

**IN THE MATTER OF A ROYAL COMMISSION INTO
THE PERTH CASINO**

SECOND WITNESS STATEMENT OF KATIE HODSON-THOMAS

Date of Document: 27 August 2021

Filed on behalf of: The Gaming and Wagering Commission of
Western Australia

Prepared by:

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I, **KATIE HODSON-THOMAS** of c/o Quinn Emanuel Urquhart & Sullivan, Level 41, 108
St Georges Terrace, Perth, Western Australia, say as follows:

INTRODUCTION

1. This statement is provided in response to the summons dated 16 August 2021 and issued pursuant to section 9 of the *Royal Commissions Act 1968* (WA), which is directed to me by the Perth Casino Royal Commission (**PCRC**).

2. This is my second witness statement provided to the PCRC. My first statement is dated 7 May 2021 (WIT.0001.0001.0023).
3. In this witness statement, I do my best to address the list of questions provided to me late last week.
4. As described in my first witness statement, I am a current member of the Gaming and Wagering Commission of Western Australia (GWC). My current appointment commenced on 1 January 2018 for a term expiring 31 December 2020 and I was reappointed on 1 January 2021 for an additional term expiring 31 December 2023 (WIT.0001.0001.0030, [18]-[19]).
5. This statement is true and correct to the best of my knowledge and belief. The views I express in this statement are from my own knowledge, except where I indicate otherwise.

TOPIC 1: ACCOUNTABLE AND ETHICAL DECISION MAKING (AEDM) TRAINING PROGRAM

In your capacity as a Commissioner of the GWC, were you offered the opportunity to undertake and did you undertake the AEDM training program?

6. I have not been provided the opportunity to undertake, and I have not undertaken, the AEDM training program in my capacity as a Commissioner of the GWC or otherwise.
7. I recall that the GWC members were informed at the GWC meeting on 11 March 2021 that AEDM training would be arranged by Human Resources for all GWC members.¹

¹ GWC.0002.0016.0367_R_0214.

8. To date, I have not received an invitation from Human Resources to attend AEDM training. I intend to undertake the AEDM training once it is offered to me.
9. I understand that the AEDM training program is designed to support public sector employees to make accountable and ethical decisions. As set out in my first witness statement, I have completed, amongst other things, Governance Training with the Australian Institute of Management, and the Company Directors course at the Australian Institute of Company Directors.² A component of the training I undertook with the Australian Institute of Management and the Australian Institute of Company Directors related to accountable and ethical decision making.
10. I am familiar with the AEDM framework and the public sector guidance in relation to board conduct which goes with that, and which formed part of my induction for my second appointment. To the extent applicable to a regulatory body like the GWC, I comply with it and in my experience, based upon the GWC meetings that I attend, other members of the GWC also comply with those principles.

TOPIC 2: FINANCIAL MATTERS

The adequacy of briefing papers and any oral briefings received by the Commission from the Department concerning the Commission's finances, including the service fee charged by the Department.

11. It is difficult for me to assess the adequacy of briefing papers and any oral briefings provided by the Department in relation to the GWC's finances from a technical financial lens because I do not have a background in accounting or finance.
12. GWC finances are a standing agenda item for GWC meetings.

² WIT.0001.0001.0023, [5].

13. The GWC is provided with information in relation to the GWC's finances as part of every Agenda pack. As appropriate, information provided to the GWC in the Agenda packs would include monthly financial reports, annual financial statements, audited financial statements after they are audited by the Office of the Auditor General, and annual budgets to be approved by the GWC in approximately July each year.
14. To the extent a member of the GWC had a question in relation to the financial matters presented at the GWC meeting, that question would either be addressed at that meeting, at the following GWC meeting or by email by the Department's finance team between meetings.
15. I took comfort from other members of the GWC, in particular Ms Jodie Meadows and Ms Carmelina Fiorentino given their finance backgrounds, that the briefing papers and any oral briefings were adequate.
16. I understand from previous discussions during GWC meeting that the service fee charged by the Department was set prior to my appointment as a member of the GWC by reference to the scale and the scope of Departmental resources that were allocated to GWC matters, and that that figure generally increased by approximately CPI each year. This was confirmed in the August 2021 GWC meeting during which the Department explained now the service fee is calculated based on the allocation of Departmental resources committed to GWC matters. Prior to the August 2021, I did not have any transparency in relation to the calculation of the service fee.

Your understanding of the Commission's responsibility to review and approve the Commission's finances, including the service fee charged by the Department, and how this responsibility was discharged by the Commission.

17. I understand that it is the GWC's responsibility to scrutinise and manage the GWC's finances as presented to it by the Department at each GWC meeting.

18. The GWC discharged this responsibility by reviewing the financial materials provided to it as part of each Agenda pack, raising queries in relation to the items presented, and submitting the accounts to the Office of the Auditor General to complete an annual audit.

TOPIC 3: DELEGATIONS

Your understanding of the Commission's intention in delegating all of its powers other than the power of delegation to Departmental officers and the effect of a delegation of that kind.

19. It was my understanding from the Agenda papers provided to the GWC by the Department, discussions during the relevant GWC meetings and past practice that the Commission's intention in delegating its powers to Departmental officers was to allow the relevant Departmental officers to make routine decisions, and to take steps to implement approvals that had been passed by the GWC in circumstances where the GWC only met on a monthly basis and the GWC was completely dependent on the Department's officers and employees to undertake the work required for the GWC.
20. That intention was reflected in the Agenda papers that accompanied the request to the GWC in April 2020 for the GWC to sign an Instrument of Delegation to the Deputy Director General. Those Agenda papers, and the briefing provided at the GWC meeting, explained that the purpose of the delegation was to:

"expediate approvals required as part of transitioning to a new wagering licensee to operate the WA TAB as a delegation currently does not exist/or the DDG; and

enable the position holder to exercise, in a timely manner, matters that may require attention between GWC meetings.”³

21. My understanding was also consistent with the GWC’s decision not to approve the request also made in April 2020 to delegate certain functions to the position of Director that would have given the Directors the power to:
 - 21.1 approve a software upgrade for an approved Electronic Gaming Machine (EGM) game subject to the receipt of a satisfactory report by an accredited testing facility;
 - 21.2 approve a new EGM game which has previously received ‘in-principle’ approval from the Commission subject to the receipt of a satisfactory report by an accredited testing facility; and
 - 21.3 issue approval for a new, or to expand offsite gaming equipment storage facilities for the casino.⁴
22. The expectation was that any exercise of a delegated power would always be reported back to the GWC.
23. During my time as a member of the GWC, the Agenda papers included as standing agenda item for “Approvals under Delegation” in which the GWC was informed of the approvals granted under delegation.⁵ Those reports reinforced my understanding that delegations were only exercised for routine matters.

³ GWC.0002.0016.0299_0010; GWC.0001.0007.0184

⁴ GWC.0002.0016.0298_R_0345; GWC.0002.0016.0299_0010.

⁵ See for example GWC.0002.0016.0306_0180.

24. I now appreciate that the Delegation signed in April 2020 is drafted in such a manner that it is not confined to routine matters. In light of that, and the information that was brought to the GWC's attention by the Royal Commission in relation to the various delegations that were in place, the members of the GWC made a request at the 25 May 2021 GWC meeting that Mr Connolly, Mr Ord and Mr Beecroft's delegations be revoked and the delegations in general be reviewed to ensure that only basic administrative functions remain delegated to Department staff (including the Chief Casino Officer). That review is ongoing.

Your understanding of how the Departmental officer would exercise delegated powers. Specifically address:

(a) whether you understood that the Departmental officer would exercise the powers delegated by the Commission unfettered by any control or oversight by the Commission; or

(b) whether you understood the delegation to reserve a power to the Commission to ratify or reject any exercise of delegated power.

25. I had understood that the delegations reserved a power to the GWC to review and revisit decisions made under delegation, and that is a reason why they were reported to the GWC each month. To the extent the GWC had any queries in relation to the approvals granted under delegation as reported in the Agenda packs, time was allocated at every meeting during which the GWC had the opportunity to raise queries and if necessary, revisit any of the decision made under delegation. During my time as a member of the GWC I did not have cause to question any of the reported approvals because, as set out above, the approvals reported related to routine matters.

TOPIC 4: MEDIA ALLEGATIONS

As regards the allegations and reports listed below:

(i) the allegations of tampering with Electronic Gaming Machines made in the Guardian between April and July 2018; and

(ii) the allegations of money laundering and criminal infiltration made during the 60 Minutes program 'Crown Unmasked' which aired on 28 July 2019 and in Fairfax media in July 2019.

(a) whether you were aware of the allegations and reports at or around the time they were published;

(b) whether you recall the information provided by Crown Perth to the Commission and the Department about them and, if so, your view as to the accuracy and sufficiency of that information; and

(c) whether you recall what, if any steps were taken by the Department or the Commission in respect of the allegations and reports.

Tampering with Electronic Gaming Machines:

26. I recall being aware of the allegations in relation to the tampering with EGMs at Crown Melbourne as early as the 24 April 2018 GWC meeting as a result of reviewing the "Casino Gaming Action" report for March 2018 which included reference to inspections of EGMs at Crown Perth to check for evidence of physical tampering with the machines because there had been reports of tampering in Crown Melbourne in October 2017.⁶
27. Following the issue of the statement from the VCGLR in relation to unauthorised use of blanking plates on certain EGMs at Crown Melbourne, the GWC invited Mr Joshua

⁶ GWC.0002.0016.0226_0050.

Preston to attend the 22 May 2018 GWC meeting to provide a briefing to the GWC in relation to, amongst other things, the unauthorised use of blanking plates on EGMs at Crown.⁷

28. Mr Preston discussed the allegations and in particular, the differences between Crown Perth processes and those previously used at Crown Melbourne.⁸ I recall that the distinction was that Crown Perth outsourced the maintenance of the EGM to an independent contractor and that this reduced the risk of tampering.
29. I recall that I was satisfied with the accuracy and sufficiency of the information provided by Crown to the GWC.
30. I also took comfort from my previous understanding from information disclosed to me in previous Agenda packs and discussions during GWC meetings that:
- 30.1 the allegations in relation to machine tampering were historic;
 - 30.2 the allegations were confined to Crown Melbourne;
 - 30.3 the GWC had undertaken an investigation into machine tampering at Crown Perth which did not identify any indications of machine tampering at Crown Perth; and
 - 30.4 the GWC had incorporated checks of EGMs for signs of tampering in their routine audits and inspections (discussed above).

⁷ GWC.0002.0016.0252_0042.

⁸ GWC.0002.0016.0231_0002.

Money Laundering and Criminal Infiltration

31. I recall that I became aware of the allegations of money laundering and criminal infiltration at Crown Melbourne made during the 60 Minutes program 'Crown Unmasked' which aired on 28 July 2019 and in Fairfax media in July 2019 quite quickly after those reports were made.
32. After the broadcast of the 60 Minutes program, Mr Preston was requested to again attend the following GWC meeting in August 2019 to provide a briefing on the allegations raised against Crown Melbourne and to give the GWC an update on the current status of junket activities at Crown Perth.⁹ During that presentation, Mr Preston touched on the focus areas of the media allegations, being:
- 32.1 Crown's involvement in China in 2016;
 - 32.2 Crown conducting business with junket operators with criminal associations;
 - 32.3 the Department of Home Security waiving of VISA requirements for Crown patrons; and
 - 32.4 Crown facilitating money laundering and having failures with Anti-Money Laundering and Counter-Terrorism processes.¹⁰
33. I recall that the messaging received from Mr Preston was that the allegations were essentially a media hype and that those allegations were unsubstantiated. I recall that I was generally satisfied with the explanations provided by Mr Preston and did not have reason to question the accuracy of the information provided.

⁹ GWC.0002.0016.0268_00006.

¹⁰ GWC.0004.0014.0002.

34. Also at the 27 August 2019 GWC meeting, we received a briefing from Mr Connolly in relation to junket processes in Western Australia and the various investigations already underway with respect to Crown Melbourne. In the briefing note it was explained to us that:

34.1 player probity and their suitability to enter the country based on criminal history or reputation, is the responsibility of Federal border protection agencies;

34.2 responsibility for administering the *Anti-Money Laundering and Counter Terrorism Financing Act* (Cth) lay with AUSTRAC;

34.3 a number of other investigations were underway in relation to current junket practices and the various allegations made against Crown Melbourne in the media. Those investigations included:

- (a) the VCGLR investigation into the China arrests in 2017;
- (b) the NSW Independent Liquor and Gambling Authority (ILGA) inquiry with the powers of a Royal Commission into the recent acquisition of shares in Crown by Melco as well as allegations relating to junkets and players; and
- (c) an Australian Criminal Intelligence Commission (ACIC) inquiry.

35. In light of the number and scope of existing investigations and the focus of the media allegations on Crown Melbourne, the GWC agreed to resolve to note that there were a number of inquiries being conduct in relation to Crown and broader junket activity

by State and Federal agencies the outcome of which may be relied upon by the GWC as a basis to make suitability and enforcement determinations.¹¹

36. A new standing action item was also added to “Matters to be Actioned” to monitor the VCGLR’s investigation on issues in China.¹² This was later broadened to include standing action items to “[k]eep members up to date with the progress of Melco’s probity application”,¹³ and to provide updates on the NSW ILGA Inquiry,¹⁴

TOPIC 5: JUNKETS

Your knowledge of an investigation commenced by Victorian authorities in 2017 into Crown’s junket activities in China and any decision about junket regulation made by the Commission relating to the investigation.

37. At the time of my appointment to the GWC in January 2018, the investigation by the Victorian Commission for Gambling and Liquor Regulation (**VCGLR**) into Crown’s junket activities in China had already commenced.
38. I recall that I was aware as a result of the media attention in 2017 that a number of individuals from Crown were arrested in China.
39. I became aware of the VCGLR’s investigation into Crown’s junket activities in China after I received a copy of the VCGLR’s Sixth Review of the Casino Operator in the 28 August 2018 Agenda pack where it was noted that in July 2017, the VCGLR

¹¹ GWC.0002.0016.0286_0003.

¹² GWC.0002.0016.0286_0002.

¹³ GWC.0002.0016.0287_0014.

¹⁴ GWC.0002.0016.0300_R_0019.

opened an investigation in relation to the detention of Crown's staff in China and as at the date of the Sixth Report that investigation was ongoing.¹⁵

40. The VCGLR's investigation into Crown's junket activities in China was not raised at a GWC meeting until August 2019 when fresh allegations in relation money laundering and criminal infiltration were made during the 60 Minutes program "Crown Unmasked" (discussed above).¹⁶ That investigation was raised in the context of steps that the various jurisdictions (including significantly better resourced jurisdictions) were taking in the context of junkets. As explained above, at that time the GWC resolved to note that there were a number of inquiries being conducted in relation to Crown (including VCGLR's investigation) that may be relied upon as a basis to make suitability and enforcement determinations.¹⁷
41. Following the August 2019 GWC meeting, an ongoing action item was added to the "Matters to be actioned" agenda item for the *"DDGR to monitor the outcome of the VCGLR report on issues in China"*.¹⁸
42. I understand that the VCGLR's investigation into Crown's junket activities concluded in early 2021, and a report was finalised and provided to the Minister for Consumer Affairs, Gaming and Liquor Regulation in February 2021. I also understand that a

¹⁵ GWC.0002.0016.0239_0277, 0367.

¹⁶ GWC.0002.0016.0283_0043.

¹⁷ GWC.0002.0016.0283_0043; GWC.0002.0016.0286.

¹⁸ See for example GWC.0002.0016.0287_138.

redacted version of that report was tendered as part of the Royal Commission into the Casino Operator and Licence in Melbourne.¹⁹

43. I am not aware of any decision that the GWC made about junket regulation directly relating to the VCGLR investigation. However, the VCGLR investigation along with the various other investigations that were taking place from 2019, the impact of border closures arising from the COVID-19 pandemic and information the GWC had received from the Department with respect to its role in relation to junket regulation contributed to the GWC's decision to wait for the outcome of the various investigations prior to making any decisions with respect to junket regulation or otherwise.

Your knowledge of the Australian Commission for Law Enforcement Integrity investigation known as Operation Angove, which was an investigation into possible corruption issues regarding the Department of Home Affairs and its interactions with Crown Casino. Specifically, did the Department provide the Commission with a copy of the Investigation Report (Report 08/2020) and did the Department give the Commission any briefing about that report?

44. I recall being made aware of an Australian Commissioner for Law Enforcement Integrity investigation during the presentation given to the GWC by Crown at the August 2019 GWC meeting.²⁰ At that time, the report in relation to that investigation had not been handed down.

¹⁹ [https://www.rccol.vic.gov.au/sites/default/files/2021-](https://www.rccol.vic.gov.au/sites/default/files/2021-05/Exhibit%20RC0003%20VCGLR%20Final%20China%20Investigation%20Report%20%28redacted%29%2C%20tendered%2017%20May%202021.pdf)

[05/Exhibit%20RC0003%20VCGLR%20Final%20China%20Investigation%20Report%20%28redacted%29%2C%20tendered%2017%20May%202021.pdf](https://www.rccol.vic.gov.au/sites/default/files/2021-05/Exhibit%20RC0003%20VCGLR%20Final%20China%20Investigation%20Report%20%28redacted%29%2C%20tendered%2017%20May%202021.pdf)

²⁰ GWC.0001.0010.0008.

45. On 15 September 2020, I received an email from Stephanie Reincastle providing a link to the Agenda papers for the September 2020 GWC meeting and attaching a copy of the Operation Angove Investigation Report. A copy of that email and its attachment is annexed to my statement and marked GWC.0003.0013.0001 and GWC.0003.0013.0003, respectively.
46. I recall reading the report and noting that the outcome of the investigation was that there were no findings or corrupt conduct in relation to:
- 46.1 whether there was corruption by Home Affairs staff in relation to the provision of Australian visas for Crown VIPs;
 - 46.2 whether there was corruption by ABF staff in relation to the clearing of those VIPs at the Australian border; and
 - 46.3 whether an ABF staff member engaged in corrupt conduct while employed by a VIP junket operator.
47. This was consistent with the feedback the GWC had received from Crown Perth in August 2019 (discussed at paragraph 32 above) that the allegations made in the media were baseless. This further reinforced in my mind that it was sensible to wait for the finalisation of the outstanding inquiries into Crown Melbourne.
48. I cannot recall whether we received a briefing in relation to the Operation Angove Investigation Report at the September 2020 meeting.

TOPIC 6: MINIMISATION OF HARM FROM CASINO GAMING

The topics in this section relate to your knowledge and understanding of the relevant matters during the period during which you were a member of the GWC.

Your knowledge and understanding of the nature and extent of harm, if any, caused by casino gaming at Crown Perth and of any research that has been conducted to identify and assess the nature and extent of harm, if any, caused by casino gaming at Crown Perth.

49. I understand from my experience as a member of the GWC and more generally that casino gaming at Crown Perth does cause harm to individuals with problem gambling addictions.
50. Each month, the GWC receives a report that sets out a “Summary of Crown Perth Gambling Statistics” including responsible service of gambling statistics.²¹ From reviewing those statistics, I understand that a number of individuals elect to self-exclude themselves from the Casino, or are referred to the RSG team by casino employees because of concerning behaviour or otherwise have third party intervention.
51. I am not aware of any specific research commissioned by the GWC that has been conducted to identify and assess the nature and extent of harm caused by casino gaming at Crown Perth. However, I am aware that studies have been undertaken in relation to harm caused by Casino gaming by external bodies such as Gambling Research Australia and that there are national statistics in relation to gambling harm. I understand that those statistics indicate that the level of harm in Western Australia is at the lower end of the measurements of community harm across Australia. I believe

²¹ See for example GWC.0002.0016.0310_0041.

that that is, at least partly, due to the fact that commercial gambling is concentrated at the casino (in particular in relation to EGM's) and not distributed throughout the community, so that players have to make a decision to go to the casino as a venue to gamble, and resources to supervise that gambling behaviour can be concentrated on a single site.

52. The GWC was also informed by the Department at the July 2021 GWC meeting that Curtin University is currently undertaking a study into problem gambling. The GWC members requested a copy of the latest research at the July 2021 GWC meeting.

Your knowledge and understanding of any sources of funding to mitigate any harm caused by casino gaming at Crown Perth, how that funding is applied and whether, and if so, how the effectiveness of that application of the funding is evaluated.

53. I am aware that the GWC contributes funds to the Problem Gambling Support Services Committee (PGSSC) each year along with the following organisations:

- 53.1 Crown Perth;
- 53.2 Racing and Wagering Western Australia;
- 53.3 Lotterywest;
- 53.4 WA Bookmakers Association; and
- 53.5 Department of Communities.

54. The PGSSC is responsible for funding a problem gambling awareness campaign and the following counselling and support services:

- 54.1 24/7 Problem Gambling Helpline (telephone counselling);
- 54.2 Gambling Help WA (face-to-face counselling); and
- 54.3 Gambling Help Online (online counselling).

55. For the 2019/20 financial year, GWC contributed \$76,000 to the PGSSC.²²
56. I am aware that pursuant to section 15 of the *Gaming and Wagering Commission Act 1988* a member of the GWC is required to attend the PGSSC meetings. I have volunteered to attend those meetings going forward. I have attended one PGSSC meeting (1 July 2021) as at the date of this witness statement.
57. Previously, the GWC did not receive any reports from the PGSSC in relation to the effectiveness of its programs (and consequently the effectiveness of the application of the funding).
58. At the 22 June 2021 GWC meeting, GWC members requested that an update on the PGSSC be made a standing Agenda item, with a monthly report on its activities to be prepared for the GWC so that the GWC may assess the effectiveness of the funding provided to that Committee.

Your knowledge and understanding of:

(a) Crown Perth's responsible gaming program and any other activities undertaken by Crown Perth to minimise any harm from casino gaming;

(b) the Commission's role in overseeing or regulating that program and any such activities; and

(c) how the Commission has performed its role in overseeing or regulating that program and any such activities.

59. I am aware that Crown has a framework in place to address problem gambling and to ensure the responsible service of gambling within Crown Perth.

²² GWC.0002.0016.0296_0257.

60. In December 2018, Crown attended the GWC meeting to provide the GWC with an overview of Crown's responsible service of gambling initiatives in response to the findings and recommendations set out in the VCGLR Sixth Review of Crown report with respect to responsible service of gambling at Crown Melbourne.
61. I understand from that presentation that Crown has a number of initiatives to minimise any harm from casino gaming including, compliance with the Responsible Gambling Code of Conduct, various responsible gambling committees, a 24/7 dedicated Crown Perth RSG Team, a Responsible Gambling Information Centre, and compulsory RSG training for all employees.²³
62. As set out in first witness statement, in the first quarter of 2019, I attended Crown Perth to review the RSG training offered to employees and to receive a briefing from Crown staff on the processes that were in place to assist problem gamblers at Crown Casino and intervention initiatives. I recall that I found the training to be comprehensive and designed to provide participants a greater understanding of problem gambling issues.²⁴
63. The above programs are initiatives of Crown Perth and the GWC does not have a role in directly overseeing or regulating those programs. The GWC does, however, take into account harm minimisation (as required by the *Gaming and Wagering Commission Act*) in developing its policies and decision making.
64. If serious deficiencies in the Crown Perth's responsible gaming programs are identified as a consequence of any of the inquiries that are underway, I would give

²³ GWC.0002.0016.0248.

²⁴ GWC.0002.0016.0272_0010.

further consideration to proposing to the GWC that it take a direct role in overseeing and regulating those programs.

65. The GWC is currently seeking evidence about best practice in relation to aspects of responsible service of gambling relating to duration of play, balancing harm minimisation and individual autonomy.

Your understanding of the Commission's policies about or regulation of ATM placement at Perth Casino and the use of EFTPOS machines at gaming tables.

66. I am aware that the GWC has a policy in place in relation to access to ATMs and withdrawals from EFTPOS machines to limit the amount of cash that may be withdrawn by patrons within the Casino complex.
67. The policy in relation to ATMs was in place at the time of my appointment to the GWC in 2018 and was included as part of my induction materials. That policy restricts the placement of ATMs to areas outside of the gaming floor and limits the amount of cash that may be within a 24 hour period.
68. The policy in relation to the use of EFTPOS machines was introduced in 2019, and implemented in 2020 in response to the COVID-pandemic.²⁵ That policy permits the use of EFTPOS machines at designated area/s within the casino or at a gaming table with certain restrictions (e.g. a daily limit on withdrawals, only debit transaction and on the proviso that Crown undertakes a number of responsible gambling initiatives).
69. I recall that a consideration the GWC took into account in approving the move to the use of EFTPOS was the potential to decrease risks associated with money laundering through the Casino in light of the various media allegations. Harm minimisation was

²⁵ GWC.0002.0016.0275; GWC.0002.0016.0309_0005.

also considered in relation to the limits on withdrawals, and aspects of the provision of information about, and in connection with, EFTPOS withdrawal.

TOPIC 7: DETERMINATION OF APPLICATIONS BY CROWN PERTH

Your understanding of the circumstances in which the Commission will seek independent expert reports in order to assist the Commission to determine applications by Crown Perth.

70. I understand that the GWC will seek independent expert reports in relation to applications by Crown Perth in relation to EGMs.
71. Accredited testing facility are engaged to provide certification in relation to proposed EGMs or amendments to existing EGMs because the Department does not have the requisite expertise to test the EGMs for return to player information, configuration settings and other key game information.
72. The certification provided by the relevant accredited testing facility is used to assist the GWC to determine applications by Crown Perth.
73. I am not aware of the procurement process the Department follows in the engagement of accredited testing facilities but I am aware that the engagement of consultants by the GWC requires Ministerial approval pursuant to section 9(2)(b) of the *Casino Control Act 1984*.

Your understanding of the process that the Commission should follow in deciding whether to declare a game, including a game played on an Electronic Gaming Machine, to be an authorised game for the purposes of the Casino Control Act 1984 (WA) and in deciding whether to alter the approved rules of any game.

74. Typically, an application by Crown to declare a game, including a game played on an EGM, to be an authorised game for the purposes of the *Casino Control Act 1984* will be made to the GWC through the Department.

75. The application would be included in the GWC Agenda pack with supporting materials, and Crown would attend the GWC meeting to provide a presentation on the proposed game and to provide a demonstration to the GWC on how the game would work.
76. The demonstration would typically be provided on a computer where the GWC members would be able to watch the roll down of the game.
77. Upon conclusion of the presentation, the Crown representatives would leave the room and the GWC members would debate whether to approve the game or not. The GWC's decision would be communicated to the Casino by the Department after the GWC meeting.
78. I understand from the information that is provided in the Agenda packs and during the briefings provided to the GWC from the Department that there are a number of processes that take place at a Departmental level in relation to applications made by the Casino before the game is presented to the GWC for approval but I do not have a detailed understanding of those processes.

Your understanding of the effect of the phrase "except for a game played with poker machines" in s 22(2) of the Casino Control Act.

79. My understanding of the phrase "except for a game played with poker machines" in section 22 of the *Casino Control Act* is that the GWC cannot approve poker machines.

TOPIC 8: POLICY ON ELECTRONIC GAMING MACHINES

Your understanding of the intended effect of resolution 120/2019 recorded in the minutes for the Commission's meeting on 23 July 2019 [DLG.8001.0054.0622] and, specifically, whether it was intended to approve all of the amendments to the

Commission's Policy on Electronic Gaming Machines shown at Attachment 5 of the agenda paper for agenda item 5.3 [GWC.0002.0016.0281_0032].

80. It was my understanding from past GWC practice in passing resolutions that the intended effect of resolution 120/2019 was to only approve the matters that were specifically referenced in that resolution and as explained in the Agenda packs being *"to reduce the minimum game speed to 3 seconds for base games which incorporate game features and a minimum game speed of 5 seconds where no game features are incorporated with the base game and remove references from those documents relating to the independence of outcomes"*.²⁶

The factors or considerations you took into account, and your understanding of the factors or considerations that the Commission as a whole took into account, in passing resolution 120/2019.

81. I understand from the Agenda papers provided for the July 2019 GWC meeting and the discussions that took place during that meeting that all of the members of the GWC (myself included) took into account the existing policy position that the minimum game speed must be a minimum of 5 seconds.
82. I recall that we were very firm on that position and were comfortable approving a change to the policy to reduce the minimum game speed to 3 seconds for games that included extra play game features on the basis that such a reduction would bring the average speed in excess of 5 seconds.²⁷

²⁶ GWC.0002.0016.0285_00002.

²⁷ GWC.0002.0016.0281_0002.

Your knowledge and understanding of the rationale for the 90% return to player requirement for Electronic Gaming Machines.

83. I do not know what the rationale for the 90% return to player requirement for EGMs.
84. I understand from discussions that have taken place during GWC meetings that it was a policy decision taken prior to my appointment as a member of the GWC, and that policy has not changed.

TOPIC 9: REGULATION AND OVERSIGHT OF PERTH CASINO

Your knowledge and understanding of how the scope and content of the audit and inspection program at Perth Casino is determined and reviewed.

85. I do not have any specific knowledge in relation to how the scope and content of the audit and inspection program at Perth Casino is determined and reviewed.
86. I know at a high level that the Department undertakes a number of audits and inspections relating to:
- 86.1 the calculation of Casino tax to ensure the correct tax was being paid; and
- 86.2 the probity of the games to ensure they were being played fairly.
87. A summary of the inspections and audits that were undertaken by the Department each month are included in Agenda packs for each GWC meeting.²⁸
88. I recall that GWC members have questioned the value of the information provided in the summaries provided to the GWC at each meeting and have requested information in relation to trends to be supplied as part of future reports as early as May 2019.²⁹

²⁸ See for example GWC.0002.0016.0336_R_0124.

²⁹ GWC.0002.0016.0280_0004.

That request was added to the “Matters to be actioned” as “[c]ontent of summary of Casino Gaming Action report to be reviewed and information in relation to trends to be provided for future reports” and remained on that list until November 2020.³⁰ I do not believe that action item was ever implemented before it was taken off the “Matters to be actioned” list. This is a matter which requires ongoing attention as part of our reforms to corporate governance and our relationship with the Department which we have been working on for some time and formalised in a strategic planning meeting which was finally held on 21 June 2021.

Your knowledge and understanding of how the audit and inspection program at Perth Casino is implemented.

89. I do not have any specific knowledge of how the audit and inspection program at Perth Casino is implemented.
90. However, I understand that the audit and inspection program at Perth Casino is implemented through the Inspectors, who undertake routine, unscheduled on-site visits to investigate different games and machines, to inspect the cage and to undertake periodic inspections.
91. The outcomes of those inspections are reported to the GWC on a monthly basis as discussed above.³¹

³⁰ GWC.0002.0016.0334_R_0013.

³¹ For example, refer to Agenda Item 6.1, GWC.0002.0016.0306_0067.

Your understanding of the basis for the Department changing from the 'RG system' to the 'Sharperligh' or 'Navigate' system to calculate the taxable revenue of the Perth Casino.

92. I have not previously heard of the 'RG system', 'Sharperligh' or 'Navigate' systems.
93. I do not have any understanding of the basis for the Department changing from the 'RG system' to the 'Sharperligh' or 'Navigate' system to calculate the taxable revenue of the Perth Casino.

TOPIC 10: DEPARTMENTAL EMPLOYEES AND OFFICERS

Your knowledge of any personal relationships and friendships between employees and officers of the Crown Group,² on the one hand, and employees and officers of the Department, on the other.

94. I became aware that Mr Michael Connolly had a personal relationship with Claude Marais and that they attended fishing trips together. This friendship was declared by Mr Connolly at the 27 October 2020 GWC meeting.³²
95. I subsequently became aware that Mr Michael Connolly had a personal relationship with Joshua Preston and Paul Hulme from Crown Group. I became aware of those relationships from media reports.
96. Save for the above, I do not have knowledge of any other personal relationships and friendships between employees and officers of the Crown Group, on the one hand, and employees and officers of the Department, on the other.

³² GWC.0002.0016.0333_0001.

Your knowledge of any gifts or benefits, including hospitality, provided by the Crown Group, including by its officers or employees, to officers and employees of the Department.

97. I am not aware of any gifts or benefits, including hospitality, provided by the Crown Group, including by its officers or employees, to officers and employees of the Department.

Your knowledge of travel undertaken by Departmental officers and employees in circumstances where Crown has reimbursed some or all of the cost of the travel.

98. I am only aware that Crown reimbursed Mr Barry Sargeant's travel costs associated with a trip he made to Macau in 2013. I became aware of those arrangement as a result of media reports arising from the Perth Casino Royal Commission.
99. I am otherwise not aware of any travel undertaken by Departmental officers and employees in circumstances where Crown has reimbursed some or all of the cost of the travel.

Your knowledge of functions at a venue at Crown Perth, for example, a retirement function or Christmas meal, attended by Departmental officers and employees.

100. I am not aware of any functions at a venue at Crown Perth, for example, a retirement function or Christmas meal, attended by Departmental officers and employees.

TOPIC 11: RISKWEST REVIEW

The current status of the RiskWest review.

101. I do not know current status of the RiskWest review, other than that no review has been delivered to GWC.

102. A status update on the RiskWest review has been a reoccurring request at the GWC meeting since February 2020, although those requests are not minuted in the GWC meeting minutes.

TOPIC 12: CHANGES TO PROCESSES AND PRACTICES

Whether the Commission has made or intends to make any changes to its processes or practices in light of the findings and recommendations of the EY review.

103. The EY review was commissioned by the Department without the input of the GWC as a whole or from the individual members.
104. The findings and recommendations of the EY review have a number of deficiencies and in some instances, do not have regard to the legislative framework in which the GWC operates. I understand that those deficiencies were highlighted in Quinn Emanuel's letter to the Royal Commission on 20 May 2021.
105. The GWC does not intend to make any changes to its processes or practices in light of the findings and recommendations of the EY review. However, the GWC does intend to make some changes to its processes or practices arising from issues identified in the Bergin/ ILGA Inquiry, and any issues that may be identified the Victorian Royal Commission into Crown Melbourne, the AUSTRAC formal enforcement investigation and the PCRC (some of which may overlap with the findings and recommendations in the EY review).

TOPIC 13: WA POLICE

Your knowledge of any interaction between the Commission and the WA Police.

106. There has only been one occasion where the GWC directly interacted with the WA Police since I have been a member of the GWC. On 16 February 2021, Deputy

Commissioner CoI Blanch attended the GWC meeting to discuss possible collaborations between the GWC and WA Police.

107. Otherwise, I understand from the Agenda packs that are provided to the GWC that the Department interacts with the WA Police in undertaking work for GWC as part of various routine matters. For example:

107.1 Police clearances are obtained as part of the annual probity evaluation and suitability assessment on Crown Perth International Operations Staff;³³

107.2 probity reports are requested from WA Police in considering applications for bookmaker licences;³⁴

107.3 WA Police are consulted with respect to applications to establish digital services agencies or TAB Agencies;³⁵ and

107.4 assistance is requested from WA Police in executing warrants.³⁶

108. I am not aware of the WA Police having requested assistance from the GWC during my time on the GWC.

³³ GWC.0002.0016.0336_0478.

³⁴ GWC.0002.0016.0283_0100.

³⁵ GWC.0002.0016.0268_0165; GWC.0002.0016.0239_140.

³⁶ GWC.0002.0016.0266_R_0304.

TOPIC 14: APPOINTMENT OF CHIEF CASINO OFFICERS

Your knowledge of the process for the selection and appointment of Nicola Perry and Germaine Larcombe as Chief Casino Officers.

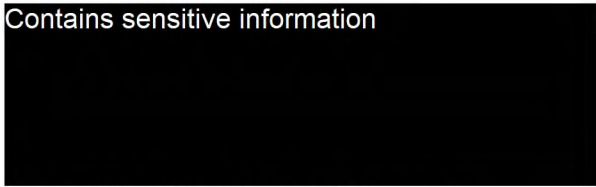
109. I do not know what process for selection or appointment was adopted by the Department in appointing Nicola Perry or Germaine Larcombe as Chief Casino Officers.
110. I was informed about the appointment of Ms Perry and Ms Germaine at the relevant GWC meetings after those appointments had been made by the Department.

HISTORICAL RISK ASSESSMENT OF CASINO LICENSEE

Your knowledge as to whether the Commission conducted a risk assessment in relation to the Perth Casino licensee or its conduct prior to November 2020.

111. I do not have any knowledge of a risk assessment conducted by the GWC in relation to the Perth Casino licensee or its conduct prior to November 2020.

Contains sensitive information



KATIE HODSON-THOMAS

Place: PERTH

Date: 27 AUGUST 2021