, I guess. Friends.

40 MS CAHILL: What did you know about that friendship?

MR CONNOLLY: Not a whole lot. I knew that they socialised together from time to time, but I knew they socialised together with lots of people from Crown in the legal and compliance area.

45

MS CAHILL: So did you understand that mainly Mr Marais and Mr Hulme's relationship with Mr Preston was a work one?

MR CONNOLLY: That would be what I would understand, that it was mainly a work one, yes.

5 MS CAHILL: So why did you invite him on fishing trips?

MR CONNOLLY: Because of the relationship with those two. And I don't know if I invited him. Perhaps I did. Perhaps I did.

10 MS CAHILL: Well, are you saying you don't remember whether you invited him on fishing trips?

MR CONNOLLY: I don't. On any specific occasion, I don't, but I probably did.

15 MS CAHILL: All right. Let's go to CRW.709.132.3200. So this is an exchange that you are included in ---

MR CONNOLLY: Yes.

20 MS CAHILL: --- and if we just go over the page, you have sent Mr Preston and the others a YouTube video of, what is this, of crayfishing?

MR CONNOLLY: I think so, yes.

25 MS CAHILL: Yes. And then if we go back to the first page, Mr Preston responds, and it is obviously Mr Preston commenting on the comments of the crayfishing trip. Yes?

MR CONNOLLY: Yes, I believe so.

30

MS CAHILL: If we go to the top of this page, Mr Hulme responds:

35 *I am also responsible for putting the rubbish in the bin at the conclusion of our trip, which Josh will take over responsibility for --- if his wife ever lets him out on a boys fishing trip.*

Was there a standing invitation for him to come onboard on fishing trips?

40 MR CONNOLLY: No, I don't believe there was. There may have been an invitation at some point but certainly there was no standing invitation.

MS CAHILL: But in any event, if he were invited, he was invited because he was a work colleague of Mr Marais and Mr Hulme's is that right?

45 MR CONNOLLY: And someone who had common interest. We just had a chat. Yes.

MS CAHILL: Did you think it was appropriate for the Chief Casino Officer to be

going out on fishing trips with someone whose association with the social trip was that he was a work colleague of casino employees?

5 MR CONNOLLY: No, it's not appropriate.

MS CAHILL: And if we just look at DLG.8001.0029.0916.

10 Do I understand here, you did this more than once, didn't you, you sent Mr Preston adverts for boats for sale?

MR CONNOLLY: Yes.

15 MS CAHILL: In case he might be interested in buying a boat?

MR CONNOLLY: Yes, I knew he was looking.

MS CAHILL: You helped him out?

20 MR CONNOLLY: Sending him ads.

MS CAHILL: Not as a friend?

25 MR CONNOLLY: We had those conversations, "Here's what I have seen". Friendly, yes. Friends, something different.

30 MS CAHILL: Commissioner, that completes my examination of Mr Connolly, but noting the time and the length of time that Mr Connolly has been in the box today, it might be appropriate, given we have tomorrow, for us to adjourn for today if that's what you wish to do.

35 COMMISSIONER JENKINS: I'm certainly happy to do that. I think if we were to continue we'd need to have a break now anyway. So what I might do is actually give Mr Connolly's solicitor the opportunity to speak to him purely about the topic, about whether he would like to continue now or whether he would like a break and come back tomorrow and then let one of the associates know. Personally I'm happy to do either, depending on what he would prefer. So we will break for five minutes.

40 **ADJOURNED** **[3.46PM]**

RESUMED **[3.54PM]**

45 COMMISSIONER JENKINS: Please be seated. I understand the preference is to continue. Now, the front bar table went first I think the last couple of witnesses, so it might be fair to invite the back bar table to go first this time.

Yes, Mr Evans.

5 **CROSS-EXAMINATION BY MR EVANS**

MR EVANS: If I might, Commissioner, thank you.

10 Mr Connolly, if you recall, my name is Evans, I represent the Gaming and Wagering Commission in the Commission. I just want to make a few aspects of really one part of your evidence today perfectly clear for the Royal Commission.

15 I will direct your attention back, if I can, to the AUSTRAC report of 2017 and just ask you a couple of questions about your interactions with AUSTRAC around them, if I could. So could I have GWC.0004.0019.0012, starting at page 0007. Ms Cahill took you to part 5 which dealt with the opportunities for risk mitigation. I think you recall you read this at the time?

20 MR CONNOLLY: Mm-hmm.

MS CAHILL: The second sentence of paragraph 5.1, which is curiously couched in the third person:

25 *AUSTRAC should consider investigating if there is a cost - benefit justification for an additional AML/CTF regulation of junkets and, if there is, what the most effective and least burdensome regulatory strategy would be.*

30 I will ask you to cast your mind back, and you may not be able to answer this; did that suggest to you at the time that AUSTRAC had not reached a conclusion as to whether there was a sufficiently material AML/CTF risk to justify investment in further regulation?

35 MR CONNOLLY: I don't think I can answer that. I don't recall.

MR EVANS: Thank you. The second part, 5.2 indicates that:

AUSTRAC is in the process of negotiating MOUs with many state-based *regulators*.

40 And then contemplates information sharing arrangements. Now, you have been party to discussions with AUSTRAC during this period; do you recall those?

45 MR CONNOLLY: I don't recall AUSTRAC entering or approaching the Department or the GWC to enter into ---

MS CAHILL: That was going to be my question. You have no recollection of

AUSTRAC actually approaching?

MR CONNOLLY: No. No.

5

MS CAHILL: And you obviously didn't reach out in a sense to provoke AUSTRAC into negotiating an MOU?

MR CONNOLLY: It was contemplated but formally no, didn't reach out to AUSTRAC, no.

10

MR EVANS: Thank you. In the course of your calls or your conference, and I recall you had a conference of regulators with AUSTRAC I think in Melbourne ---

MR CONNOLLY: Yes.

15

MR EVANS: --- did AUSTRAC ever identify any specific concerns about junket operations at Crown Perth to you?

MR CONNOLLY: No, not specifically, no.

20

MR EVANS: Did they ever request any specific information from you about junket operations?

MR CONNOLLY: Not beyond what we were currently undertaking as part of our processes.

25

MR EVANS: Did they ever indicate what specific information they would seek from you either in an MOU or otherwise?

30

MR CONNOLLY: No.

MR EVANS: Did they pass on any specific information to you?

MR CONNOLLY: No.

35

MR EVANS: Can I then take you down a little further in relation to this at the bottom of 5.3 and going over to page 8, there is a dissemination list; you will see that?

40

MR CONNOLLY: Yes, I do.

MR EVANS: Now, there are a number of parties on that dissemination list including the various gambling regulators, the Australian Criminal Investigation Commission, the Federal Police, ASIC, ATO, were any of those parties represented at this conference ---

45

MR CONNOLLY: Not that I recall. I think it was just casino regulatory authorities

as I recall.

5 MR EVANS: On the next page, page 8, the Department of Racing, Gaming and Liquor is on the dissemination list, it's in the second bullet point there.

MR CONNOLLY: Yes.

10 MR EVANS: Now, the dissemination list would have been to the Department because AUSTRAC engaged with you in your capacity as Deputy Director-General in relation to your policy responsibilities for the department; is that right?

MR CONNOLLY: I believe so, yes.

15 MR EVANS: Thank you. The Gaming and Wagering Commission is not as such on the distribution list?

MR CONNOLLY: No.

20 MR EVANS: The last entity on the distribution list is the Western Australian police; you see that?

MR CONNOLLY: Yes, I do.

25 MR EVANS: At any time have you been asked by Western Australian police about any of the matters in the AUSTRAC report?

MR CONNOLLY: In the AUSTRAC report?

30 MR EVANS: Yes.

MR CONNOLLY: No.

35 MR EVANS: Have you ever been asked about information you can provide to the police about counter-terrorism financing and anti-money laundering?

40 MR CONNOLLY: Only in 2020. Officers from the anti-money laundering unit reached out as they were aware that the Bergin Report was going to be made public, and they were --- they reached out to explore the idea of some sort of collaboration but that was one introductory meeting and there were no follow-up meetings after that.

45 MR EVANS: You were asked a number of questions about information that was held as a result of the former provisions of the Casino Operations Manual, name, date of birth and passport number for junket participants.

MR CONNOLLY: No.

04:00PM

MR EVANS: Have you ever been asked to supply that information to WA police by WA police?

5 MR CONNOLLY: No.

MR EVANS: You have been asked by Victorian police, I think your evidence was, to supply that information or to supply information in relation to specific (inaudible).

10 MR CONNOLLY: Yes.

MR EVANS: Have you received any other requests from interstate regulatory authorities?

15 MR CONNOLLY: Not that I recall.

MR EVANS: Are you aware that the Western Australian police has an MOU directly with Crown for information exchange and cooperation?

20 MR CONNOLLY: No.

MR EVANS: Are you aware whether the Border Force itself can supply information directly to Western Australian police?

25 MR CONNOLLY: No.

MR EVANS: Or to AUSTRAC?

MR CONNOLLY: No. Can I take you back one question.
30

MR EVANS: Certainly.

MR CONNOLLY: I'm aware, from meeting with WA police anti-money laundering unit, that they do get information from AUSTRAC, intelligence holdings in respect
35 of people who gamble at Crown, and that they do have conversations with Crown about those people, but not with the MOU in place, no.

MR EVANS: Thank you. No further questions. Thank you, Commissioners.

40 COMMISSIONER JENKINS: Thank you.

Ms Seaward.

45 **CROSS-EXAMINATION BY MS SEAWARD**

MS SEAWARD: Mr Connolly, my name is Seaward and I act for the Department.

Just while you have that AUSTRAC document in front of you, if the operator could take us back up to the first page and in the information summary box, you were asked some questions, I believe, about items 2, 3 and 4. We just see there item
5 number 1, the summary, "Casinos are broadly aware of and comply with the AML/CTF obligations regarding international junkets"; do I understand the position to be that AUSTRAC never said anything to you to suggest that Crown Perth was failing to comply with their AML obligations?

10 MR CONNOLLY: That's correct. I never had any information from AUSTRAC about Crown Perth.

MS SEAWARD: Thank you. Now, this information report is dated July 2017. We've heard from, I think you've mentioned it yourself today and from other
15 witnesses, including Mr Ord yesterday, that in 2017 in the middle of the year there were the Machinery of Government changes, and broadly speaking those Machinery of Government changes resulted in the former Department merging into the larger Department that we have today.

20 Now, Mr Ord gave evidence yesterday that from July 2017 onwards when this Machinery of Government change took place, there were a number of other important priorities that he as the Director General had to deal with and other senior officers in the Department had to deal with. In terms of the merger itself, he mentioned issues to do with merging IT systems, transitioning to the cloud and
25 cybersecurity, and the actual mechanics of merging the Departments and staff cuts. Do you agree that those were issues that the Department was dealing with at the time?

MR CONNOLLY: Significant issues that the Department was dealing with at the
30 time. Very time-consuming issues as well.

MS SEAWARD: And were there other issues to do with the merger that you can think of that were also being dealt with at the time that you had involvement in or senior officers had involvement in?
35

MR CONNOLLY: There were a number of issues with the merger. Probably some of the things that caused the greatest disruption were severances, voluntary severances, and at the end of the day we had to achieve a number and in some cases whole areas of the Department took a severance, particularly in the Local
40 Government area from my perspective.

MS SEAWARD: Sorry, when you say "Department" there, do you mean the new merged Department?

45 MR CONNOLLY: The new merged Department, yes.

MS SEAWARD: Sorry, I interrupted you, keep going.

MR CONNOLLY: Particularly in there, and Local Government was a very busy part of the organisation at that point. So I assumed responsibility for all the regulatory functions of the Department of Local Government, Sport and Cultural Industries.

5

MS SEAWARD: And that included the Local Government section?

MR CONNOLLY: It did.

10 MS SEAWARD: Mr Ord also gave evidence about some of the other non-merger issues but substantive portfolio issues that occupied importance for the department at the time. In the liquor area he talked about there was some section 64 liquor investigations on foot; do you agree with that?

15 MR CONNOLLY: Yes, I do.

MS SEAWARD: And were there other liquor legislative reforms that also had to be progressed?

20 MR CONNOLLY: Legislative reforms in terms of regulations to support new initiatives, a drinker's register being one, which was also very time consuming and still going.

MS SEAWARD: And they were election commitments were they?

25

MR CONNOLLY: They were.

MS SEAWARD: And ---

30 MR CONNOLLY: I beg your pardon, I don't think they were an election commitment at that point, it was an election commitment following the last election to expand to the goldfields.

MS SEAWARD: Thank you.

35

Mr Ord also mentioned in terms of Local Government the City of Perth inquiry.

MR CONNOLLY: Yes.

40 MS SEAWARD: Was that something you had any responsibility for?

MR CONNOLLY: Yes, it was.

MS SEAWARD: And he mentioned there were some work to do in the combat sports area; is that correct?

45

MR CONNOLLY: That's correct and that fell within my area as well.

MS SEAWARD: So his estimation is it took quite a number of years for those matters to be resolved. Would you agree with that?

5 MR CONNOLLY: Yes, I would agree with that. And for the staffing and other issues to be resolved as well. So new Department merged together, there is internal competition for resources and that takes a while to work through that.

MS SEAWARD: Thank you. No further questions.

10

COMMISSIONER JENKINS: Thank you, Ms Seaward. Ms Young?

MS YOUNG: No, thank you.

15

COMMISSIONER JENKINS: Yes, Mr Dharmananda?

CROSS-EXAMINATION BY MR DHARMANANDA

20

MR DHARMANANDA: Mr Connolly, my name is Dharmananda and I appear for the Crown Group.

25

Mr Connolly, you were asked questions this afternoon about the 2019 changes to the appendix; do you recall that.

MR CONNOLLY: Yes, I do.

30

MR DHARMANANDA: And you recall that that started off with a letter from the Crown Group to the GWC?

MR CONNOLLY: Yes.

35

MR DHARMANANDA: If I could take you to that letter and that letter was included in the pack of materials sent to the GWC; was it not?

MR CONNOLLY: Can you show me the letter you are talking about.

40

MR DHARMANANDA: Can we go, please, to GWC.0002.0016.0281.

MR CONNOLLY: Yes, I believe it was.

45

MR DHARMANANDA: That is an attachment to the memorandum that you had sent, which is at _0001. Operator, if you could show Mr Connolly that. You see that?

MR CONNOLLY: Yes, I do.

MR DHARMANANDA: So you included that letter in the pack of materials sent to the GWC and that letter from Crown at page 0003 of the letter, 0008 --- the letter starts at 0003 and the relevant passage is at 0008. You will see there there is a
5 reference in that letter at that page to beneath the number 8; you see that, Mr Connolly?

MR CONNOLLY: Yes, I do.

10 MR DHARMANANDA: That reference there specifically to the "winning combination" issue; you see that, Mr Connolly?

MR CONNOLLY: Could you just give me two seconds.

15 MR DHARMANANDA: Sure.

COMMISSIONER JENKINS: Mr Dharmananda, where should I be reading?

MR DHARMANANDA: Just beneath the paragraph number 8, Commissioner.

20 COMMISSIONER JENKINS: First paragraph.

MR DHARMANANDA: So:

25 *If the Commission is agreeable Specifically, in addition to the mentioned above, Crown Perth requests that the multi-line and multi directional winning combinations witness box varied.*

MR CONNOLLY: Yes.

30 MR DHARMANANDA: You make mention of a presentation given by Crown in relation to this issue amongst other issues; do you recall that?

MR CONNOLLY: Yes, I do.

35 MR DHARMANANDA: If I could take you please to CRW.709.145.4892, which is the commence of the document. Is this the presentation to which you made reference, Mr Connolly?

40 MR CONNOLLY: We'd probably have to scroll through that.

MR DHARMANANDA: If I could take you to assist you in that regard to page 4899. But, please, do scroll through, operator, to its Mr Connolly with his
45 recollection.

MR CONNOLLY: You can keep going.

MR DHARMANANDA: There is an overview at 4893 if it assists you,

Mr Connolly, but the relevant part I wanted to show you is at 4899. And you will see on that page, Mr Connolly, if you go to the last paragraph there is a reference to "winning combinations". Does that --- does this assist you with your recollection as to whether this was the presentation to which you were making reference?

MR CONNOLLY: It probably doesn't. I recall something a bit more diagrammatic and showing what the proposal was for new game winning combinations. I'm not sure this is the one that I was referring to.

MR DHARMANANDA: Okay.

MR CONNOLLY: Or whether that was actually presented at this meeting, I don't recall.

MR DHARMANANDA: Right.

Counsel Assisting asked you some questions in relation to some references to what GLI had stated; do you recall that?

MR CONNOLLY: Yes, I do.

MR DHARMANANDA: If we go to GWC.0002.0016.0137, and if we go to the next page, you will see that under item 4.1.2 there is a reference to you briefing the Commission on certain matters. And then there is a reference to the advice from GLI; do you see that?

MR CONNOLLY: Yes, I do.

MR DHARMANANDA: Do you recall how that advice was provided?

MR CONNOLLY: No.

MR DHARMANANDA: Do you recall who, in terms of the relevant individual, that provided that advice?

MR CONNOLLY: No.

MR DHARMANANDA: Do you know what work was done by that individual, unnamed, before that advice was given?

MR CONNOLLY: No, I don't recall. I don't know.

MR DHARMANANDA: Do you recall whether the information provided to you, and as recorded there, was based upon a study or based upon anecdotal reflection?

MR CONNOLLY: I don't know.

MR DHARMANANDA: Thank you. No further questions, Commissioner.

5 **QUESTIONS BY THE COMMISSIONERS**

COMMISSIONER JENKINS: Yes, Commissioner Murphy.

10 COMMISSIONER MURPHY: Mr Connolly, you recall the questioning about the change of speed of play, the 3 seconds and 5 seconds.

MR CONNOLLY: Yes.

15 COMMISSIONER MURPHY: My question is simply how the Commission intended to regulate that to measure the speed of play on the different machines?

MR CONNOLLY: Again through certification from an accredited testing laboratory. So a testing laboratory would run the game in simulation and come up with an
20 average speed. And the Commission, as I recall, stipulated an average speed of I think from my memory, I think it was 5.2 seconds, it had to be.

COMMISSIONER MURPHY: So they would do an average of the machines at the casino rather than looking at non-feature and feature machines?
25

MR CONNOLLY: No, for a new game proposal they would simulate that on that new game and provide that average figure for that game and that game would have to be certified 5.2 seconds, I think.

30 COMMISSIONER MURPHY: And regulating the existing games, the existing machines in the casino, was there any testing done on those?

MR CONNOLLY: As I understand and the --- and I recall the conversations the plan was to audit them from time to time as we do audit gaming machines on a regular
35 basis to actually have GLI recertify, so provide them with the same software running on the floor and recertify that the game speed is still not above 5 seconds.

COMMISSIONER MURPHY: So they would run their software testing and certify what the speed of play was for a particular machine.
40

MR CONNOLLY: Yes. As I understand the casino licensee can do it through their systems but they can only do it where a player is using a loyalty card so they can actually time the game so when the card is inserted in the machine. It's not available
45 any other way, other than certification.

COMMISSIONER MURPHY: The problem with the loyalty card, as I understand it, would be if the patron looked away or took a drink or something like that it would be included in the time; is that correct?

MR CONNOLLY: Yes, it's not an accurate way to do it. The accredited testing facility in my opinion is the only way to do it.

5 COMMISSIONER MURPHY: Thank you for that. Commissioner?

COMMISSIONER JENKINS: Thank you.

10 Mr Connolly, firstly in respect of the multi-line play issue, can I just understand what your evidence is. Do you say that that removal of the prohibition on multi-line play in the EGM policy was discussed and agreed upon at the same meeting that the reduction in the speed of play was approved or was it at a different meeting?

15 MR CONNOLLY: I'm not saying it was at the same meeting, I'm saying I don't recall. What I'm saying is that I recall the Commission getting that presentation? I don't recall that meeting, if it was the same meeting or not.

COMMISSIONER JENKINS: So do you recall the Commission agreeing to remove that aspect of the policy?

20

MR CONNOLLY: Yes.

COMMISSIONER JENKINS: And you would expect that approval to be minuted?

25 MR CONNOLLY: I would have expected that approval to be minuted.

COMMISSIONER JENKINS: So do you agree it wasn't minuted at that meeting where the reduction in the speed of play was ---

30 MR CONNOLLY: It would appear so, yes.

COMMISSIONER JENKINS: So if it was at another meeting you would expect we should be able to find that in the minutes of GWC?

35 MR CONNOLLY: I would expect that that would be minuted and if not that is an oversight I believe.

40 COMMISSIONER JENKINS: In respect of the reduction in the speed of play, can I just obtain your understanding of how this works. With an EGM game that has extra features, how long is it after a player pushes the button to commence one game, and if that game is a losing game, without obtaining any extra features, how long does it take between pushing the button to start the game till when they can push the button to start another game.

45 MR CONNOLLY: 3 seconds.

COMMISSIONER JENKINS: And if it is a winning game but without extra

features?

MR CONNOLLY: 5 seconds.

5

COMMISSIONER JENKINS: And if it is a winning game with extra features?

MR CONNOLLY: Sorry, are we talking about different machines here. So a game with features, it's 3 second, the base game ---

10

COMMISSIONER JENKINS: What I'm saying is if it is same game, it is a game which has extra features, but I have a winning game, but it's not an extra feature, I'm simply --- the machine is telling me I'm getting extra credits, I've won; how long will that game take?

15

MR CONNOLLY: It depends. The meter is increment so that you can't press the game to play again, certainly that's my understanding. You can't press to play again until the meter is increment. So it depends on what you win. If you win a large amount, the meter will increment for a longer period of time than if you win ten or five credits or something like that.

20

COMMISSIONER JENKINS: But on your analysis I would understand it would be 3 seconds or longer or more than 3 seconds? When the minimum rate of play is 3 seconds, so could it be 3 seconds?

25

MR CONNOLLY: Plus the increment time, whatever time that is.

COMMISSIONER JENKINS: But if in fact there is no increment ---

30

MR CONNOLLY: 3 seconds.

COMMISSIONER JENKINS: 3 seconds?

MR CONNOLLY: Yes.

35

COMMISSIONER JENKINS: Then if it is a winning game with features ---

MR CONNOLLY: Yes.

40

COMMISSIONER JENKINS: --- what again will be the minimum time the game will take?

MR CONNOLLY: Well, on average they were working out to be about eight or nine seconds but it depends on the feature. So you can win multiple times on a feature as well. So you can win multiple times on a feature as well. So you pop a number of bubbles and get more credits or you can pop a number of bubbles and get more free games. If you get more games you continue to play feature until you go back to the base game. So I don't think I could definitely say it is a period of time, it depends on

45

those features.

5 COMMISSIONER JENKINS: With respect to a game without special features and the 5 second minimum time, do you understand that there is any gap between the end of the game and the 5-second minimum time?

10 MR CONNOLLY: No. So as soon as the base game has run and finished, the player can press play and go straight again.

COMMISSIONER JENKINS: But what I'm saying to you is with a machine that has a 3-second minimum, presumably --- well, the game, if it is a losing game, might only take 3 seconds.

15 MR CONNOLLY: Yes.

20 COMMISSIONER JENKINS: With respect to a machine that has a 5-second minimum, will a losing game take 5 seconds or could a losing game take 3 seconds, you then have to wait a second, 1.5 seconds or 2 seconds before you can push the button again?

25 MR CONNOLLY: No, on 5 seconds, a losing game will take a minimum of 5 seconds. They are certified to do that. The complete outcome of the game won't be known for a minimum of 5 seconds.

30 COMMISSIONER JENKINS: So I understand then that you understood the decision of the GWC to be that with a game with an extra features or so, playing a machine which had extra features, the average length of game was a minimum of what you've said --- sorry, you tell me. What did you understand the decision of the GWC to be?

35 MR CONNOLLY: So the information that was put to the GWC, which was provided by GLI, was that an average a game that has a 3 second base game and goes into features takes between eight and nine seconds. The GWC's resolution was to allow an EGM with a base game of 3 seconds with game features it had to, it had to have a minimum time period, that is the final outcome of the game, that spin, had to take longer than I think it was 5.2 seconds. It was certainly 5 seconds.

40 COMMISSIONER JENKINS: So my question is when I look at the resolution, the minutes, that is not reflected in the minutes. What it says is that for a game with special features a speed of game of 3 seconds.

MR CONNOLLY: I think that was reflected in a subsequent meeting, in the minutes of a subsequent meeting, from memory looking at documents today.

45 COMMISSIONER JENKINS: Without going back to have a look at that, do you agree with me that in order to reflect what you are saying GWC decided, there would have to be more to the resolution than simply we reduce the speed of play to 3 seconds?

MR CONNOLLY: Yes.

5 COMMISSIONER JENKINS: And that basically what the decision was that the average speed of the game had to be 5 seconds with a minimum of 3?

MR CONNOLLY: No. Minimum of 3 if there was --- I'm confusing myself, now.

10 COMMISSIONER JENKINS: Again I'm talking only at this point about a machine with extra features.

MR CONNOLLY: Yes.

15 COMMISSIONER JENKINS: For a machine with extra features, that as you say the decision of the GWC was that it had to have an average speed of at least 5 seconds and a minimum speed of 3?

MR CONNOLLY: A base game of 3 and an average speed of over 5 seconds, yes.

20 COMMISSIONER JENKINS: When Crown told the GWC and the Department that the average speed of a game that had extra features was over 8 seconds, did you understand that Crown had calculated that average speed by looking at carded play or by analysing the carded play of its members and that that carded play may include breaks such as when someone walked away from a machine but left their card in it to talk to a friend or go to the bathroom or whatever reason.

25 MR CONNOLLY: Not initially but, yes, during the conversations and during the presentation at the Gaming and Wagering Commission meeting, yes. But the reliance was not on that, it was on the certification from the accredited testing facility that this is how long a game will go for, has to go for.

30 COMMISSIONER JENKINS: Right. Well let me understand that first. Are you saying that Crown made it clear to the GWC members during the presentation that their representation that games took over 8 seconds where it included a special feature was not in effect an accurate assessment of the average length of a game because it did or could include breaks such as we have discussed?

35 MR CONNOLLY: I don't think they would have had access at that point in time. I don't think they provided information from a testing laboratory to say otherwise and the only place they could have got that information from was from carded play. Whether they took the breaks out of that, I think I do recall conversations about them taking the breaks out of that but how they did that and how accurate that information was I couldn't tell you.

40 MR CONNOLLY: I don't think they would have had access at that point in time. I don't think they provided information from a testing laboratory to say otherwise and the only place they could have got that information from was from carded play. Whether they took the breaks out of that, I think I do recall conversations about them taking the breaks out of that but how they did that and how accurate that information was I couldn't tell you.

45 COMMISSIONER JENKINS: I don't think you've answered my question, with all due respect, Mr Connolly. I know it is getting late. What I wanted to know is whether you recall Crown making that clear to the GWC members during its

presentation in respect of this application to reduce the speed of play?

MR CONNOLLY: No, I don't recall that.

5

COMMISSIONER JENKINS: You then went on to say that you think that that was -- that would be determined by an accreditation facility. Are you saying, I just want to make this clear, are you saying that that material had been supplied to GWC in the course of the determination of the application or are you saying that it would be the accreditation facility which, in the future, once the rule was decided, would determine what the average speed of play was?

10

MR CONNOLLY: So in the future once the rule was decided, so when applications were put forward for new games, base game with a 3 seconds with a game feature, they would have certification for that game from an accredited testing facility.

15

COMMISSIONER JENKINS: Thank you.

Can I then move on to a another topic, which is the Problem Gambling Support Services Committee. Now we understand that you chaired that committee?

20

MR CONNOLLY: For Duncan, representing Duncan, yes, I believe I did.

COMMISSIONER JENKINS: Well, that's what I wanted to ascertain. In what capacity did you chair that committee?

25

MR CONNOLLY: So, prior to the MoG arrangements in 2017, Barry Sergeant would attend the Problem Gambling Support Services Committee. Post MoG with all of the responsibilities that Duncan took on I represented him on the Problem Gambling Support Services Committee.

30

COMMISSIONER JENKINS: So you represented Mr Ord in his role as DG or as Chair of the GWC?

MR CONNOLLY: My understanding is as Chair of the GWC and I stepped in for him as the Deputy Chair of the GWC. That's how I understand that.

35

COMMISSIONER JENKINS: And what was your view as to whether that committee was a subcommittee of the GWC or not?

40

MR CONNOLLY: Certainly it was created under the auspices of the GWC so I was under the view it was a subcommittee of the GWC.

COMMISSIONER JENKINS: Are you aware that the Gaming and Wagering Commission Act requires a member of the GWC to be on any subcommittee?

45

MR CONNOLLY: Again my understanding of that was Duncan was that member and when he couldn't attend, I attended on his behalf as the Deputy Chair. That's

how I understood that and that's how I was performing that role.

5 COMMISSIONER JENKINS: Do you recall in your attendance at GWC meetings whether there was ever any discussion about what powers the committee was exercising as a subcommittee of the GWC?

MR CONNOLLY: Not that I recall.

10 COMMISSIONER JENKINS: And do you recall there being any discussion or direction given by the GWC as to --- to tell the committee what its role was, what its reporting obligations were, any of that?

MR CONNOLLY: Not that I recall.

15 Certainly the strategic plan for PGSSC went to the Commission for the Commission's approval. I guess that was the only direction that --- their approval of that strategic plan was the only direction I'm aware they had given.

20 COMMISSIONER JENKINS: So when you chaired that committee, how did it determine --- I withdraw that. Did it determine its own strategic plan, functions, role, decisions or were those matters determined by any other body?

25 MR CONNOLLY: So, again, I took over those responsibilities from 2017 and pretty much the process that had flowed from before that date continued and the PGSSC determined its own strategic plan which was considered by the Commission and approved or not. But they did it themselves.

30 COMMISSIONER JENKINS: Whilst were you on that committee, and whilst you were the CCO, did it concern you that gambling operators were members of the committee?

35 MR CONNOLLY: No, not really because they were the ones who were funding that. That was their voluntary contributions to fund the PGSSC and they were involved in the problem gambling awareness campaigns and the information dissemination processes. So it didn't concern me overly.

40 COMMISSIONER JENKINS: I've put it to try and illustrate the point to Mr Ord in the following manner: would you then think that it was appropriate for tobacco manufacturers and sellers to be on an anti-smoking committee?

MR CONNOLLY: Probably not.

45 COMMISSIONER JENKINS: So what do you see is the difference?

MR CONNOLLY: I've actually never really thought about it as a difference. I probably don't see any difference, the same as liquor wholesalers on those health campaigns. No, probably.... I don't see any difference.

COMMISSIONER JENKINS: In respect to RSG, I understand that the GWC did not audit the Perth Casino's Responsible Service of Gambling policy?

5 MR CONNOLLY: No.

COMMISSIONER JENKINS: Was there any reason why it didn't?

MR CONNOLLY: Not that I'm aware of.

10

COMMISSIONER JENKINS: Do you think it should have?

MR CONNOLLY: If it was going to audit Crown Casino's Responsible Service of Gambling, it would probably have to audit everybody --- every gambling operator, Racing and Wagering WA, Lotterywest and all of the gambling operators but, I don't know. I'm not aware of a reason why they didn't.

15

COMMISSIONER JENKINS: You were the CCO, and I know it is late in the day, Mr Connolly, but it is important for the Commission because the Commission has got to think about this. Should the GWC be auditing the RSG program at the casino. If there is a reason why it shouldn't be, then we would like to know?

20

MR CONNOLLY: I certainly think there is more opportunity for the Gaming and Wagering Commission to get involved in problem gambling and problem gambling issues and support. They haven't done that, largely because at this point in time it is difficult to imagine where those resources to do that would come from. They are doing other things. But I do think that there is a substantial opportunity for the Gaming and Wagering Commission to become much more involved in problem gambling and previous members have been very strong advocates of that.

25

30

COMMISSIONER JENKINS: On another discrete topic, do you have an understanding about the banknote acceptor limit for EGMs at the Perth Casino?

MR CONNOLLY: I have. It is probably an old understanding and today has been a bit of a memory test for me so I will give this one a go. It is a \$100 limit on a banknote acceptor.

35

COMMISSIONER JENKINS: I didn't mean it to be a memory test, really, because I want to follow on from that. Did you understand that fully automated table games had a different and higher banknote acceptor limit?

40

MR CONNOLLY: No. I don't think so, no.

COMMISSIONER JENKINS: So you didn't think they did?

45

MR CONNOLLY: No, I didn't think they did. No.

5 COMMISSIONER JENKINS: Indeed this might be a memory test and if you don't recall, just tell me. Was the limit imposed by the GWC as part of the Casino Manual (Operations) or as part of the casino directions or in some other way or was it a limit imposed on itself by Crown?

MR CONNOLLY: No, it was imposed by the Gaming and Wagering Commission.

10 COMMISSIONER JENKINS: So we should be able to find it somewhere?

MR CONNOLLY: I would think so, yes.

COMMISSIONER JENKINS: And would it likely to be in the Casino Manual?

15 MR CONNOLLY: I think it would be in a manual, yes.

COMMISSIONER JENKINS: Mr Ord said yesterday that there was an officer in the Department who was responsible for RSG and/or harm minimisation? Does that accord with your ---

20 MR CONNOLLY: No. Certainly there are officers who are responsible for the administration of the PGSSC, but I don't know of anybody responsible for RSG and harm minimisation specifically.

25 COMMISSIONER JENKINS: So that was someone who was responsible for helping in the administration side of the ---

MR CONNOLLY: Yes.

30 COMMISSIONER JENKINS: Now, different topic, this is a question of the casino tax revenue.

35 MS CAHILL: Whilst you were CCO, did the issue of whether the Perth Casino should include as part of its revenue for casino taxable revenue that is, the dollar value of Crown rewards loyalty points which patrons converted to EGM credits, whether they should be included as part of the casino taxable revenue?

MR CONNOLLY: Not that I recall.

40 COMMISSIONER JENKINS: So was your understanding that they were included?

MR CONNOLLY: My understanding would be if they are turnover on a gaming machine they are recorded as taxable revenue.

45 COMMISSIONER JENKINS: Just to make sure that we have got this straight: so I, as a Crown Rewards member, have credited to me some points, which if I put my card into a machine, an EGM, I can through a process convert those points into gaming credits on that EGM. Are you saying your understanding is they should be,

the dollar value of those points should be part of the casino taxable revenue?

5 MR CONNOLLY: That's what I think happens. Again, I'm not 100 per cent certain, but that's what I think happens. Once they are convert into gaming credits, they because revenue and tax is payable on them.

10 COMMISSIONER JENKINS: And would the same be true in respect of Crown Rewards points be converted into table game credits in some way?

MR CONNOLLY: Yes because at some point in time they are going to have to have some sort of instrument to exchange for chips.

15 COMMISSIONER JENKINS: Can I just understand the position: were any junket operators ever given permission at Crown Perth to operate gaming salons?

MR CONNOLLY: Independently?

20 COMMISSIONER JENKINS: Independently.

MR CONNOLLY: No. There was a proposal from Crown in I believe around about 2019 and it was very clear that that wouldn't get any support.

25 COMMISSIONER JENKINS: I want to clarify what happened in respect of Vanessa Webb's concerns. Did I understand your evidence to be that after hearing of those concerns you did issue a direction that they be investigated?

30 MR CONNOLLY: As I recall, what I said to officers at that point, if they are the concerns and they are legitimate concerns and you believe that this is happening, please prepare an investigation report and an agenda item for the Gaming and Wagering Commission. That didn't happen.

35 COMMISSIONER JENKINS: And so do you recall doing or saying anything else to anybody to follow up on them?

MR CONNOLLY: No, I don't recall.

40 COMMISSIONER JENKINS: I know you probably feel we have covered this off sufficiently, but with respect to what GWC could do in respect of regulating the money laundering risk at the casino, you gave evidence that you understood that the Perth Casino itself did World checks on its junket operators. You are nodding your head.

45 MR CONNOLLY: Yes.

COMMISSIONER JENKINS: And are you aware that there is another group called Factiva who provide intelligence?

MR CONNOLLY: Not specifically, no.

5 COMMISSIONER JENKINS: Did you ever consider requiring Crown to provide the result of the World check and any other intelligence check that they had done on the junket operators to the GWC or the Department?

MR CONNOLLY: No.

10 COMMISSIONER JENKINS: And did you ever consider whether it would be, and this is prior to 2021, appropriate for you to provide advice to the GWC as to whether it should prohibit junkets at the Perth Casino?

15 MR CONNOLLY: No. No. And I wouldn't have thought that that would have been politically acceptable at that point in time either but, no, I didn't.

COMMISSIONER JENKINS: Did you have a view, and I'm talking now about prior to 2020, based on what Crown told you as to whether the junkets were commercially, financially important to the operation of the Perth Casino?

20 MR CONNOLLY: I had a view that they were important.

COMMISSIONER JENKINS: And was that based on what Crown employees told you?

25 MR CONNOLLY: And the revenue figures that were visible to me and to others in the Department and to the investment that Crown had made in facilities in order to attract junket operators.

30 COMMISSIONER JENKINS: So if this Commission had been told by a former senior member of the Crown at the corporate level that junkets were high-risk and low margin, would that surprise you?

35 MR CONNOLLY: No. They are certainly high risk and low margin. The only way they make money out of junkets is through turnover and the margins are very low. But the dollars we are talking about are very high.

COMMISSIONER JENKINS: You've made it clear in your evidence that you regard Western Australia as having a low rate of problem gambling.

40 MR CONNOLLY: Yes.

COMMISSIONER JENKINS: Is that compared to other Australian jurisdictions or worldwide?

45 MR CONNOLLY: Australian jurisdictions.

COMMISSIONER JENKINS: And I want to know on what you base that opinion?

MR CONNOLLY: Prevalence studies from the last problem gambler studies, which are quite old now. I would acknowledge that they are quite old.

5 COMMISSIONER JENKINS: Are we talking about the original ones relied upon for the 1999 Productivity Commission report?

MR CONNOLLY: I think there had been one more set since then but that's it.

10 COMMISSIONER JENKINS: And when you say "one more set", are you then referring to the extrapolation I think from that study that was included in the Productivity Commission review that came after the 1999?

MR CONNOLLY: It would be in the early 2000s is what I'm talking about, so
15 probably, yes.

COMMISSIONER JENKINS: And it is those two things that you are basing on?

MR CONNOLLY: Yes.

20 COMMISSIONER JENKINS: Thank you, I don't have any further question.

Anything, Ms Cahill?

25 MS CAHILL: Nothing further.

COMMISSIONER JENKINS: Any re-examination?

MR ZAPPIA: No re-examination.

30 COMMISSIONER JENKINS: Mr Connolly, that concludes your evidence this afternoon. We will leave the summons in place in case there are any follow-up questions we want to ask you. I doubt that will require you to re-attend but it is nonetheless possible that it will. Otherwise you are free to go now and also free to
35 discuss matters with your legal advisors.

MR CONNOLLY: Okay, thank you.

40 **THE WITNESS WITHDREW**

COMMISSIONER JENKINS: Thank you, Mr Connolly. We will adjourn to
45 Thursday.

**ADJOURNED AT 4.46 PM UNTIL THURSDAY, 9 SEPTEMBER 2021 AT
10.00AM**

Index of Witness Events

MR MICHAEL CONNOLLY, RE-AFFIRMED	P-3514
CROSS-EXAMINATION BY MS CAHILL	P-3514
CROSS-EXAMINATION BY MR EVANS	P-3639
CROSS-EXAMINATION BY MS SEAWARD	P-3642
CROSS-EXAMINATION BY MR DHARMANANDA	P-3645
QUESTIONS BY THE COMMISSIONERS	P-3648
THE WITNESS WITHDREW	P-3659

Index of Exhibits and MFIs