

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

AMENDED SECOND WITNESS STATEMENT OF BARRY ANDREW SARGEANT

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

Prepared by:

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I, **BARRY ANDREW SARGEANT** 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 23 April 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 witness statement is dated 10 May 2021 (**GWC.0003.0002.0001**).
3. In this witness statement, I do my best to address the list of questions provided to me last week. I expressly list out the documents that I have had regard to in answering the questions in my answer. I further note that I have not had access to my Department email account, which I understand was produced to the PCRC.
4. I am a former member of the Gaming and Wagering Commission of Western Australia (**GWC**). As set out in my first witness statement, my appointment as a GWC member commenced on 1 August 2017 and ended on 31 July 2021. Prior to this, I was the Director-general of the Department of Racing, Gaming and Liquor and ex officio chairperson of the GWC.
5. This statement is true and correct to the best of my knowledge and belief. The facts and matters set out in this statement are from my own knowledge, except where I indicate otherwise. Any views I express are my own except where I indicate otherwise.

TOPIC 1: SUPPORT FROM THE DEPARTMENT, RESOURCING OF CASINO REGULATION AND OVERSIGHT AND CORPORATE GOVERNANCE

Question 1: During your time as Director-general of the Department, how frequently was the remuneration of Commissioners was adjusted or reviewed.

6. To provide some context to my answer: to determine the appropriate remuneration for a Government Board (such as the GWC), the responsible Minister must make a formal request to the Public Sector Commissioner for a recommendation. The Public Sector Commissioner is appointed under section 16 of the *Public Sector Management Act*

1994 (WA) and is responsible for providing advice across government on the functioning of the public sector, including structure, remuneration and integrity. As described in section 13 of the *Gaming and Wagering Commission Act 1987* (WA), the responsible Minister then considers that recommendation from the Public Sector Commissioner, and the remuneration is set by the Minister. In my experience, no Minister in a portfolio with which I have been involved has ever departed from a recommendation of the Public Sector Commissioner.

7. By way of example, the GWC Annual Report for 2003-04 (**PUB.0002.0002.0062**) notes that each of the six GWC members were paid under \$10,000. In the GWC Annual Report for 2004-05 (**PUB.0002.0002.0144**), four of the GWC members remuneration was between \$10,000 and \$20,000. That reflects an increase in remuneration during the course of that financial year. My recollection is that all members were paid on the same basis as to any differences between them would have reflected timing in their appointments. I expect that this increase in remuneration was undertaken on the recommendation of the Public Sector Commission.
8. The responsible Minister will typically take advice from the relevant head of the responsible agency (in the case of Racing Gaming And Liquor, the Director when that agency was a distinct entity and later the Director-General of the Department) as to when to make a request to the Public Sector Commissioner for a recommendation, and the Minister (or the relevant Director or Director-General) may consult with staff of the Public Sector Commission beforehand. The responsible Minister (and his or her Directors) will be conscious of the State's economic circumstances, and whether those circumstances are right for an increase in remuneration for that particular Government Board. In doing so they will doubtless have regard to statements by the Premier and Treasurer either as part of the budget process or otherwise, as to the

Government's attitude towards increases in remuneration the public sector, and broad economic conditions. For much of my time in the public sector, and in particular in the last ten or so years, those statements were rarely encouraging of increases in remuneration.

9. I recall that I consulted the Public Sector Commission regarding the remuneration for GWC members about four times while Director, the last one being in 2016. I made these inquiries because I thought it was time for an increase in remuneration. The Public Sector Commissioner declined my 2016 request.
10. That is despite the workload of the members increasing, steadily, over time. In refreshing my memory for the purpose of making this statement, I noted that agenda packs from 20 years ago were rarely more than a hundred pages. In recent times they are routinely many hundred pages, and have exceeded a thousand pages.

Question 2: Your knowledge of any policy or practice governing the frequency of review of the remuneration of board members of statutory authorities such as the Gaming and Wagering Commission (GWC).

11. I am not aware of any formal policy or practice governing the frequency of review of the remuneration for GWC members.
12. As noted in my answer to Question 1 above, considerations include the State's economic circumstances (including financial directions from Treasury), the passage of time since the last increase in remuneration, Government priorities, and the remuneration of the GWC vis-à-vis other Government Boards. In my view, members of government boards were generally underpaid for the services that they provide, and accept appointments as a matter of community service.

TOPIC 2: SUPPORT FROM THE DEPARTMENT, RESOURCING OF CASINO REGULATION AND OVERSIGHT AND CORPORATE GOVERNANCE

Review of recoupment of services received by GWC from Department

Question 3: Regarding agenda item 9.2 for the GWC meeting on 24 March 2009 titled “Budget 2009- 10” and prepared by you (GWC.0007.0011.0043, 497) in which you state:

“Recoupment for services received from RGL has increased by \$771,344, due to a review of fees and charges exercise undertaken by RGL. This figure is now a true indication of the costs and services provided by the Department.”:

- (a) [what is] the “review of fees and services exercise” referred to in the above quotation;
- (b) why you concluded that the figure identified following the review was “now a true indication” of the cost of the services; and
- (c) why you prepared this agenda item rather than the Chief Finance Officer.

13. I do not have a specific recollection of drafting the 2009-10 GWC budget paper in March 2009 (GWC.0007.0011.0043_0497). As I discuss below, such papers were usually drafted for me by officers in the Department, although I might, from time to time, prepare or sign them. Therefore, it is difficult for me to comment on why I used particular words and phrases and why it was me that drafted the paper (and not the CFO). I do recall some of the surrounding circumstances, which are explained below.
14. In early 2009, the Department asked Mr Raymond Younger, who had recently retired as a senior manager, to conduct a review of the time taken by licensing officers to undertake their tasks across all licensing functions of the Department (i.e., racing, gaming and liquor). I recall Mr Younger was rigorous in his review, including, for

instance, estimating the time it took an officer to determine an application for a casino employee licence or a community gaming permit and to issue same.

15. Prior to this review, I cannot recall if anyone had analysed the time it took a licensing officer to undertake his or her licensing tasks. If someone had conducted that analysis, it had not been reviewed and updated for some time. I suspect this is the reason why I said in the paper that the increased Department service fee, which had been calculated off that back of Mr Younger's analysis, was "*now a true indication of the costs and services provided by the Department*".
16. When a Department staff member was unavailable because he or she was on annual leave or the like, I would sometimes step in and prepare or sign papers for the GWC. I cannot recall if a draft paper was prepared for or by me, but this may explain why I signed the paper.

Capital expenses – Web design

Question 4: Please provide your knowledge and understanding of the expense described as 'web design' identified in an entry under "Operating expenses" for "Capital expenses – Web Design" in an Income Statement for the year ending 30 June 2010 [GWC.0007.0011.0043, 500] which is attached to agenda item 9.2 for the GWC meeting on 24 March 2009 titled "Budget 2009-10" and prepared by you.

17. My recollection is that the GWC did not have its own website. In the process of revamping the Department's website in 2009, GWC specific content regarding gaming and wagering matters was also revamped, and the GWC paid a contribution to the Department for that service.

Department's service charge in and across specific years

Question 5: For FY 2006, the budgeted charge for Department services to the GWC was \$2,938,000 [GWC.0007.0011.0225, 390] and the actual service charge was

\$2,538,000 [PUB.0008.0004.0661, 83]. For FY 2012, the budgeted service charge was \$4,326,000 [GWC.0002.0016.0049, 272] and the actual service charge was \$4,811,000 [PUB.0004.0006.0167, 65]. Please give your understanding of:

- (a) why was there a variance of -\$400,000 in the service charge in FY 2006;
- (b) why was there a variance of +\$485,000 in the service charge in FY 2012; and
- (c) why the actual service charge increased by 89% in the six years from FY 2006 to FY 2012.

18. I have reviewed the papers, and my recollection is as follows:

- 18.1 The variance of \$400,000 in the Department service charge in FY 2006 between the budgeted fee of \$2,938,400 and actual fee of \$2,538,000 occurred because the Department's service charge in that year was reduced to capture in the GWC some of the additional revenue the Department received, as opposed to return those amounts to Treasury (that is, the Department actually had a surplus that year if the full budgeted fee was paid but if we reduced the service charge, the GWC would be able to carry that amount into its reserves, something the Department could not do).
- 18.2 I cannot recall the reasons for the variance of \$485,000 in the Department service charge in FY 2012 between the budgeted fee of \$4,326,000 and the actual fee of \$4,811,000.
- 18.3 With respect to the increase in actual service charge of 89% in the six years from FY 2006 to FY 2012, I expect that are many reasons for this, but one I specifically recall is that we introduced a five year renewal for casino employee licences in the late 1990s, which only took effect from the early 2000s (with the renewals starting in 5 years). This change was necessary because the inspectorate had no way of probity checking casino employee

licences after they were issued, but it significantly increased the workload of the Department and therefore the cost to the GWC (see **GWC.0007.0011.0232_0024**).

- 18.4 The increase may also be attributable to the outworking of Mr Younger's analysis of the time taken by licensing officers to undertake their tasks across all licensing functions of the Department (discussed in paragraphs 14 and 15 above), and also wage growth in the Public Sector during those years.

Question 6: In August 2015, the GWC accepted a Departmental proposal to reduce resources allocated to casino gaming inspections by ceasing the practice of having two dedicated casino shifts performed by Departmental inspectors each day with effect from the first available date after 1 September 2015. The actual Departmental service charge in that financial year exceeded the budgeted service charge by \$101,000. Why was the Departmental service charge greater than budgeted in FY 2016 when there was a reduction in resources allocated to casino gaming inspections that was decided upon and implemented in the course of that financial year?

19. While the increase in service fee is relatively modest (\$101,000), I note that when you consider the Department's service fee for FY2017 (\$3,866,000) as reported in the Department's Annual Report for 2016-2017 (page 60), it is significantly lower than the service fee for FY 2016 (\$4,744,000). I expect it did not decrease in FY 2016 because the new Casino Compliance Strategy (August 2015, **GWC.0002.0016.0155_0017**) was overshadowed by the need to initiate the voluntary redundancies, discussed in paragraph 21 below.

Question 7: For FY 2016, the budgeted service charge was \$4,643,000 and the actual service charge was \$4,744,000. For FY 2017, the budgeted service charge was

\$4,066,000 and the actual service charge was \$3,866,000 [GWC.0002.0016.0204, 155]; [PUB.0004.0006.0705, 61]. Please give your knowledge and understanding of:

(a) why there was a decrease in the budgeted service charge from \$4,643,000 in FY 2016 to \$4,066,000 in FY 2017; and

(b) why there was a decrease in the actual service charge from \$4,744,000 in FY 2016 to \$3,866,000 in FY 2017.

20. As noted in my answer above, I expect part of this had to do with the new Casino Compliance Strategy.
21. Further, in 2015, Treasury implemented policies to limit staffing costs (known as the “Workforce Renewal Policy”) (GWC.0002.0016.0155_0019). The Department was instructed to reduce its salaries limit and absorb pay rises. One strategy was to initiate voluntary redundancies to be funded in 2016 (and to a limited extent in 2015). Treasury made funding available for such redundancies; however if the Department used Treasury money to pay for the redundancies, Treasury would have taken the savings (that is, reduce the appropriation to the Department equivalent to the cost of the abolished positions) in future years. Accordingly, the Department decided to use its own money and reflected that in the accounts in order to benefit from the savings in the following years. I believe these changes may also account for the decreases in FY 2017 (and also the increase in FY 2016, discussed in paragraph 19 above).

Appropriations to address problem gambling

Question 8: Regarding the statement made on 19 July 2010, by the then Minister for Racing and Gaming, the Hon Terry Waldron, announcing an expansion of the Burswood Entertainment Complex and saying that “the Government would also boost

problem gambling support services by allocating an initial \$2 million with a further \$500,000 each year from tax revenue increases”:

- (a) Which Department received the \$2 million and how was it applied; and
- (b) Which Department received the \$500,000 and how was it applied up to and including FY 2015?

- 22. The Department received these funds for problem gambling support services.
- 23. My recollection is that with the assistance of representatives from either the Department of Family & Children Services or the Department of Local Government and Communities (I cannot recall which) a committee was formed, chaired by a nominee from one of those other departments, that determined applications for grants. The Department then processed the applications to individuals and organisations that supported communities suffering from problem gambling. These funds were not intended to fund research into problem gambling but rather “frontline” community services for problem gamblers.

Question 9: Regarding the Memorandum of Understanding entered into by the Department of Racing, Gaming and Liquor and Department of Local Government and Communities in late 2015 titled “Financial Counselling Services – Metropolitan Area” (MOU) [GWC.0006.0004.0001, 3]:

- (a) The circumstances which led the Department of Racing, Gaming and Liquor to enter into that MOU;
- (b) Your knowledge and understanding of whether the intent of the MOU that \$500,000 annual appropriation announced by the Minister in 2010 would be redirected to the Department of Local Government and Communities; and
- (c) Your knowledge and understanding of how the funding contribution made by the Department of Racing, Gaming and Liquor to Department

of Local Government and Communities pursuant to the MOU was actually applied by the latter Department?

24. In October 2015, the Government stopped funding financial counselling services generally in Perth, with funding for regional financial counselling services ending a year later. These were not services specifically for problem gamblers, but for the community more broadly. However, they were available to, and in my view were important to, problem gamblers and their families. In my view, this was not a good outcome for problem gamblers and their families because of the good work financial counsellors do for them.
25. I recall speaking to the Department of Family and Children Services, and the Minister for Racing and Gaming, and saying that we should act to ensure funding continues because financial counsellors are on the frontline of support for problem gamblers. The program was at that stage administered by the Department of Family and Children Services. However, following the Department of Local Government and Communities also agreeing that this was a worthwhile cause and that it would contribute some funds, for reasons I cannot recall (if I ever knew), the Government transferred the administration of the program to that department. (The Department of Local Government and Communities was a department which existed, essentially, from 2013 to 2017 and was restructured into separate departments, in combination with other functions, in the machinery of government changes in 2017.)

Delegations

Question 10: Your knowledge and understanding of the GWC's intention in delegating all of its powers other than the power of delegation to the Chief Casino Officer (CCO) and Departmental officers and the effect of a delegation of that kind.

26. The delegations were generally put in place so that the CCO and the Departmental officers could undertake administrative or routine matters in place of the GWC. I cannot now recall how these delegations came to be put in place other than that delegations are a routine part of government with each department and agency usually having an extensive set of delegations authorising specific people (usually by office or position) to exercise powers and perform functions of that department or agency. Usually, the delegated powers and functions become more general and more extensive with increasing seniority of the position.
27. I do not recall any GWC or Department policy that described what an administrative or routine matter was; it was left to the delegate to determine.
28. When I commenced the role of Director-general, I was also delegated broad powers by the GWC. I had a feel for what the GWC would find acceptable, and I used the delegated power judiciously. For example, I recall that I have exercised my delegated powers to approve applications for a TAB stand at an AFL game, given approval for certain standard lotteries, and issued a direction for one-off urgent changes to Casino games. The exercise of my delegated powers were reported back to the GWC.

Question 11: Your knowledge and understanding of how the CCO or Departmental officer would exercise delegated powers. Specifically address:

- (a) whether you understood that the CCO or Departmental officer would exercise the powers delegated by the GWC unfettered by any control or oversight by the GWC; or
- (b) whether you understood the delegation to reserve a power to the GWC to ratify or reject any exercise of delegated power.

29. The CCO and more senior Departmental officers (who have the ability to exercise significant powers) were expected to report the exercise of delegated power back to the GWC. All the senior officers of the Department involved in gambling regulation, which included myself, the Deputy Director-general and CCO, and a number of the Directors were involved in aspects of the preparation of papers for GWC meetings and were aware of the standing item in relation to delegations and the requirement to report the exercise of power under delegation to the GWC.
30. The GWC could not reverse a decision made under delegated powers, but it could counsel the delegate and take steps to mitigate any adverse consequences arising from the exercise of delegated power. As an example, most approvals granted by the GWC can be withdrawn provided procedural fairness was afforded to the applicant and if there was an error in an approval (for example for the rules of a game, if changed under delegated powers) that could fairly readily be corrected. I do not recall any occasion on which it came to my or our attention that such an error had been made.
31. However, not all exercises of delegated power were reported back to the GWC: Departmental officers did not report back on all the licenses issued for community gaming (i.e. bingo and raffle games) due to the sheer volume of applications. The process was that when a person applies for a community gaming license, if there were no issues with the application, it was handled by the Departmental officer. If there

were issues, for example the applicant had committed a criminal offence, the application would either be referred to the CCO and/or escalated to the GWC for determination.

Regulation and oversight of Perth Casino

Question 12: Your knowledge and understanding of if and the extent to which officers of the Department carry out surveillance of the gaming operations at the Perth Casino for the purpose of detecting potential indicia of criminal activities and (or) problem gambling. Please describe the manner in which that surveillance, if any, is undertaken and any changes to the manner in which that surveillance has been undertaken during your tenure as Director-general of the Department and a member of the GWC.

32. When Departmental officers attend the Perth Casino, they are carrying out surveillance of the gaming operations in conjunction with their other audit and inspection tasks, and would be expected to report criminal activities or problem gambling if it was obvious.
33. However, Departmental officers are usually occupied undertaking their audit and inspection tasks. Further, they are unlikely to be present at the Perth Casino long enough to identify illegal activity or problem gambling, and even if they were present long enough, they are not trained to spot these matters.
34. The position was similar prior to implementation of the new Casino Compliance Strategy in 2015. As noted in the August 2015 paper (GWC.0002.0016.0155_0018), *“There is little doubt that the nature of most work carried out by inspectors is planned or reactive. In the time since gaming operations commenced at the casino I [i.e. Mick Connolly] am only aware of two instances where proactive surveillance conducted by GI’s has resulted in the detection of significant unlawful activity. The overwhelming*

majority of work conducted by inspectors at the casino is either planned audit and inspection activity or is the result of reactive, post event review, of incidents”.

35. That was the case notwithstanding that was, prior to that change, a practically continuous presence of government inspectors at the casino.

Question 13: Your knowledge and understanding of the circumstances in which the GWC endorsed a proposal to remove a dedicated inspectorial presence at the Perth Casino in August 2015 [GWC.0002.0016.0150, 0057]; [GWC.0002.0016.0151]; [GWC.0002.0016.0155, 0017]; [GWC.0002.0016.0156].

36. There were several factors that weighed in favour of removing the dedicated inspectorial presence at the Perth Casino in August 2015, including:

- 36.1 questions as to what was the best use of the Departmental officers' time, and whether it was really necessary to have inspectors physically present during non-peak periods;
- 36.2 new surveillance technology being implemented at the Perth Casino;
- 36.3 a shift across Australian jurisdictions to a risk based approach to regulation; and
- 36.4 salary limits imposed by Treasury, and the need to cut back on inspectors incurring penalty rates and mileage allowances.

Question 14: Your view as to whether the removal of a dedicated inspectorial presence at the Perth Casino reduced the ability to carry out or the effectiveness of surveillance of the gaming operations at the Perth casino by officers Department. Please give reasons for your view.

37. No. In my view, the new surveillance technology being implemented at the Perth Casino in 2015 more than compensated for the reduced presence of inspectors.

38. I must emphasise here that the surveillance of gaming operations was fundamentally concerned with the integrity of the gaming process and the integrity of the management of funds through the casino, both of which were covered (and in fact, far better covered) by the electronic surveillance put in place by Crown in that period. The new surveillance technology allowed for high resolution recordings of pretty well every aspect of casino operations to be viewed in real time or retrieved after the event. Casino inspectors on the other hand could only concentrate on one thing at one time.

Question 15: Your knowledge and understanding of how the scope and content of the audit and inspection program at Perth Casino is determined and reviewed.

39. The scope and content of the audit and inspection program at the Perth Casino was determined by the Department's Compliance Group and reviewed each month. Key business processes and key controls at the casino gaming operations were documented, from which audit programs were developed. I do not recall how the audit and inspection programs were updated, but they were flexible enough to adapt to issues as they arose.

Question 16: Your knowledge and understanding of how the audit and inspection program at Perth Casino is implemented.

40. The audit and inspection program is implemented by the Department's officers.

Question 17: Your knowledge and 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.

41. The Department changed from the old "RG system" to the "Sharperligh" or "Navigate" system because it better catered for and integrated the three areas of the Department's (then) regulatory focus – racing, gaming, and liquor. In particular, I

understand the system was (and remains) far more efficient at processing applications and issuing licenses and permits, such as liquor licenses, casino employee licenses, and gaming permits.

42. To the extent the new system had issues in the early days with respect to calculating the taxable revenue of the Perth Casino, I understand that Department developed work arounds, which resolved the issues until the new system could be improved (which I understand it has done now).

Question 18: Your knowledge and understanding of the steps taken by officers or employees of the Department since 2015 to confirm the veracity of the calculation by Crown Perth of taxable revenue of the Perth Casino.

43. From the beginning of my involvement with the Department my understanding was that protection of the State's revenue was a key function of gaming and wagering regulation. Consequently, a key part of the functions of the inspectors was to undertake activities to monitor and audit the movement of money through the casino and ensure that the formulas provided by the State agreement for the calculation of gaming taxes could be applied, appropriately and that State revenues were properly collected in accordance with that agreement. Significant parts of the Casino manual, developed in conjunction between the Department and Crown (and its predecessor), and implemented under the direction of the GWC, were designed to control the movement of funds and ensure auditability.
44. Precisely how those mechanisms work, at any point in time, were determined by the Department's inspection function. Putting to one side the recent questions arising from the Melbourne Casino Royal Commission, I do not recall any occasion which any of my staff raised with me of the GWC any concern about the calculation of taxable revenue.

Question 19: Your knowledge and understanding of whether, prior to 2021, Crown Perth included the value of Crown Reward points used to obtain gaming credits in the calculation of gaming revenue.

45. I have no knowledge of this.

2010 Junket Regulation Repeal

Question 20: Your knowledge and understanding of the circumstances in which the Casino Control Regulations were amended in June 2010 to remove the requirement for the GWC to approve junket operators and junket representatives.

46. A number of reasons in favour of the removal of the junket regulations were set out in the relevant paper (GWC.0002.0016.0001_0337). I do not have any specific recollection beyond what is contained in that paper and outlined in my first witness statement at paragraph 79.

Question 21: Your knowledge and understanding of Crown Perth's internal process for approval of junket operators and junket representatives as of 2010 and thereafter in accordance with its AML/CTF Program or otherwise.

47. To the best of my recollection, Crown took a copy of the junket operator's or junket representatives' passport, and required them to fill out a detailed application form, and then used those details to use commercial third party services to prepare a probity report in respect of that person.
48. I do not recall specifically whether these junket approvals were handled by Crown Perth or Crown Resorts.

Question 22: Your knowledge and understanding of the process by which Australia's border protection authorities permitted entry into Australia by foreign nationals in 2010 and thereafter.

49. I have no knowledge of the process of the Australian border protection authorities.

Question 23: Your knowledge and understanding of what, if any, information Crown Perth provided to the Department or GWC regarding junket operators and junket representatives after June 2010.

50. I recall that for a period of time following the repeal of the junket regulations Crown Perth was providing certain information regarding junket operators and junket representatives to the Department, but I do not recall the content of that information or how useful it was.

WA Police

Question 24: Your knowledge of the cooperation between the GWC and the WA Police in respect of junkets including how and why that interaction changed over time.

51. When I first joined the Department, the WA Police Force conducted probity checks into junket operators and junket representatives on behalf of the GWC and the Department as part of the approval process contemplated by the junket regulations then in place.
52. I recall this ceased in or around 2002 because the WA Police Force could not obtain reliable probity information from overseas law enforcement agencies. Obviously, an Australian national police clearance was of little or no use in relation to a foreign resident who had little or no other connection with Australia.
53. I cannot recall an occasion when the WA Police Force have disclosed protected criminal intelligence information in the context of any gambling related application (although they do from time to time do so in the context of liquor licensing matters).

TOPIC 3: DISCHARGE OF DUTIES, POWERS AND FUNCTIONS AND COMMUNICATIONS WITH CROWN PERTH

Media allegations and reports

Question 25: As regards the allegations and reports listed below:

- (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 GWC 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 GWC in respect of the allegations and reports:

(i) the media allegation in the ABC Four Corners program 'High Rollers, High Risk? Australian casinos and the threat posed by organised crime' which aired on 15 September 2014;

54. I recall that I watched the ABC Four Corners program “*High Rollers, High Risk? Australian casinos and the threat posed by organised crime*”. Having looked at the Minutes of the GWC meeting on 23 September 2014 (GWC.0002.0016.0134_0006), I recall the GWC was provided with written and verbal reports from Mr Connolly about the allegations discussed in the program, but not from Crown.

55. I do not believe the GWC took any action in respect of these allegations.

(ii) the media reports of Crown employees being arrested in China in October 2016;

56. I recall that I became aware of the Crown employees being arrested in China at the time of the media reports. Around this time, I recall Mr Felstead called me to reassure the GWC that Crown’s marketing activities in China were not illegal. I expect I would have conveyed that conversation to the GWC at the next meeting.

57. I also recall that there was no formal update from Crown for some time. From the Minutes of the GWC meeting on 22 August 2017 (GWC.0002.0016.0225_0035), I see that Mr Preston attended the GWC meeting and presented on this matter.

58. In terms of response, the GWC relied on VCGLR's investigations. The GWC had relied on the VCGLR's original investigation when the GWC approved Melco to be a close associate of Crown with respect to their joint venture in Macau, so it made sense to rely on the VCGLR's investigation given their familiarity with the matter.

(iii) the media reports of the allegations made by Andrew Wilkie MP in Federal Parliament in October 2017; and (iv) the allegations of tampering with Electronic Gaming Machines made in the Guardian between April and July 2018;

59. I understand these allegations to primarily involve Crown tampering with poker machines at the Melbourne Casino.

60. I do recall this allegation being discussed by the GWC, and see from the supplementary Agenda of the GWC meeting on 24 October 2017 (GWC.0002.0016.0214_0002) that the Department advised that it was confident that its audit programs were suitably robust to minimise any risk of machine tampering and would monitor an investigation being undertaken the VCGLR. I also recall Crown confirming that the poker machines that were the subject of the tampering allegations at the Melbourne Casino were not the same as the EGMs in use at the Perth Casino.

(v) 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.

61. I recall that I watched the 60 Minutes program “Crown Unmasked” at the time it aired and being concerned about the new allegations made in that program (some of the allegations were historic).
62. I further recall that the program was discussed extensively by the GWC and see from the Agenda and Minutes for GWC meeting on 27 August 2019 (GWC.0002.0016.0286_0006; GWC.0004.0014.0002), that Crown presented on the allegations at that meeting. I do not recall my reaction to Crown’s presentation. However, it should be noted that some aspects of the report had limited ongoing relevance given that Chinese junkets to Australia had effectively ceased following the China arrests.
63. I recall that the GWC decided not to take any action at that stage, but rather wait for the outcome of other inquiries that were underway at the time, including the ILGA inquiry and a further VCGLR inquiry.

Junkets

Question 26: Your knowledge of concerns about junket operators operating at the Perth Casino raised by Compliance Inspector Vanessa Webb and conveyed to Mr Michael Connolly in February 2017.

64. I have no knowledge of concerns raised by Compliance Inspector Vanessa Webb in February 2017.

Question 27: Your knowledge and understanding of communications between Mr Connolly and AUSTRAC between March 2017 and October 2017.

65. I have no knowledge Mr Connolly's communication with AUSTRAC; although I am aware Mr Connolly was in contact with a number of other regulators so this is not surprising.

Question 28: Your knowledge and understanding of the AUSTRAC Information Report - Casino Junkets Campaign dated 14 July 2017 and any enquiries made, investigations undertaken or other response by the GWC or the Department following the release of that Report.

66. I have no recollection of the AUSTRAC report, or of being briefed on it, or of enquiries made of the GWC or Department. I do not recall any enquiries being directed to me, at any time while I was Director-General.

Question 29: Your knowledge and understanding of the amendment made by Mr Connolly to the Casino Manual (Operations) on 11 April 2017 to delete Part 16 of Section 03A of the Casino Manual (Operations), which was headed "Junket Programme".

67. I understand this was reported to the GWC at the May 2017 meeting in the approvals under delegation section of the Agenda (GWC.0002.0016.0222_0093); however, I have no specific recollection of this matter being discussed.

Question 30: Your knowledge of whether a review of junket regulation as part of a broader Gambling Compliance Review was conducted by the Department in 2017 or subsequently.

68. I recall that following a report by the Victorian Auditor General into the operation of the VCGLR, I requested Mr Connolly to undertake a Gambling Compliance

Review (GWC.0002.0016.0202_0013, 0015). I have refreshed my memory from the paper, and see that the scope of the review included junket regulations.

69. I do not recall why junket regulations was dropped from the scope of the Gambling Compliance Review. I ended my tenure as Director-general on 30 June 2017. Around this time the machinery of government changes, which saw the creation of the Department of Local Government, Sport and Cultural Industries, were being implemented, and the Department still had people leaving for redundancies. As a result, Mr Connolly was pulled in a number of directions and required to give attention to a great number of matters including local government matters.

Question 31: Your knowledge and understanding 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 GWC relating to the investigation.

70. I recall that the VCGLR commenced an investigation into the China arrests, and that it was not discussed in the VCGLR's July 2018 Sixth Review of the Casino Operator and Licence. A copy of the report dated 19 February 2021 was only provided to the GWC earlier this year (GWC.0012.0001.16398).

Question 32: Your understanding of why, on 27 August 2019, the GWC resolved to, among other things, "authorise the Department to explore the idea of a national framework for the approval and management of junket activities." (Resolution 145/2019) [GWC.0002.0016.0286]

71. I do not have any specific recollection of why the GWC resolved to authorise the Department to explore the idea of a national framework for the approval and management of junket activities. However, as far as I recall, no two jurisdiction around Australia had the same junket policies and procedures. Given that junkets are an issue for each State, it would make sense for a coordinated approach.

Question 33: Your knowledge and understanding 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 GWC with a copy of the Investigation Report (Report 08/2020) and did the Department give the GWC any briefing about that report?

72. I recall receiving a copy of the Operation Angove report, either from Crown or Mr Connolly, and that it highlighted no instances of corruption in the relevant Government departments.
73. I do not recall any briefing from Crown or the Department to the GWC regarding that report.

Determination of applications by Crown Perth

Question 34: Your understanding of the circumstances in which the GWC will seek independent expert reports in order to assist the GWC to determine applications by Crown Perth.

74. The GWC required Crown to use independent laboratories to certify game performance, compliance with published rules, and other items as specified in National Standards because neither the GWC nor the Department had the internal capability to conduct this testing.
75. Further, the independent testing agency GLI assisted the GWC in deciding to approve Crown's Casino Management System, which manages the collection and validation of gaming revenue. GLI has also tested Crown's revenue system to confirm that it continues to fully account for Crown's gaming revenue.

76. Aside from these examples, I cannot recall an instance where the GWC sought independent expert reports in order to assist it determining applications by Crown Perth.

Question 35: Your understanding of the process that the GWC 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.

77. My understanding of the process for declaring EGMs reflects what is set out the paper “*Summarised Approval and Compliance Processes for Electronic Gaming Machines at Crown Perth*”, prepared by Mr Connolly for the 23 July 2019 GWC meeting (GWC.0002.0016.0280_0034).
78. In brief, if the EGM is a clone from a previously approved EGM, and the GWC provides in-principle approval after viewing a presentation from Crown, the GWC permitted the CCO to approve the game rules under delegation subject to the EGM satisfying the criteria in the National Standard. The reason for this structure for final approval to be given by the CCO acting under a delegation from the GWC is twofold:
- 78.1 EGMs are expensive to develop, so Crown would not commission a manufacturer to develop it without in-principle support from the GWC; and
- 78.2 once the GWC had given in-principle support from the GWC, the EGM was not permitted to change, so there was no point bringing it back before the GWC for approval.
79. The process for approving a table game is largely the same with the GWC giving in-principle approval, save that if the table game is a new game to the Perth Casino, the GWC must first approve the game rules (after seeing a demonstration).

Question 36: Your understanding of the effect of the phrase “except for a game played with poker machines” in s 22(1) of the Casino Control Act.

80. I recall that when Mr Rodney Chapman, the inaugural chairman of the GWC, was commissioned to conduct a review of the *Gaming and Wagering Commission Act 1987* (WA), he recommended that a definition of a poker machine be inserted into the Act (GWC.0007.0011.0106_0035), but Parliamentary Counsel was not able to draft that definition.
81. In the absence of a definition, the GWC has, by reference to certain standards adopted prior to my time on the GWC, formulated a distinction between EGMs and poker machines. The current formulation of the standards are set out in the Western Australian Appendix to the National Standard.
82. The distinction between EGMs and poker machines is at times difficult to assess. That is mainly a result of poker machines becoming more like EGMs as the East-Coast moved away from representations of the traditional “one armed bandit” style games. The key distinction is the fact there are no spinning reel displays permitted in Western Australia and that the patron must press a button to start each game (i.e., there should be no continuous play). The other main distinctions are not related to the EGM’s appearance, and include the 90% return to player and the speed of play requirements.

Policy on Electronic Gaming Machines

Question 37: Your knowledge and understanding of the consideration given to increasing the minimum speed of play to 6 seconds for Electronic Gaming Machines in 2014.

83. I have no independent recollection of this matter other than what is recorded in the GWC minutes.

Question 38: Your knowledge and understanding of the intended effect of resolution 120/2019 recorded in the minutes for the GWC'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].

84. My understanding is that the intended effect of resolution 120/2019 was to only approve the matters that were expressly referenced in that resolution, 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” (GWC.0002.0016.0285_00002).
85. While the changes to game speed to the Western Australian Appendix to the National Standard and removal of reference to the independence of outcomes (Factor 10) were approved by the GWC, the other changes, including Factor 1(4) identified by GLI as being essentially redundant, were not considered nor approved by GWC.

Question 39: The factors or considerations you took into account, and your understanding of the factors or considerations that the GWC as a whole took into account, in passing resolution 120/2019.

86. I recall that this resolution prompted significant discussion amongst the GWC. I cannot speak for what other members of the GWC took into account, but I considered the following factors:
- 86.1 the fact we were ~~decreasing~~ increasing the speed of the games and my understanding of problem gambling issues that may arise from that change;
- 86.2 the trends in EGM design including the move towards EGMs with in-game features; and

86.3 the benefits that may arise from the change for Crown Perth.

Question 40: Your knowledge and understanding of the rationale for the 90% return to player requirement for Electronic Gaming Machines.

87. The 90% return to player requirement for EGMs was a policy that was put in place before my time on the GWC. I am not aware of the rationale for it, save as a distinguishing feature of EGMs in Western Australia (and one that is beneficial to patrons of the Perth Casino).

Review of compliance activities

Question 41: Your knowledge and understanding of the instruction, in or about February 2017, by the Director-general to the Deputy Director-general to conduct a review of all gambling and liquor compliance activities performed by the Department to assess the effectiveness of then current programs and the processes and practices employed [GWC.0002.0016.0202, 0013].

88. See my answer to Question 30 in paragraph 68 above.

Question 42: Your knowledge and understanding of the review and assessment carried out following that instruction and the completion of all aspects of that review [GWC.0002.0016.0225, 0013]; [GWC.0002.0016.0211].

89. I have no independent recollection other than what is recorded in the GWC's Agenda papers. In this regard, I note a summary of the Gambling Compliance Review is set out in the Agenda paper for the GWC meeting on 28 November 2017 (GWC.0002.0016.0216_0012) which records as follows:

Regulatory Area Reviewed	Meeting and Item No.
Casino – Revenue and Tax Verification	September 2017 – Item 5.3
Casino – Table Games – Gaming Integrity	October 2017 – Item 5.2

Casino – Security and Surveillance	November 2017 - Item 5.2 (this paper)
Casino – Electronic Gaming Machines – Gaming Integrity	December 2017 meeting

90. I have not been able to review a full Agenda paper for the GWC meeting on December 2017, but surmise from the minutes (GWC.0002.0016.0219_0002) that a paper entitled “*Compliance Review – Electronic Gaming Machines – Integrity of Gaming*” was discussed.
91. Following the December 2017 paper, I am not aware of any further actions were taken with respect to the Gambling Compliance Review.

Question 43: Your knowledge and understanding of the extent to which the review and assessment considered the effectiveness of programs, process and controls associated with: (1) prevention of potential criminal conduct in connection with gaming operations; (2) approval of Junket operators; (3) responsible service of gambling; (4) review of the Casino Manual; and (5) compliance with the Casino Control Act, State Agreement and Casino Manual, and, if so, what was the outcome of these aspects of the review and, these aspects were not considered as part of the review, why were they not so considered.

92. I have no recollection of whether these matters were considered for the purposes of the Gambling Compliance Review and why that is the case. Essentially, this review commenced and was undertaken after my time as Director-General, and since mid-2017, I have been concerned with them only in my capacity as an ordinary member of GWC, receiving and relying upon the materials provided by the Department. These are matters I would expect to be dealt with in a comprehensive review of the regulatory framework but, as I mentioned above, that review seems to effectively ceased within the Department by late 2017.

Question 44: Your knowledge and understanding as to whether the GWC otherwise conducted a risk assessment in relation to the Perth Casino licensee or its conduct prior to November 2020.

93. I do not recall any other risk assessment being conducted by the GWC in relation to the Perth Casino licensee or its conduct prior to November 2020.

TOPIC 4: MINIMISATION OF HARM FROM CASINO GAMING

Question 45: 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.

94. I have no personal knowledge of the nature and extent of harm caused gambling at the Perth Casino; although I am conscious that gambling can be harmful to some patrons and their relatives.
95. I am not aware of any specific research that has been conducted in respect of the Perth Casino. I am generally aware of the:
- 95.1 research undertaken by Gambling Research Australia (**GRA**), including an attempt to arrive at a national definition of “problem gambling” to facilitate the comparability of future prevalence studies; and
- 95.2 gambling facts, figures and statistics compiled from time-to-time by the Australian Gambling Research Centre, the Queensland Government, and the Australian Gaming Council.
96. I kept myself apprised of the statistics as they were released, from time to time, and observed that generally Western Australia has the lowest rates of per capita real expenditure on gambling in the country, and that that expenditure has been declining over time (for e.g. **PUB.0007.0028.0034**).

Question 46: 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.

97. The Crown (and Burswood before it), RWWA/TAB, Lotterywest, WA Bookmakers Association, and the GWC each contributed to funding the Problem Gambling Support Services Committee (PGSSC).
98. The purpose of the PGSSC was to “*educate the community of Western Australia on the impact and consequences of problem gambling and to facilitate and promote the help services available for those people affected by gambling related harm*”. The PGSSC achieved this objective by funding the following programs (amongst other things):
 - 98.1 a 24-hour telephone helpline service;
 - 98.2 face-to-face counselling services;
 - 98.3 access to online counselling; and
 - 98.4 conducting community awareness campaigns.
99. I am not aware if the effectiveness of these programs has been evaluated.
100. See also my answer to Question 9 in paragraph 24 above (and following).

Question 47: 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 GWC's role in overseeing or regulating that program and any such activities; and
- (c) how the GWC has performed its role in overseeing or regulating that program and any such activities.

101. I am aware that Crown Perth runs a responsible gaming program and provided updates to the GWC on this program from time-to-time.
102. I recall the program involves extensive staff training, a 24 x 7 RSG team presence at the Perth Casino (including an office on the gaming floor that patrons can visit), the ability of patrons to self-exclude, and enforced breaks in play for patrons.
103. Further, in December 2017, following a briefing from Crown relating to the responsible service of gambling initiatives at Crown Perth, the GWC requested that regular reports on "RSG statistics" be provided by the Department (GWC.0002.0016.0219_0002). These statistics were discussed by the GWC, in particular any increasing trends in concerning behavior.
104. Problem gambling and the responsible service of gambling was a very important consideration for the GWC, and was consistently taken into account for decisions involving the Perth Casino. However, on reflection, the GWC could have played an active role in auditing Crown's responsible service of gambling program. That may have required extra resources and additional skills depending upon the type of audit to be undertaken.

Question 48: Your knowledge and understanding of the GWC's policies about or regulation of ATM placement at Perth Casino and the use of EFTPOS machines at gaming knowledge and understanding.

105. The GWC had a policy for both ATMs and the use of EFTPOS machines, the latter being brought in relatively recently.
106. I recall that the ATM policy included withdrawal limits and required the ATMs to be placed some distance away from the casino floor, but under surveillance from Crown's surveillance system and personnel (see **GWC.0002.0016.0035_0402**); and
107. Further, I recall that the use of EFTPOS machines at the gaming tables meant that there is no break in play for patrons while they walked to withdraw cash from the ATMs; however, the feeling of the GWC was that the Perth Casino should keep up with community expectations in relation to using EFTPOS. I recall the GWC required transaction limits and other measures to facilitate the responsible service of gambling, including "RSG" signage (see **GWC.0002.0016.0275** and **GWC.0002.0016.0309**). The GWC also took comfort from the fact that patrons would be using the EFTPOS facilities under the scrutiny of the table operators trained in the responsible service of gambling and (to a lesser extent) other players.

Question 49: Your knowledge and understanding of the circumstances leading to the establishment of the Problem Gambling Support Services Committee.

108. The PGSSC was established in the mid to late 1990s.
109. Prior to the amendments to the *Gaming and Wagering Commission Act 1987* (WA) in 2003, there was no express requirement for the GWC to actively consider problem gambling and responsible service of gambling issues (see the *Racing and Gambling Legislation Amendment And Repeal Act 2003* (No. 35 of 2003), s 126). Nor was there a legislative basis for applying levies to the Perth Casino to fund the prevention or

mitigation of problem gambling. It was clear to me that there was a community need for such programs that were being funded in other jurisdictions, for example Victoria and New South Wales, in Australia.

110. Accordingly, rather than look to the GWC to fund and run the support programs, I thought it better to establish a separate committee with membership drawn from Burswood Casino, WATAB, WA Bookmakers and the Lotteries Commission. That way we could be ensured of their participation in, and funding of, the programs.

Question 50: Your knowledge and understanding of the relationship between the Problem Gambling Support Services Committee and the GWC from the inception of the Problem Gambling Support Services Committee to the present time and the manner in which that relationship has changed, if at all during that period.

111. I never saw the PGSSC as a sub-committee of the GWC, but rather as a standalone entity. The committee had to sit somewhere though, and for administrative purposes, it was linked to the GWC and the PGSSC's funds were placed with the GWC.

TOPIC 5: CONFLICTS OF INTEREST AND GIFTS AND BENEFITS, INCLUDING HOSPITALITY

Question 51: Please provide details of any gifts or benefits, including hospitality, which you received from the Crown Group, including from its officers or employees.

112. I refer to paragraphs 30 to 46 of my first witness statement regarding my trip to Macau that was funded by Crown. My meals on that trip were also funded by Crown. To the best of my recollection, these meals included:

- 112.1 Lunch on Monday, 22 July 2013 with Mr Preston, and Tuesday, 23 July 2013 with Mr Felstead and Mr Preston, while inspecting Macau casinos. I recall the lunch on Tuesday was at Wynn Macau.

- 112.2 Dinner on Monday, 22 July 2013 and Tuesday, 23 July 2013 with Mr Felstead, Mr Preston, and other senior executives of various Macao casinos. These dinners were held at the Crown/Melco resorts City of Dreams and Altira.
113. In paragraph 35 of my first witness statement, I describe the purpose of my trip to Macau. In that context, these were working meals in that the discussion was primarily about the differences between casinos in Macau against casinos in Australia, and not on entertaining me. I believe Crown paid for these meals. If they did not pay, I would have directed the Department to invoice them for my meals.
114. At the City of Dreams resort, I attended the House of Dancing Water Show with Mr Preston, Mr Felstead and, to the best of my knowledge, other Macau casino senior executives. This was not discussed with me before dinner. I believe that Mr Felstead saw this as an extension of showing me the offering available in Macau; he would not think, and it is certainly not the case, that a gratuitous stage show would carry any favour with me. I did however feel some discomfort at attending this stage show, which I believed was complements of the City of Dreams resort, and I therefore left an amount of my own money (I believe it was HKD 1000) with one of the resort staff to donate to a local charity in lieu of payment for my ticket.
115. I refer to paragraphs 47 to 54 of my first witness statement regarding my trip to Melbourne that was funded by Crown. I recall that I had dinner with Mr Felstead, Mr Preston and Mr Connolly. I expect Crown paid for this dinner. If they did not pay, I would have directed the Department to invoice them for my meal.
116. I recall that I have received the following gifts or benefits (including hospitality) from Crown:

- 116.1 2004: I attended an evening cocktail welcome reception for Mr David Courtney, Crown's inaugural Perth CEO.
- 116.2 2009: I attended an afternoon tea retirement function for Mr Michael Egan, who used to work at the Department and was the inaugural CCO.
- 116.3 December 2013: I took the Department's Corporate Executive to Crown's Atrium restaurant for a Christmas lunch. Crown provided a complementary bottle of sparkling wine. I settled the account with my personal credit card.
- 116.4 Finally, when I attended meetings at the Perth Casino, and a number of launches of the annual Problem Gambling Support week, morning tea was provided by Crown.
117. I note that in May 2014, Mr Felstead's Executive Assistant assisted me in booking a 30th birthday party for my daughter (who lives in Sydney) at Crown's Modo Mio Italian restaurant. No discount or complimentary food or alcohol was provided by Crown, and my daughter settled the account with her credit card.

Question 52: 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.

118. Without reviewing my records, I cannot recall any gifts or benefits (including hospitality), provided by the Crown Group to officers or employees of the Department being reported to me.

119. Specifically, I cannot recall if officers or employees of the Department attended the functions I refer to above (save for Mr Connolly).
120. I understand some member of the GWC attended the opening of the Crown Towers. I did not attend, so I am unable to say whether officers or employees of the Department were in attendance.

Contains sensitive information



BARRY SARGEANT

Place: ~~PERTH~~ SYDNEY

Date: 9 SEPTEMBER 2021