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PERTH CASINO ROYAL COMMISSION

PUBLIC HEARING - DAY 51

06.28 AM FRIDAY, 29 OCTOBER 2021

COMMISSIONER NJ OWEN

COMMISSIONER CF JENKINS

COMMISSIONER C MURPHY

HEARING ROOM 3

MS PATRICIA CAHILL SC and MR MICHAEL FEUTRILL SC and MS APARNA JAYASEKERA and MR LIAM O'SHEA as Counsel Assisting the Perth Casino Royal Commission

MR JOSHUA BERSON and MR KEAHN SARDINHA as Counsel for the Department of Local Government, Sport and Cultural Industries

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

MR NOEL HUTLEY SC and MR TOM O'BRIEN and MS RACHAEL YOUNG as Counsel for Mr James Packer and Consolidated Press Holdings Pty Ltd and CPH Crown Holdings Pty Ltd

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

MS JOANNE SHEPARD as Counsel for Mr Barry Felstead

DR ELIZABETH BOROS as Counsel for Mr Ken Barton

MR PETER WARD as Counsel for Mr John Poynton

MR ANTHONY POWER as Counsel for Ms Maryna Fewster

COMMISSIONER OWEN: Please be seated. Thank you, Mr Packer and Mr Hutley.

5 MR HUTLEY: Yes.

COMMISSIONER OWEN: The arrangements for this morning are that we will need to break at 7.30 Perth time for 10 minutes or so, and then we will go through to about 8.40 and then take a slightly longer morning break, so that will be about 8.40. So at
10 7.30, a 10-minute break and 8.40, a 20-minute break.

JAMES PACKER, AFFIRMED

15

COMMISSIONER OWEN: Thank you very much, Mr Packer. Mr Hutley.

EXAMINATION-IN-CHIEF BY MR HUTLEY

20

MR HUTLEY: Mr Packer, do you have before you a document entitled "Amended Statement of James Douglas Packer"?

25 MR PACKER: Yes.

MR HUTLEY: And that is an unmarked document, other than --- it has no handwriting on it; correct?

30 MR PACKER: Correct.

MR HUTLEY: Now, is it true and correct, to the best of your belief?

MR PACKER: It is.

35

MR HUTLEY: Thank you. That's the evidence-in-chief, if it please the Commission, and I tender the document and its identifier number is WIT.0018.001.0018_R.

40 COMMISSIONER OWEN: Is it 26 October 2021, the date?

MR HUTLEY: I think actually the amended statement is undated at the moment, Mr Commissioner. The original statement was dated, but there was a small correction to paragraph 52 which led to the production of the amended statement. So the
45 document I have before me is undated, Mr Commissioner.

COMMISSIONER OWEN: Thank you. The amended witness statement of James Douglas Packer, which is undated, but which bears identifier number

WIT.0018.001.0018_R will be admitted into evidence as an exhibit.

5 **EXHIBIT #WIT.0018.001.0018_R - AMENDED WITNESS STATEMENT OF
JAMES DOUGLAS PACKER, UNDATED CROSS-EXAMINATION BY MS
CAHILL**

10 MS CAHILL: Mr Packer, can I begin by making clear the focus of my questions this
morning is primarily upon the structures and operations of the Crown Perth and the
Burswood entities during your time as chair of Burswood Limited under the
Commission's Terms of Reference, it is required to have regard to the Bergin report,
15 and the matters referred to in that report, and as a consequence I don't intend to re-
examine you or canvass again with you the matters that have already been the subject
of evidence you gave to the Bergin Inquiry. Is that clear?

MR PACKER: Thank you, yes.

20 MS CAHILL: Now, if we go to your amended witness statement,
WIT.0018.0001.0018, you indicate in your witness statement at paragraphs 2 and 3
that you can't recall the precise dates between which you held various positions
within the Crown group; however, you do recall in general terms, don't you, that
when you became a director and the chair of Burswood Limited in September 2004,
25 you at around the same time commenced as executive chairman of PBL?

MR PACKER: No, I think I'd been executive chairman of PBL well before that.

MS CAHILL: All right. In any event, you were executive chair of PBL and
30 Burswood Limited once you became chair of Burswood Limited?

MR PACKER: That sounds correct, yes.

MS CAHILL: And after the demerger of PBL's media assets in 2007, you then
35 assumed the role of executive chair of CRL, didn't you?

MR PACKER: Of Crown, yes.

MS CAHILL: Yes. And you remained the chair of both Burswood Limited and
40 Crown between 2007 and 2015, when you retired as chair of CRL for a period of
time?

MR PACKER: I think it's CWN, isn't it? Is it CRL or CWN?

45 MS CAHILL: We'll call it Crown, shall we?

MR PACKER: Yes, that would be great. Could you repeat the question, please?

5 MS CAHILL: You remained as chair of both Burswood Limited and Crown between '07 and '15, when at '15, you retired as chair of Crown for a period?

MR PACKER: Yes.

10 MS CAHILL: And I think when you retired as chair of Crown in 2015, you then stayed on as chair of Burswood Limited for about another six months until May 2016?

MR PACKER: Yes.

15 MS CAHILL: And at the back of your witness statement where you give that annexure with the explanation of the various roles that you had in the different companies at 33, you explain that as chair of CRL, Crown, you were an executive chairman until September 2013? Do you see there in the last row?

20 MR PACKER: Yes, yes. Yes, I do.

MS CAHILL: So obviously, after you ceased being executive chair, you were non-executive chair until 2015?

25 MR PACKER: Yes.

MS CAHILL: In relation to Burswood Limited, were you at any time an executive chair of that company?

30 MR PACKER: No.

MS CAHILL: Whether you were in an executive role or not, in either of these companies, you were not at any time paid any remuneration for acting as a director or chair; is that right?

35

MR PACKER: I believe that's correct.

40 MS CAHILL: Can I ask you now about your role of chair of Burswood Limited. You explain at paragraph 19 of your witness statement, 0022, how you saw the role of chair --- here I'm talking just about Burswood Limited, and I want to take you to what you've said there in parts. In that first sentence, you say you saw the role of chair of Crown Perth Burswood Limited first contributing to Burswood Limited's strategy. Do you mean Burswood Limited's business or financial strategy?

45 MR PACKER: I really meant the strategy of redeveloping the resort.

MS CAHILL: Was that a contribution in terms of contributing to the strategy of redeveloping the resort that you expected other directors of Burswood Limited to also

make?

MR PACKER: Yes.

5

MS CAHILL: Do you consider as chair you had a particular responsibility in that regard?

MR PACKER: Yes.

10

MS CAHILL: You go on to say that in this first sentence of 19, you saw the role of chair of Burswood Limited as monitoring its operating results and monitoring its capital requests and improvements. That was a responsibility and role you shared equally with other directors of Burswood Limited, didn't you?

15

MR PACKER: Yes.

MS CAHILL: If we go to the second sentence, you say you also saw the role as representing Crown Perth in the Western Australian community. What do you mean by that?

20

MR PACKER: I mean by Crown Perth putting its best foot forward and me as the chairman of Crown Perth trying to have Crown Perth seen as a good corporate citizen.

25

MS CAHILL: That was a responsibility you shared with others at Crown Perth, though, wasn't it?

MR PACKER: Yes.

30

MS CAHILL: And not just other directors, but executives of Crown Perth had that responsibility as well?

MR PACKER: Yes.

35

MS CAHILL: And, indeed, all staff at Crown Perth?

MR PACKER: Yes.

40

MS CAHILL: In the third sentence, you say that the chair also had a role in facilitating the board being kept up to date by management on key issues?

Having regard that what you said there, you appreciated in your role as chair, didn't you, that it was important for the board to be kept appropriately informed by Crown Perth management?

45

MR PACKER: Yes.

MS CAHILL: And for matters of significance or sufficient seriousness to be

escalated to the board?

MR PACKER: Yes.

5

MS CAHILL: How did you go about that in practice --- that is, facilitating the board being kept up to date?

MR PACKER: I suppose through the board meeting process.

10

MS CAHILL: In the next part of the third sentence, you talk about the role of the chair as facilitating board oversight of management. You considered, did you, that the board of Burswood Limited had an oversight responsibility in respect of Crown Perth management?

15

MR PACKER: Yes.

MS CAHILL: How did you go about in practice facilitating board oversight of management?

20

MR PACKER: It was an iterative process. Management would put forward budgets, would put forward capital proposals, would put forward things of that nature. After a while, after being on the board, you would get a sense of whether the people that were putting forward those arguments were likely to deliver on what they were proposing.

25

MS CAHILL: Now what you've set out in paragraph 19, which you should have in front of you, is that the limit or extent of your understanding of the chair's role?

30

MR PACKER: I think on top of that, the chair's role would be to make sure that the company is in compliance with its regulatory obligations.

MS CAHILL: Anything else?

35

MR PACKER: Not that I can think of.

MS CAHILL: Can I ask you now some questions about the role --- sorry, I should just go back. In terms of making sure that the company was in compliance with its regulatory obligations, that was a responsibility and role that you shared with all the other directors on the board, didn't you?

40

MR PACKER: Yes.

45

MS CAHILL: Now, turning to the board as a group and more generally, and its role during your time as chair, you give some explanation about that at paragraph 39 of your witness statement, page 0025, in the third sentence. Can you pick it up there, in the third line:

I saw the role of Crown Perth/Burswood Limited board as

Do you have that, Mr Packer?

5

MR PACKER: Yes, I do.

MS CAHILL: Again, can I take what you've said there in parts. First of all, you refer to providing oversight of the operations of the Burswood complex and that, of course, included Perth Casino, didn't it?

10

MR PACKER: Yes.

MS CAHILL: When you say "oversight", that obviously included monitoring the operations?

15

MR PACKER: Yes.

MS CAHILL: And monitoring the management of the operations by Crown Perth management?

20

MR PACKER: Yes.

MS CAHILL: So it was expected that Crown Perth management would regularly report to the board --- yes?

25

MR PACKER: Yes.

MS CAHILL: And apart from that monitoring function, did the Burswood Limited board have the primary responsibility for the operations of the Burswood complex, including Perth Casino?

30

MR PACKER: Yes, but it was in conjunction with the Crown Resorts board because capital for development was allocated by Crown Resorts, because Burswood didn't have the capital independently.

35

MS CAHILL: So apart from, though, issues to do with capital improvements and capital expenditure, is it the case that the Burswood Limited board had the primary responsibility for the operations of the Burswood complex, including Perth Casino?

40

MR PACKER: Yes, I believe so.

MS CAHILL: In that regard, again, carving out to take account of what you've said about capital expenditure, did the Burswood Limited board make all the key strategic decisions in respect of the operations of the Burswood complex, including Perth Casino?

45

MR PACKER: Yes, apart from what you just excluded.

MS CAHILL: Apart from capital expenditure decisions?

MR PACKER: Yes.

5

MS CAHILL: Was the Burswood Limited board primarily accountable for how the Burswood complex, including Perth Casino, was operated?

MR PACKER: Yes.

10

MS CAHILL: Just to be clear, you've identified that the Crown board had a role in relation to capital expenditure and, as I understand it, primary responsibility for decisions about capital expenditure at the Burswood complex? Do I understand that correctly?

15

MR PACKER: I believe so.

MS CAHILL: Yes. Apart from that, did the Crown board have any responsibility for or accountability in respect of the operations of the Perth Casino?

20

MR PACKER: The Crown board would have been involved in management personnel decisions.

MS CAHILL: Can you just elaborate on that a little, please, Mr Packer? What management positions are you talking about?

25

MR PACKER: Well, to make Barry the chief executive would have come from the Crown Melbourne board.

30 MS CAHILL: We might come back to that in a little more detail in a moment. Can I just, so that we don't lose the thread here, come back to paragraph 19 and that third sentence. Sorry, if we go up to paragraph 18 just above it, you say there in the second sentence that Burswood Limited reported up to Crown Resorts. Do you see that?

35

MR PACKER: Yes.

MS CAHILL: What you mean there is this, is it: the board of Burswood Limited reported up to the board of Crown Resorts?

40

MR PACKER: Yes.

MS CAHILL: Do you know if the management of Burswood Limited reported up to the board of Crown Resorts?

45

MR PACKER: I can't recall.

MS CAHILL: Just in terms of the Burswood Limited board reporting up to the board of Crown Resorts, was that simply for information and monitoring purposes?

5 MR PACKER: Yes, and for development purposes, because the development was a primary aim of Crown Resorts for Crown Perth during that time.

MS CAHILL: When you say "development" there, do you mean capital development, the actual physical development of the site?

10

MR PACKER: Yes. Taking what I would describe as the old Burswood and redeveloping it into Crown Perth.

MS CAHILL: I see. Now, if we come to page 0027 of your witness statement, at paragraph 48, we might need to put that on two pages, as it goes over to the next page, so Mr Packer can see it. So here in paragraph 48, you're referring to the position following the creation of the Crown group in 2007, and you're talking about systems and management processes gradually evolving to become, if you will, more centralised within the group. If I can take the evidence you've given there with the evidence you've given about the role of the Burswood Limited board and ask you this: is the effect of your evidence that from 2007, Crown Perth began by way of a gradual process to adopt certain group management systems and processes?

20

MR PACKER: Yes.

25

MS CAHILL: However, having regard to your earlier evidence about the role of the board, Burswood Limited board's oversight function and governance in respect of the Perth Casino operations remained the provenance of the Burswood Limited board?

30 MR PACKER: Sorry, can you repeat the question? I apologise.

MS CAHILL: It's probably my fault, Mr Packer. In paragraph 48, you're talking about management processes, aren't you?

35 MR PACKER: Yes.

MS CAHILL: And describing how they gradually became centralised?

MR PACKER: Yes.

40

MS CAHILL: But the governance and oversight of Crown Perth, except for the redevelopment of the Burswood site and capital expenditure in relation to that, remained with the Burswood Limited board, didn't it, and was not centralised?

45 MR PACKER: I believe that's correct.

MS CAHILL: Can I ask you some questions about the composition of the Burswood Limited board. As chair of both Burswood Limited and the Crown Resorts group at

the time, you had particular influence, didn't you, in the appointment of directors of Burswood Limited and the composition of that board as a whole?

5 MR PACKER: Yes.

MS CAHILL: Having regard to the oversight role that you have given evidence about that Burswood Limited had in respect of the Crown Perth operations, did you take care to ensure that there was a suitable mix of skills and experience of directors
10 on the board?

MR PACKER: I believe I did.

MS CAHILL: When you were chair, was there anyone on the board of Burswood
15 Limited with specific financial skills?

MR PACKER: I believe Ken Barton joined the board of Crown Perth at some stage, but I'm not sure about that.

20 MS CAHILL: Anyone else with specific financial skills?

MR PACKER: Mr Craigie had specific financial skills. I think that Mr Roberts and Mr Poynton had specific financial skills.

25 MS CAHILL: When you were chair, was there anyone on the Burswood Limited board with particular skills and experience in corporate governance?

MR PACKER: I would say Rowen Craigie had particular experience in corporate
30 governance.

MS CAHILL: Anybody else?

MR PACKER: I'm not sure how to answer that question in relation to Mr Poynton and Mr Roberts.
35

MS CAHILL: Is that because you don't know how much corporate governance experience they had when you appointed them?

MR PACKER: I knew that they were directors of several serious companies, but I
40 didn't ask the question "how much corporate governance experience do you have".

MS CAHILL: When you were chair, was there anybody on the Burswood Limited board that you appointed with particular skills in risk management, legal regulation and compliance?
45

MR PACKER: Rowen Craigie.

MS CAHILL: Mr Craigie was an executive --- held an executive position?

MR PACKER: He was the chief executive of Crown Resorts.

MS CAHILL: Was there anyone appointed who had specific casino experience?

5

MR PACKER: From Western Australia?

MS CAHILL: Well, at all on the Burswood Limited board.

10 MR PACKER: Well, the Crown Resorts directors had gaming experience.

MS CAHILL: They were all executive positions, weren't they?

MR PACKER: I believe so, yes.

15

MS CAHILL: Was there anyone appointed who had financial crime risks management experience, such as anti-money laundering expertise?

MR PACKER: I don't believe there was.

20

MS CAHILL: Was that an oversight?

MR PACKER: Looking back, there are many oversights and things that should have been done differently.

25

MS CAHILL: That was a big one, wasn't it, because one of the things you knew about the operation of casinos was that they carried a risk of being used to facilitate money laundering?

30 MR PACKER: I did not believe at that point in time that Crown Perth was engaged in money laundering.

MS CAHILL: I'm not suggesting that Crown Perth was engaged in money laundering. There was a risk, wasn't there, a risk that all casinos bear which is --- or are exposed to, which is that their operations will be used by others to facilitate money laundering?

35

MR PACKER: That's fair.

40 MS CAHILL: You knew that throughout your time as chair of Burswood Limited?

MR PACKER: Yes.

MS CAHILL: And it was an oversight to not appoint someone to the board who had expertise in that area of financial crime risk; would you agree?

45

MR PACKER: Yes.

MS CAHILL: And was there anyone appointed to the board during your time as chair who had skills and experience in gambling-related harm minimisation?

5 MR PACKER: John Horvath was the chairman of the problem gaming committee in Crown --- for Crown Resorts, and I know that he had input into Crown Perth's procedures as well.

10 MS CAHILL: But there was no director on the board with gambling-related harm minimisation skills or experience; is that right?

MR PACKER: Rowen Craigie would have had those skills.

15 MS CAHILL: Why do you say that?

MR PACKER: Because if you know Rowen, you'd know that he was very compliance driven and was on top of the detail about things such as problem gaming initiatives.

20 MS CAHILL: In terms of the number of directors of Burswood Limited while you were chair, the number was maintained at around eight directors; is that right?

MR PACKER: I can't recall, but I don't --- I don't disagree with you.

25 MS CAHILL: What was the rationale for having that number of directors on the board?

MR PACKER: I can't recall.

30 MS CAHILL: Apart from you and the two independent WA-based non-executive directors, the balance of the board of Burswood Limited was made up of senior executives of Crown Perth and the Crown Resorts group; is that right?

35 MR PACKER: Yes.

MS CAHILL: In fact, for the time that you were executive chair of Crown Resorts group, you were part of that executive as well?

40 MR PACKER: Yes.

MS CAHILL: What was the rationale for having the majority of members of the board of Burswood Limited being members of the executive management?

45 MR PACKER: In hindsight, perhaps we should have had a majority of independent directors, but it was --- but Crown Perth was a fully owned subsidiary of Crown Resorts, and it was a big part of Crown Resorts' business, so having senior Crown Resorts executives on the board was not inconsistent with Crown Resorts having a

significant investment in Burswood.

5 MS CAHILL: Well, the board of Burswood Limited, though, Mr Packer, had an oversight role that you've described to me earlier this morning in respect of the Crown Perth operations specifically. So it was the case, wasn't it, with a majority executive board, Crown Perth was, in effect, overseeing itself. Would you agree?

10 MR PACKER: Yes.

MS CAHILL: And that's a poor governance structure, you would accept that?

MR PACKER: Yes.

15 MS CAHILL: In paragraph 25 of your amended witness statement, page 0023, you refer to the role of the non-executive independent directors of Burswood Limited, and I gather from what you say in the first sentence of that paragraph that those directors were chosen because they were based in Western Australia and could bring a local perspective to the board; is that right?

20 MR PACKER: Yes.

MS CAHILL: At paragraph 29 on page 0024, you relate your understanding of the role of non-executive directors generally, and I assume there that, except where you expressly mention local directors, you are describing your understanding of the role of non-executive directors generally?

25 MR PACKER: Yes.

30 MS CAHILL: Did you understand that the non-executive directors of Burswood Limited, who were WA-based, were responsible for oversight and challenging management as appropriate?

35 MR PACKER: Yes.

MS CAHILL: Just as all other directors of Burswood Limited were?

MR PACKER: Yes.

40 MS CAHILL: Including you?

MR PACKER: Yes.

45 MS CAHILL: Would you agree that particularly you as chair were responsible for oversight and challenging management as appropriate?

MR PACKER: Yes.

MS CAHILL: If we go down to paragraph 32, page 0024, having regard to what you say there, your expectation was that the non-executive directors of Burswood Limited who were WA-based, would perform all of the general obligations that a
5 director of a company typically has?

MR PACKER: Correct.

MS CAHILL: Are you aware of evidence that Mr Poynton has given to this Royal
10 Commission as to his understanding of his role as a director of Burswood Limited?

MR PACKER: I can't recall it.

MS CAHILL: He's given some evidence about that and the role of the Burswood
15 Limited board as a whole. Let me ask you this first: when Mr Poynton was appointed to the Burswood Limited board, did you explain to him his roles and responsibilities as a director?

MR PACKER: I can't recall.

20

MS CAHILL: Did you explain to him your expectations of him?

MR PACKER: I believe I would have.

MS CAHILL: Yes. That would be something you would normally do?
25

MR PACKER: I believe so, yes.

MS CAHILL: Would it be your normal practice to explain to a non-executive
30 director that they would perform all of the general obligations that a director of a company typically has?

MR PACKER: I believe so, yes.

MS CAHILL: The effect of part of Mr Poynton's evidence to this commission was
35 that the Burswood Limited board did not have the power to direct the casino licensee or its management in any way, that it only had the power to monitor the licensee's casino operations and to, as he described it, escalate any issues of concern. Would you agree or disagree with that evidence?
40

MR PACKER: I think that's legalistic and I'm not a lawyer, so I'm uncomfortable.

MS CAHILL: I'll come back and put it in less legalistic terms, then. Mr Poynton
45 gave evidence to this Commission in substance, which was to the effect that the Burswood Limited board in the way it practically operated, did not have the power to direct Perth Casino as to how it operated and didn't have the power to direct its management in any way; all it did was just monitor what was going on and if there was an issue of concern, it escalated it up to the Crown Resorts group. Do you agree

or disagree with that evidence?

MR PACKER: I disagree with that evidence.

5

MS CAHILL: Mr Poynton also gave evidence to the effect that --- and it's a somewhat similar proposition, Mr Packer --- that the governance of the Perth Casino operations occurred first at Burswood Nominees Limited board level but secondly, and ultimately, at Crown Resorts' board level, such that the Burswood Limited board did not have governance or oversight of the Perth Casino operations. Do you agree or disagree with that evidence?

10

MR PACKER: I agree in part.

15 MS CAHILL: Just explain the part you agree with?

MR PACKER: I agree that the Burswood Limited board didn't have the authority to sign off on the capital decisions, on the capex and redevelopment decisions, as we discussed before, because Crown Resorts had the balance sheet to back those redevelopments, Crown Perth didn't.

20

MS CAHILL: In all other respects, putting capital expenditure and development decisions aside, you'd disagree with Mr Poynton's evidence in that regard?

25 MR PACKER: In that regard, I do.

MS CAHILL: Mr Poynton also gave evidence to the effect that the non-executive directors of Burswood Limited were appointed to be, to use his words, "ambassadors of the Perth Casino operations and their director role was limited to an ambassadorial one." Do you agree or disagree with that evidence?

30

MR WARD: I wonder if my learned friend can point to that in the transcript because, my recollection is he did not at any time say the role was limited to that.

35 COMMISSIONER OWEN: I have some sympathy for that, on my recollection, but certainly the ambassadorial part, but whether the word "limited".

MS CAHILL: Perhaps at the break, I will pull that up and we will come back to it.

40 Can I bring you back, Mr Packer, to your evidence about the oversight the Burswood Limited board had in respect of the operations of the Burswood entities, and what you told me a little while ago about the Burswood Limited board, apart from capital expenditure and redevelopment decisions, making the key strategic decisions for the operations of the Perth Casino. The truth is, in fact, isn't it, that the board made very few decisions; would you agree with that?

45

MR PACKER: I agree with that in part, the part being that at that time, I and the board of Crown Perth were happy with the management of Crown Perth and were

happy with the job they were doing.

5 MS CAHILL: Well, apart from approving annual budgets and accounts, and dealing with the appointment and resignation of company officers, didn't the Burswood board really do no more than simply receive and note reports from management?

10 MR PACKER: No, I think the Burswood board were very involved in the redevelopment at Crown Perth.

15 MS CAHILL: Let's put the redevelopment aside, which you have explained was something that also involved the Crown Resorts group, and focus upon the day-to-day operations of running a casino. I want to show you the minutes of a meeting of the Burswood Limited board of 4 July 2013, CRW.702.001.1322, which is an agenda and board pack for the following month, and turn to page 1323, if we could put the whole page on the screen, please, for Mr Packer and the next page by its side. Would you agree that this was a fairly typical set of minutes for the Burswood Limited board?

20 MR PACKER: Yes, that looks like a typical set of board minutes.

25 MS CAHILL: So what the board does there is it receives various reports about financial results, key management issues, internal audit, legal risk, compliance and these are all just noted and the only resolution that's passed is the acceptance of the resignation of Mr McGregor as secretary of the company, which for formal reasons the Burswood Limited board would have had to have dealt with. Do you see that? Was it, in fact, the case that all the key strategic decisions in relation to the operations of the Perth Casino while you were chair were made at group level, either by Crown Resorts group senior executives or the Crown Resorts board?

30 MR PACKER: No, I don't believe that.

35 MS CAHILL: In terms of the Burswood Limited board's responsibility and accountability for the operations of the Perth Casino, can I come back to something you said at paragraph 19, page 22 of your witness statement, you say that while you were chair, you endorsed appointments to the roles of CEO and CFO of Crown, and Lonnie Bossi as COO of Crown Perth. Were those appointments made by the board of Burswood Limited or by the board of Crown Resorts?

40 MR PACKER: Sorry, can you repeat the question?

45 MS CAHILL: Certainly. Those appointments that you are referring to there, CEO, CFO and COO of Crown Perth that were made while --- and you endorsed while you were chair of Burswood Limited, as opposed to your endorsement, were the appointments actually made by the Burswood Limited board or the Crown Resorts group board?

MR PACKER: I can't recall.

MS CAHILL: Can you recall whether the Burswood Limited board had a power of veto over any appointments to the Crown Perth executive?

5 MR PACKER: Practically, absolutely.

MS CAHILL: What do you mean by that?

10 MR PACKER: I mean that if Crown Resorts wanted to appoint someone that Crown Perth didn't want to have appointed, it wouldn't happen.

MS CAHILL: Because?

15 MR PACKER: Because both groups were working closely together.

MS CAHILL: But you can't tell me as you are sitting here now who had the actual authority to make those appointments, whether it was the Crown Resorts board or the Burswood Limited board?

20 MR PACKER: No, but I can say --- I can say that if I was on the Crown Perth board --- when I was on the Crown Perth board, it was unlikely that Crown Resorts was going to overrule Crown Perth.

25 MS CAHILL: Now, in terms of those senior executive roles that you have identified in that paragraph --- so we're talking the CEO, CFO and COO of Crown Perth --- in the actual performance of their roles once they were appointed, were they primarily and ultimately accountable to the board of Burswood Limited or were they primarily and ultimately accountable through the group management structure of the Crown Resorts group up to the Crown Resorts board?

30 MR PACKER: Sorry, could you repeat the question? I apologise.

35 MS CAHILL: All right. The three positions, these three senior positions you've identified here --- CEO, CFO and COO of Crown Perth --- when they were actually performing that role, who were they primarily accountable to, the Burswood Limited board or the Crown Resorts board?

MR PACKER: I believe both.

40 MS CAHILL: How did that work in practice for those executives? How was it explained to them, who they were responsible to and accountable to?

45 MR HUTLEY: I object. That's a little hard to ask of three individuals in those terms. Perhaps it should be broken up.

COMMISSIONER OWEN: Yes, separate them out, please.

MS CAHILL: In relation to the CEO, Mr Packer, was it explained to him --- I think it was always a him during your time --- who he was answerable to and in what circumstances?

5

MR PACKER: I think it would have been made clear that he was answerable to Rowen Craigie and I, and I'm not sure whether we would have gotten into --- or I can't recall whether we delved into whether that meant Crown Perth had the ultimate responsibility or Crown Resorts had the ultimate responsibility.

10

MS CAHILL: Was that the same situation for both the CFO and the COO as well?

MR PACKER: I wouldn't say that the CFO and the COO reported to me; I'd say they reported to Barry Felstead and Rowen Craigie.

15

MS CAHILL: But in terms of them having explained to them separately whether they were answerable to the Burswood Limited --- to the both of you in your capacity as officers of the Burswood Limited board, as opposed to the Crown Resorts board, you wouldn't be able to say?

20

MR PACKER: I'd be speculating.

MS CAHILL: During your time as a director and the chair of Burswood Limited, there was no board charter for Burswood Limited, was there?

25

MR PACKER: I don't believe so, no.

MS CAHILL: There was no document which set out plainly or otherwise what you've just told me this morning about the role of the Burswood Limited board in respect of the oversight and governance of the Crown Perth operations?

30

MR PACKER: I accept that.

MS CAHILL: You would also accept, wouldn't you, that that was a serious failure of corporate governance on your part not to ensure that there was?

35

MR PACKER: Yes.

MS CAHILL: You would accept that without a charter, there was a risk that the directors on the board would not have a clear understanding of what their functions, responsibilities and accountabilities were?

40

MR PACKER: I'm not sure I would agree with that.

45

MS CAHILL: Well, unless you've got something in writing that sets out what the directors are supposed to do, there's a risk that by leaving it unspecified, there will be confusion; you would agree with that?

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MR PACKER: Yes, I would agree with that.

5 MS CAHILL: And there's a risk of misunderstanding about what your role might be as a director unless it's there for you to read?

MR PACKER: I accept that.

10 MS CAHILL: Would you agree further that that risk of confusion or misunderstanding was heightened here by the fact that Burswood Limited was a subsidiary of the Crown Resorts parent and there could accordingly be differing views amongst the directors of Burswood Limited in the absence of a clearly stated charter as to where the oversight responsibilities lay as between Burswood Limited and Crown Resorts?

15

MR PACKER: I accept that.

20 MS CAHILL: And it's not as if during your time as chair of Burswood Limited, you were unaware of the fact that it was common for boards to have charters?

MR PACKER: I'm not a lawyer and I'm --- I may have been aware of that at some level, but it clearly didn't register for the board of Burswood.

25 MS CAHILL: I'm not talking about the law, Mr Packer, I'm talking about good corporate governance, and you had been a director of many companies up until this point, hadn't you?

MR PACKER: Yes.

30 MS CAHILL: And you had seen charters for boards in the course of having held those offices?

MR PACKER: Yes.

35 MS CAHILL: Harking back to what you said a moment ago, is it simply the case that you overlooked the need for a charter for the Burswood Limited board?

MR PACKER: I think Rowen and I both overlooked the need for a charter.

40 MS CAHILL: Did it just not occur to you?

MR PACKER: I can't recall.

45 MS CAHILL: Can I ask you about the Burswood subsidiaries, Mr Packer. At paragraph 16, page 0022, you refer to the structure of the Burswood entities, and you mentioned Burswood Nominees in this paragraph. What I wanted to clarify here was that you were aware, or appreciated at the time you were chair, did you, that Burswood Nominees Limited was the holder of the Perth Casino licence?

MR PACKER: I can't recall.

5 MS CAHILL: Well, all right, I'll come back to that. Can you recall whether you were aware that the corporate structure included Burswood Resort (Management), the manager of the Burswood Property Trust?

MR PACKER: No.

10 MS CAHILL: But in broad terms did you understand that there were subsidiaries sitting under the Burswood Limited parent involved in and relevant to the operation of the Burswood complex, including Perth Casino?

15 MR PACKER: The board reports we got were really consolidated reports, and --- so they didn't go into the corporate structure.

20 MS CAHILL: This is a separate question as to what you were told in board papers. While you were chair of Burswood Limited, during the 12 years that you were chair, from '04 to 2016, were you aware of the existence of corporate subsidiaries under Burswood Limited as parent, who were involved in the operation of the Perth Casino?

25 MR PACKER: I'm not trying to be evasive. The way the information about Crown Perth was presented to me was on a consolidated basis, and I didn't really think about it.

MS CAHILL: You didn't think about it during your time as chair; did you think about it at the time of the acquisition of the Burswood entities?

30 MR PACKER: Not really. The purchase of Burswood by PBL was assisted by Macquarie Bank and by UBS and they, along with Peter Yates, John Alexander and Rowen Craigie, looked at the structural side more than I did.

35 MS CAHILL: Can I just clarify then, so that I understand completely what you've said before. In terms of the holder of the licence, the casino licence, did you actually know which company held the licence?

MR PACKER: I can't recall.

40 MS CAHILL: Did it matter to you which company held the licence?

45 MR PACKER: What mattered to me was that the company was operating and behaving well, and that if that wasn't happening, that that information should have flowed to the board ASAP.

MS CAHILL: So do I understand your answer to my question, the more direct answer, is it didn't matter to you which company actually held the licence, as long as

the Perth Casino operations were being operated appropriately?

5 MR PACKER: "It didn't matter" is a strong phrase, but I would agree with what you've said.

10 MS CAHILL: Here at paragraph 16 on the screen, in the third sentence, I think it is, you say that you understood that the, in terms, subsidiaries reported into Crown Perth/Burswood Limited. Do you mean reported into management or reported into the board?

MR PACKER: Both.

15 MS CAHILL: Well, the Burswood Limited board didn't receive any reports or minutes of meeting from the subsidiary companies, did it?

MR PACKER: I'm getting confused now, I'm sorry.

20 MS CAHILL: We're talking about the Burswood subsidiaries, so not Burswood Limited.

COMMISSIONER OWEN: Perhaps you should name them.

25 MS CAHILL: Burswood Nominees, Burswood Resort (Management). I think you said a moment ago that those companies, Burswood Nominees and Burswood Resort (Management), reported to the Burswood Limited board as well as Crown Perth management?

30 MR PACKER: Right.

MS CAHILL: And you adhere to that evidence?

MR PACKER: Yes.

35 MS CAHILL: But it was the fact, wasn't it, that the Burswood Limited board, I think you said a moment ago, received information about the Perth Casino operations and the Crown Perth operations generally, on what you called a consolidated basis?

40 MR PACKER: Yes.

MS CAHILL: So there was no actual minutes of Burswood Nominees board meetings or reports from Burswood Nominees that the board ever received?

45 MR PACKER: I believe that's correct.

MS CAHILL: And the position was the same for Burswood Resorts (Management)?

MR PACKER: I believe that's correct.

MS CAHILL: So, in fact, you weren't as a board receiving any reports directly from those subsidiaries; would you agree?

5 MR PACKER: Well, we wouldn't receive minutes from those companies, so I agree.

MS CAHILL: In the last sentence of paragraph 16, you say that you otherwise left details of the structure of the group, and which entity was specifically responsible for which function, to Rowen Craigie and the professionals who advised PBL and later
10 the Crown group. Your approach of leaving the oversight of the subsidiaries to others was an abrogation of your responsibilities as director and chair of Burswood Limited; would you agree?

MR HUTLEY: I object. I object. That calls for a legal conclusion.
15

COMMISSIONER OWEN: Limit it to the facts.

MS CAHILL: You would at least have to know, wouldn't you, Mr Packer, and you should have acquainted yourself with what the business of each of the subsidiaries of
20 Burswood Limited was?

MR PACKER: I accept that.

MS CAHILL: And you should have acquainted yourself with how the corporate
25 structure underneath Burswood Limited operated?

MR PACKER: Yes.

MS CAHILL: And indeed what that corporate structure was?
30

MR PACKER: Sure.

MS CAHILL: And you should have acquainted yourself with who was the actual
35 casino licence holder?

MR PACKER: I may well have known these things in 2006. I can't remember now.

COMMISSIONER OWEN: Ms Cahill, the time.

40 MS CAHILL: If I could just have one minute, Commissioner.

You would agree with me, wouldn't you, that a knowledge of the corporate structure and who was doing what within that corporate structure was important for you to know if you were going to as a director and chair of Burswood Limited, challenge
45 and hold management to account and oversee what management was doing?

MR HUTLEY: I object. That is an enormous wrapped-up question with a lot of

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assumptions built into it. If there is a specific complaint about a specific event, that should be identified, in my respectful submission.

COMMISSIONER OWEN: Yes. Can you take it in smaller bites, please.

5

MS CAHILL: You've agreed with me that you ought to have acquainted yourself with how the corporate structure underneath Burswood Limited operated?

MR PACKER: And I have said to you I may have done that, I just can't remember --
10 - I can't remember now.

MS CAHILL: Do you say that you may have also acquainted yourself with what the business of each of the subsidiaries of Burswood Limited was?

15 MR PACKER: Someone may have explained that to me, yes.

MS CAHILL: You're not sure?

MR PACKER: I'm not sure.

20

MS CAHILL: If you didn't, Mr Packer, if you didn't acquaint yourself or have explained to you those matters, would you agree that that would have affected your ability to, when you were in board meetings and having matters reported to you about the Perth Casino operations, really been able to look into and understand
25 whether the business was being conducted according to legal requirements, whether it was being conducted in accordance with the legal structure of the corporate bodies and so forth?

MR HUTLEY: I object. This is really a matter of submission, in my respectful
30 submission, rather than, in effect, argumentative questions which really have so many suppressed premises, it is really unfair to a witness this removed in time.

COMMISSIONER OWEN: Yes. I think in view of the fact that Mr Packer has said he may or may not have had that information, I think we can move on.

35

MS CAHILL: All right. Thank you. We will take a break now.

COMMISSIONER OWEN: We will take 10 minutes, so it will be a quarter to ---
40 what is the time where you are?

40

MR PACKER: It's 8.35pm.

COMMISSIONER OWEN: It will be a quarter to the hour.

45 MR PACKER: Let me thank the Commissioners for getting up so early. I appreciate it.

COMMISSIONER OWEN: Thank you. We will come back at about quarter to 8.00.

ADJOURNED

[7.35AM]

5

RESUMED

[7.47AM]

10 COMMISSIONER OWEN: Thank you, Mr Packer. Ms Cahill.

MS CAHILL: Mr Packer, I was asking you about the corporate structure before the break for the Burswood entities, and in the context of that discussion about the corporate structure, I want to ask you about the Burswood Property Trust. At
15 paragraph 17 of your amended witness statement, page 0022, you say that you are not familiar with the details of that trust, and at paragraph 37, page 0025, you say that you don't recall having read the deed or being familiar with its terms. Would it be your normal practice when you assume a role such as you did in relation to Burswood Limited, to have acquainted yourself with the documents that comprised
20 the legal structure for the operation of the business?

MR PACKER: Yes, but that may well have been by a summary of a legal officer that I was working with.

25 MS CAHILL: Rather than actually having to read the trust deed yourself, you'd get a briefing paper?

MR PACKER: Well, I wouldn't understand the trust deed if I read it. It wasn't because I didn't want to read it, but I'm --- I struggle with legalese.

30

MS CAHILL: All right. Can I clarify this: while you were chair of Burswood Limited, were you aware that there was a trust structure relevant to the management and operation of the Perth Casino?

35 MR PACKER: I can't recall.

MS CAHILL: I refer to the second sentence of paragraph 37 in front of you where you say you that you expected that anything brought before the Burswood Limited board by management would first be assessed for compliance with all relevant
40 obligations, including any obligations under the trust deed. Was this the way in which you conducted your role on the Burswood Limited board? Did you just assume that anything presented to you by management for consideration or decision was legally compliant?

45 MR PACKER: Yes.

MS CAHILL: And you never inquired into, challenged or tested that assumption?

MR PACKER: I can't recall.

5 MS CAHILL: Would you agree that if you never inquired into, challenged or tested that assumption, that you should have?

10 MR HUTLEY: I object. I object. With respect, that is a question which decontextualises a possible appropriate or fair answer. It all depends on the circumstances which may or may not have called for a challenge. A concrete example, with respect, if the proposition is being put, should be put before the witness.

15 COMMISSIONER OWEN: Mr Hutley, I think that it is a question that's in the broad, and as long as it is understood as being in the broad, and if Mr Packer has a reaction to that, then we are happy to hear it.

MR HUTLEY: If the Commissioner pleases.

20 COMMISSIONER OWEN: Repeat the question, please, Ms Cahill.

MS CAHILL: If it pleases the Commissioner. If you had not ever inquired into, challenged or tested the assumption that what was being presented to you for decision, or consideration, was legally compliant, you would agree now looking back that that's something you ought to have done?

25 MR PACKER: Yes.

30 MS CAHILL: Would you agree that you ought to have acquainted yourself with the trust structure that underpinned the way in which the Burswood complex, including the Perth Casino, was managed and operated?

MR HUTLEY: I object. As he said, he may well have had that explained to him.

35 COMMISSIONER OWEN: I think that is right. He did say that, but he may have --- he struggles with legalese, he wouldn't have read the trust deed, but he may have received a briefing.

MS CAHILL: Yes.

40 My question was put on the basis that if he had not much, as I posited the last question, but if you had not received a briefing and you didn't know what the trust structure was, do you agree with me that you should have made efforts to find out?

45 MR PACKER: Yes, but I again state that I may well have had a briefing.

MS CAHILL: During your tenure as a director of Burswood Limited, did you acquaint yourself with the contents of the State agreement relevant to the establishment and operation of the Perth Casino?

MR PACKER: I believe so.

5 MS CAHILL: Having acquainted yourself with the contents of the State agreement, did you appreciate that the development and operation of the Perth Casino within a trust structure was a central premise on which the State agreement was based?

MR PACKER: I can't recall.

10 MS CAHILL: Did you appreciate that the role of the trustee of the Burswood Property Trust was also central to the State agreement in the sense of being the primary promissor on the part of the casino developer and operator?

MR PACKER: Sorry, could you repeat the question?

15

MS CAHILL: Did you appreciate that the role of the trustee of the Burswood Property Trust was also central to the State agreement in the sense of being the primary promissor on the part of the casino developer and operator?

20 MR PACKER: I can't recall.

MS CAHILL: So I assume you likewise can't recall whether you ever appreciated that it would be important in overseeing the operations of the Perth Casino to have regard to the trust structure and adhere to the terms of the trust deed?

25

MR PACKER: I can't recall.

MS CAHILL: Now, during your time as a director of Burswood Limited, did you acquaint yourself at any time with the contents of the Burswood Limited constitution?

30

MR PACKER: I can't recall.

MS CAHILL: I'll show you a particular article of the constitution, Mr Packer, PUB.0026.0002.0001, at page 0010. I draw your attention to article 3.12. Just take a moment to read that, please, and tell me when you're finished.

35

MR PACKER: Yes, finished.

MS CAHILL: Thank you. Whether you actually read this article in the constitution itself, or you were otherwise briefed about it or informed in some other way, were you aware of this provision in the constitution of Burswood Limited?

40

MR PACKER: I believe so.

45

MS CAHILL: Did you understand that it had been inserted into the constitution by reason of a requirement in the State agreement?

MR PACKER: No.

5 MS CAHILL: What did you consider to be the business of Burswood Limited when you were a director and chair of the company?

MR PACKER: I considered it to be --- it's trading.

10 MS CAHILL: Trading as what, Mr Packer?

MR PACKER: Financial trading.

MS CAHILL: In respect of what operation?

15 MR PACKER: In respect of Burswood or Crown Perth.

MS CAHILL: Including the casino?

20 MR PACKER: Yes.

MS CAHILL: Anything else?

25 MR PACKER: Obviously as we discussed before, the redevelopment plans of Crown Perth.

MS CAHILL: When you were chair of Burswood Limited, did you regard it as fulfilling the requirements of article 3.12 as is set out there?

30 MR PACKER: Yes.

MS CAHILL: In what way? How did it do that?

MR PACKER: It did that through reporting to the board of Crown Perth.

35 MS CAHILL: All right. Thank you. Now, I want to ask you some questions about risk management. Crown Resorts had a risk management policy that was introduced in February 2008. Do you recall that?

40 MR PACKER: Yes.

MS CAHILL: Go to that document, CRL .545.001.0350 at 0352, section 2. So it says there in the first sentence, you'll see, that each of Crown's wholly owned operating business units will have its own risk management committee. The board of Burswood Limited did not have any committees at all, did it?

45 MR PACKER: No, I don't believe so.

MS CAHILL: Certainly, obviously, therefore not its own risk committee; correct?

MR PACKER: Correct.

5

MS CAHILL: What was the reason for the fact that Burswood Limited did not have any of its own committees, board committees?

MR PACKER: I'm not sure. I would have looked to Rowen Craigie and Michael
10 Neilson for their assistance on that point.

MS CAHILL: But we are talking about board committees, Mr Packer, and you were the chair. What was your reason for not constituting any board committees?

15 MR PACKER: I can't recall.

MS CAHILL: In any event, as a consequence of, I presume, the Burswood Limited board not having any committees, the risk management committee that was established in respect of the Crown Perth operations was a purely executive
20 committee; is that right?

MR PACKER: I can't recall.

MS CAHILL: Do you recall the ERCC, Executive Risk and Compliance
25 Committee?

MR PACKER: Vaguely.

MS CAHILL: I think at paragraph 45 of your statement, you say you have a limited
30 recollection of it. There it is in front of you now. You acknowledge there, I think, from looking at old board papers, that the Burswood Limited board received reports from the ERCC. If we come back to the 2008 risk management policy at page 0352, and the second paragraph there of section 2, do you see there that it requires reporting to the Crown Resorts board risk management committee twice per year and
35 does not mention the Burswood Limited board there at all. Yet you say in paragraph 46 of your witness statement, the fourth sentence, that you expected Burswood management would escalate any relevant risk issues to the Burswood Limited board. So notwithstanding the policy, you expected risk management issues to be raised with the Burswood Limited board and dealt with by that board?
40

MR PACKER: Yes.

MS CAHILL: If we come back to the Crown Perth ERCC charter dated November
45 2010, at CRW.700.023.0324, this is the ERCC charter. On that first page under the heading "Purpose", do you see there where it says in the opening boards that the committee shall assist the CEO and board of directors in doing the three things that are numbered there --- overseeing material risks, et cetera? Do you see that?

MR PACKER: Yes.

5 MS CAHILL: You don't disagree, do you, that the Burswood Limited board had the responsibilities set out at numbered paragraphs 1 to 3 there in relation to overseeing risk management in respect of the Crown Perth operations?

MR PACKER: Yes, I have read that.

10 MS CAHILL: You don't disagree, do you, that the Burswood Limited board had the responsibilities set out at numbered paragraphs 1 to 3 there in relation to overseeing risk management in respect of the Crown Perth operations?

MR PACKER: I believe that's correct.

15

MS CAHILL: Underneath the numbered paragraphs, do you see that the ERCC is also to assist the board of directors of Crown Limited to meet its responsibilities to recognise and manage risk? Do you see that?

20 MR PACKER: Yes.

MS CAHILL: So as between the Burswood Limited board and the Crown Limited board, who had the primary responsibility at board level for overseeing risk management of the Crown Perth operations?

25

MR PACKER: I'm not sure.

30 MS CAHILL: You're not sure? You were chair for 12 years, Mr Packer. Who looked after risk, oversaw risk? Was it Burswood Limited board or Crown Resorts board?

MR PACKER: It was both.

35 MS CAHILL: How was that responsibility shared, then, between Burswood Limited board and Crown Resorts board?

MR PACKER: Through Mr Craigie and Mr Neilson.

40 MS CAHILL: What do you mean by that?

MR PACKER: Well, they were the --- Rowen was the CEO and compliance and corporate governance was his long suit, and he was the person that I looked to for guidance in this area.

45 MS CAHILL: With both your Crown Limited and your Burswood Limited hats on, is that what you mean?

MR PACKER: Yes.

MS CAHILL: So did you have a clear sense in your mind of the way in which Burswood Limited was responsible at board level for risk management oversight, and how Crown Resorts board was?

5

MR PACKER: I think it's a hypothetical in the sense that the issue never came up like that to the best of my knowledge.

MS CAHILL: Well, the issue of which board was responsible and to what extent for overseeing risk management always came up, didn't it, Mr Packer, because each board ---

10

MR PACKER: Well I said --- I said both boards were responsible.

MS CAHILL: Yes. But I'm asking you how --- what the demarcation between the two of them was, or was it just completely shared, they had equal responsibility across the field of risk identification and management at Crown Perth?

15

MR PACKER: I'm sorry, I'm not a lawyer; I can't give you an answer that I'm comfortable.

20

MS CAHILL: It's not a legal question, Mr Packer. I'm just asking you what happened, and how risk identification and management responsibilities ---

MR PACKER: I think risk identification happened at Crown Perth, and it was shared with Crown Resorts.

25

MS CAHILL: As far as the Burswood Limited board was concerned, it simply received quarterly reports from the ERCC in its board papers, didn't it?

30

MR PACKER: If you tell me that's the case, I accept it.

MS CAHILL: Well, did the board ever engage substantively itself in reviewing, evaluating or testing the ERCC's work in relation to risk management?

35

MR PACKER: I can't recall.

MS CAHILL: Was it the case that the Burswood board effectively abrogated its risk oversight to Crown Perth management?

40

MR PACKER: I don't believe so.

MS CAHILL: Did you perceive a problem with the Burswood Limited board having an oversight function in respect to risk management at Crown Perth, when the majority of the board comprised Crown Perth management?

45

MR PACKER: No.

MS CAHILL: Well, wasn't the consequence and effect of that, that Crown Perth management was effectively and, in substance, overseeing its own risk management?

5 MR PACKER: That's fair.

MS CAHILL: Would you say that that was an obvious governance failure on your part to not structure the board or Crown Perth risk management committee in a way to permit proper and independent oversight of Crown Perth's management of risk?

10

MR HUTLEY: I object. I object. Is one limiting that solely to the Burswood Limited board, or is one taking into account also the involvement of Crown?

MS CAHILL: I will make that clear, Commissioner.

15

Was it not a governance failure on your part, Mr Packer, as chair of the Burswood Limited board, to not structure the Burswood Limited board or the Crown Perth risk management committee in a way to permit proper independent oversight of Crown Perth's management of risk?

20

MR HUTLEY: I object. It has exactly the same problem.

COMMISSIONER OWEN: I'm sorry, can you repeat the question?

25 MS CAHILL: Yes. Was it a governance failure on your part, Mr Packer, in your capacity as chair of Burswood Limited, to not structure the Burswood Limited board, the Crown Perth risk management committee, in a way to permit proper independent oversight of Crown Perth's management of risk?

30 COMMISSIONER OWEN: Has Mr Packer accepted that this structure didn't allow for that, the proper management?

MS CAHILL: Yes, that was two questions ago.

35 COMMISSIONER OWEN: I think you should answer the question as best you can, Mr Packer.

MR PACKER: Thanks, Commissioner. Can you repeat the question, please?

40 MS CAHILL: I'll do that for the fourth time, Mr Packer. It was a governance failure on your part in your capacity as chair of Burswood Limited, wasn't it, that you did not structure the board of Burswood Limited or the Crown Perth risk management committee in a way to permit proper independent oversight of Crown Perth's management of risk?

45

MR PACKER: I don't accept that.

MS CAHILL: You say that the risk management was effective at board level --- Burswood Limited board level?

5 MR HUTLEY: I object. "Effective" means did it achieve an end, or is it --- in our respectful submission, that asks to make an assumption.

COMMISSIONER OWEN: This is where, I'm sorry, I may have been distracted. I'm not sure of the premise. Has Mr Packer accepted that the structure, the risk
10 management structure as it was operating in Burswood Limited during his chairmanship, was defective?

MS CAHILL: Yes, in the sense that it was overseen by the executive who was responsible for risk management at an operational level, was the effect of his
15 evidence a moment ago.

MR HUTLEY: That's my point, with respect, Commissioner.

COMMISSIONER OWEN: Mr Packer, what's being --- do you understand that
20 premise?

MR PACKER: Yes, I understand the premise.

COMMISSIONER OWEN: On that basis, what is being asked of you is --- again, if
25 you could just repeat it --- on the basis of that premise which you have accepted.

MS CAHILL: That the risk management oversight structure that was in place at Burswood Limited board level was not effective to oversee the management of risk by Crown Perth management?
30

MR PACKER: Well, I think history's proved that it was not effective.

MS CAHILL: Can I put this to you, Mr Packer: was it the case that during your time as chair of Burswood Limited, you were in reality quite disengaged from and,
35 indeed, disinterested in, any aspect of Crown Perth's operations other than its financial performance?

MR PACKER: I think that's completely wrong.

40 MS CAHILL: Was it the case that --- sorry, it was the case, wasn't it, that as executive chair of the Crown group, the only committees that you sat on were the investment and remuneration committees?

MR PACKER: I can't recall.

45 MS CAHILL: At page 33 of your witness statement, you've given some evidence about that. Page 33. If we could put page 32 side by side, so Mr Packer can see it completely. In relation to Crown Resorts Limited, describing your role there as a

director at the bottom of 32 and over at page 33, you identify the committees that you sat on.

5 MR PACKER: Yes.

MS CAHILL: Investment and remuneration committees?

MR PACKER: Yes.

10

MS CAHILL: So other committees of the board that dealt with things like risk management, is it the case they weren't of sufficient interest to you personally, so you left that to others to deal with?

15 MR PACKER: No, I believed others could do a better job.

MS CAHILL: If we come back to the Crown Perth operation, when you were chair of Burswood Limited, did you appreciate and understand that the state of Western Australia, which had granted Burswood Nominees the licence to operate the Perth Casino, had expectations that the Burswood entities would conduct the Perth Casino operations in a socially responsible way?

20

MR PACKER: Yes.

25 MS CAHILL: To minimise risks of harm and harms typically associated with casino operations?

MR PACKER: Yes.

30 MS CAHILL: Such as criminal infiltration, money laundering and gambling-related harm?

MR PACKER: Yes.

35 MS CAHILL: Did you consider you had any particular personal responsibility as chair and as a director of Burswood Limited, to oversee the Crown Perth operations in respect of the minimisation of those risks and harms?

MR PACKER: I had full confidence in the CEO, Barry Felstead.

40

MS CAHILL: Well, that's precisely the point, isn't it, Mr Packer. You left that to management and assumed that they were doing enough?

MR PACKER: Yes.

45

MS CAHILL: And you left it to management and others to such an extent that as you allude to at paragraph 20 of your witness statement, page 0023, when you left Australia to live elsewhere in 2013, you simply stopped attending the Burswood

08:17AM

Limited board meetings, didn't you?

MR PACKER: I missed the next four Burswood board meetings, yes.

5

MS CAHILL: Well, you actually missed them for about the next three years, didn't you?

MR PACKER: I missed them for that period, yes.

10

MS CAHILL: It took about a year for Mr Alexander to assume the position of acting chair; is that right?

MR PACKER: Yes.

15

MS CAHILL: And it took until August 2016 for you to be replaced as chair by Mr Alexander?

MR PACKER: Yes.

20

MS CAHILL: Was it the case you were an apology at every Burswood Limited board meeting after mid-2013 until then --- that is, a period of about three years?

MR PACKER: I believe so.

25

MS CAHILL: And I assume that you performed no other functions as either a chair or a director of Burswood Limited during that period?

MR PACKER: The Burswood information packs were always a considerable part of the Crown Resorts' board packs, and so at a Burswood level, I would agree with you; at a Crown Resorts level, I was still engaged in Crown Perth matters.

30

MS CAHILL: You continued to receive during this three-year period, didn't you, financial updates about Crown Perth and Crown Melbourne from Mr Felstead?

35

MR PACKER: I did.

MS CAHILL: I think you've referred to an example update at CPH.001.241.0913 in your witness statement. So that's an example ---

40

MR PACKER: Yes.

MS CAHILL: --- of the information that you were receiving. How regularly, Mr Packer, from Mr Felstead?

45

MR PACKER: I think it was weekly.

MS CAHILL: Until December 2015, you continued as a director of CRL, Crown

Resorts, Crown Limited?

MR PACKER: Yes.

5

MS CAHILL: As chairman for most of that time?

MR PACKER: Until I think August 2015.

10 MS CAHILL: And you continued to attend meetings of the Crown board, but not meetings of the Burswood Limited board?

MR PACKER: Yes.

15 MS CAHILL: Would you accept that the governance of Burswood Limited must necessarily have suffered without an engaged chair of the company in the role during that three-year period?

MR PACKER: There is no doubt I should have attended or resigned.

20

MS CAHILL: Yes. And you did neither?

MR PACKER: I did neither.

25 MS CAHILL: Did any director or member of senior management either of Burswood Limited or Crown Resorts during that three-year period of absence raise any complaint with you about your lack of engagement with your role as chair and director of Burswood Limited?

30 MR PACKER: I can't recall.

MS CAHILL: You don't recall either of the independent directors of Burswood Limited, Mr Poynton or Mr Roberts, raising the issue with you?

35 MR PACKER: I can't recall.

MS CAHILL: In relation to Riverbank Investments Pty Ltd, you say at paragraph 53 of your witness statement, page 0029, that you knew nothing at the time in 2005 about how that company name came about, or the purpose for which its bank accounts were established. You go on to say that you knew nothing about that time
40 in 2014 when ANZ closed the Riverbank bank accounts. Would you agree, at least on that last point, that if you had been a more active and engaged chair and director of Burswood Limited, at least in the period 2013 to 2016, and properly held
45 management to account, there would have been a greater prospect of the risks associated with the Riverbank Investments bank accounts having been identified and properly mitigated?

MR HUTLEY: I object. Really, that is just calling for pure speculation, with

respect.

5 COMMISSIONER OWEN: Ms Cahill, could you split that question up? It was quite long.

10 MS CAHILL: Would you agree that if you had been a more active and engaged chair of Burswood Limited during the period 2013 to 2016, there would have been a greater prospect of the board being made aware of the risks associated with the Riverbank accounts and mitigating those risks?

MR HUTLEY: I object.

15 COMMISSIONER OWEN: Perhaps it can be asked in this way: if you can set the scene by asking Mr Packer his attitude to a change in the relationship with a major banker of that nature.

20 MS CAHILL: You would accept, wouldn't you, Mr Packer, that if a major bank such as ANZ closed the accounts, the bank accounts, or certain of the bank accounts held by the casino, for concerns about compliance issues, that's a matter that should be brought to the attention of the directors?

MR PACKER: Absolutely.

25 MS CAHILL: And that the directors of the board, and in particular the chair, should inculcate a culture with management that those things would be reported up to the board if and when they occur?

30 MR PACKER: I believed that that culture existed and I believed that at Crown Resorts there was never any --- there was never any mention of the bank accounts being closed down, and that absolutely was a red flag.

35 MS CAHILL: My point is this, Mr Packer: your absence between 2013 and 2016 made it less likely, didn't it, because of your lack of engagement with management in the way that a chair normally would, made it less likely that those issues would be reported up?

MR HUTLEY: I object.

40 COMMISSIONER OWEN: I think that's a reasonable question, Mr Hutley.

Mr Packer, do you understand the way it's been put to you?

45 MR PACKER: I'd like to hear it again, if that's all right, Commissioner?

MS CAHILL: You weren't there between 2013 and 2016, Mr Packer, in the role of chair?

MR PACKER: Correct.

MS CAHILL: In any meaningful way? In any meaningful way; is that right?

5

MR PACKER: I wouldn't say that. I was still at Crown Resorts and Crown Resorts was taking a very deep interest in Crown Perth.

MS CAHILL: But Burswood Limited was the one that had the governance oversight, you've told us that.

10

MR PACKER: Yes.

MS CAHILL: Crown had an interest in capital expenditure and development of the site. Yes?

15

MR PACKER: Yes.

MS CAHILL: So when it came to something like one of the Perth Casino's bank accounts being closed because of compliance concerns, that was something that ought to have been raised with the Burswood Limited board, yes?

20

MR PACKER: Yes.

MS CAHILL: And you expected that it would have been?

25

MR PACKER: Yes.

MS CAHILL: You say that you believed there was a culture within the Burswood Limited board and management ---

30

MR PACKER: Within Burswood and Crown, because obviously it involved Ken Barton.

MS CAHILL: But let's stay with Burswood Limited, where the governance oversight reposed. You believed there to be such a culture?

35

MR PACKER: I did.

MS CAHILL: Of transparency by management reporting these matters of concern and escalating them up to the board of Burswood Limited?

40

MR PACKER: I did.

MS CAHILL: You would have to accept that if you actually weren't there on the job for three years, that would have adversely affected the culture and the prospects that such matters would be reported up?

45

MR PACKER: Possibly.

MS CAHILL: Because you weren't keeping an eye on things, Mr Packer?

5

MR PACKER: I think I was keeping an eye on things.

MS CAHILL: Well, not on Burswood Limited, were you?

10 MR PACKER: Well, I was keeping an eye on Burswood Limited, either --- I --- I accept --- I accept that I should have resigned or attend; I accept that completely. I do not accept that I did not stay on top of what was happening at Burswood Limited.

15 MS CAHILL: Well, you stayed on top of the capital expenditure items, the site redevelopment and the financial performance, but nothing else. That was the position, wasn't it?

20 MR PACKER: No, that's not right. In terms of the culture, in 2015, Burswood was named employer of the year by the Australian government. In 2015. So the culture, I believe it was a culture where we were achieving good things.

MS CAHILL: You put that down to you maintaining culture --- the culture of the Burswood enterprise ---

25 MR PACKER: With respect, I didn't say that was because of me. That was because of the management of Crown Perth.

30 MS CAHILL: So you're talking about the culture in relation to --- of management managing staff. What do you say was the culture as between the board and senior management during your absence as chair?

MR PACKER: I think at some point the culture slipped.

35 MS CAHILL: Do you accept at least partial responsibility for that, because of your absence?

MR PACKER: Potentially.

40 MS CAHILL: Can I change topics now, Mr Packer, and focus on a particular type of risk. At paragraph 50, page 0028 of your witness statement, you explain there was a desire to improve Burswood's share of VIP business. Are you identifying there --- and I'm harking back to something I think you said either in an immediately preceding paragraph or one before that --- are you referring there to a desire to improve Burswood's share of VIP business between the period 2011 and 2016?

45

MR PACKER: No, really post to --- yes, yes always, so between 2011 and 2016, yes, but the capital programs that Crown Perth engaged in really finished around 2016, and it was hoped that that was going to achieve --- help Crown Perth achieve

more significant international visitations.

5 MS CAHILL: All right. So international visitations, or VIP business, as you describe it in your witness statement, from your understanding included and was predominantly, was it, the business of attracting international Junkets to Perth Casino?

10 MR PACKER: Junkets or premium direct players.

MS CAHILL: Was it a desire that you had personally and particularly to improve that VIP business?

15 MR PACKER: Well, a lot of the --- a significant amount of the capex and Crown Perth had been dedicated to the VIP business.

MS CAHILL: Commissioner, I just thought I should check what time you're breaking again.

20 COMMISSIONER OWEN: I think 8.50, but we were a bit late starting. Say 8.45.

MS CAHILL: So, Mr Packer, did you have a direct interest in improving and increasing the International Business, we'll call it generically, not just to Crown Perth but also to Crown Melbourne?

25 MR PACKER: Yes.

MS CAHILL: You appreciated, didn't you, that Junket and premium player business was relatively high risk compared to other parts of Perth Casino's gaming business?

30 MR PACKER: Yes.

MS CAHILL: In the sense that those businesses --- sorry, that premium player and Junket businesses were at a higher risk of attracting criminal elements?

35 MR PACKER: No, I did not believe that.

MS CAHILL: That was something that you were not aware of, of an association between Junkets and criminal infiltration?

40 MR PACKER: Well, I was aware of many rumours about many things, but Crown had been also operating in Macau from 2004 to 2016, and we had no problems with the Macanese regulators on that front.

45 MS CAHILL: Were you aware in ---

MR PACKER: Excuse me, when I say "we", I mean Melco Crown; I don't mean Crown. Crown obviously had problems when our employees were arrested.

MS CAHILL: I'm asking about your thoughts when you were increasing or looking to increase and attract the International Business. Is your evidence that you weren't aware of a risk of criminal infiltration associated with Junkets?

5

MR PACKER: My response is I believed that risk could be managed. I believe every State Government we operated --- every State we operated in, be it Western Australia, Victoria or New South Wales, wanted Crown to increase its VIP business.

10 MS CAHILL: Were you aware of or appreciated a higher risk associated with Junkets of Perth Casino operations being used to facilitate money laundering?

MR PACKER: No.

15 MS CAHILL: So it was only that risk of criminal infiltration that you were aware of?

MR PACKER: Sorry, can you repeat ---

20 MS CAHILL: So I have identified two possible risks to you that are associated with Junket tours --- criminal infiltration?

MR PACKER: Yes.

25 MS CAHILL: And the risk of casino operations being used to facilitate money laundering. Do I understand correctly your evidence that when you were looking towards increasing International Business to Perth, including Junket tours, you appreciated the higher risk of criminal infiltration, but not the risk of casino operations being used to facilitate money laundering?

30

MR HUTLEY: I object. I think his evidence was a higher risk of money laundering.

MS CAHILL: You can't object when I'm asking him if I understood the evidence correctly. It is a question about the evidence ---

35

MR HUTLEY: Then it's a multiple question and it should be broken up. I was trying to, in effect --- I'm sure my learned friend wished to be fair to the witness and put two propositions, one of which was not correct, and I was merely objecting to it being put in that form.

40

COMMISSIONER OWEN: Right. Take the risks and ask Mr Packer for his reaction.

MS CAHILL: I will start again. I will start again, where I began.

45

Mr Packer, when you were looking to attract more International Business to Perth Casino, did you have an appreciation or have an understanding that that International

Business was at a higher risk than other casino operations of attracting criminal elements to the casino?

5 MR PACKER: I'm not sure.

MS CAHILL: When you say you're not sure, do you mean you can't remember what your understanding was?

10 MR PACKER: No, I don't think at the time I thought the Junkets were placing an undue risk on Crown Perth or Crown Resorts.

MS CAHILL: That wasn't quite my question. My question was whether you appreciated they posed a higher risk than other parts of the casino operation in terms of a risk of attracting criminal elements?
15

MR PACKER: With the benefit of hindsight, yes. At the time, no.

MS CAHILL: At the time, which is what I really want to understand, did you have an understanding that International Business posed a higher risk than other parts of the casino's gaming business in terms of the Perth Casino operations being used to facilitate money laundering?
20

MR PACKER: No.
25

MS CAHILL: Do I take it, therefore, that when you were looking to ---

MR PACKER: It is completely inconsistent --- it is completely inconsistent to spend a billion dollars developing Crown Perth and doing that so you can put yourself in a position where you're more at risk from the legal elements.
30

MS CAHILL: Just taking that point, Mr Packer, I assume, therefore, that over the time that you had discussions with other directors, whether at Crown level or at Burswood level, and with senior management about developing International Business, nobody said to you, "Well, there's actually these risks that we need to be aware of"? Nobody informed you of those risks?
35

MR PACKER: Nobody informed me before the China arrests of any risks.

MS CAHILL: All right. And as a consequence of you not appreciating the existence of these risks, it must therefore be the case that you didn't see the need to take any particular steps to address such risks and modify the risk management system for the Burswood entities?
40

MR PACKER: The VIP business operated across both the Melbourne business and the Perth business. It was the most integrated of all the businesses. That may not answer your question, but ---
45

MS CAHILL: Can I maybe try and draw that thread and tie it off. Whether you had your Burswood hat on or your Crown hat on, at the time that you were looking at developing that International Business, because you didn't have an appreciation of those risks I have just identified to you, I assume, therefore, that you didn't have in your mind that there was any need to modify or improve either Crown's or Burswood's risk management systems?

MR PACKER: I think there was always a need to improve risk management systems.

MS CAHILL: Yes, but you weren't conscious of the need to do so specifically to address these risks?

MR PACKER: No.

MS CAHILL: Is it the case that the VIP business, or International Business, was only ever a relatively small part of Crown Perth's earnings?

MR PACKER: Yes.

MS CAHILL: Is it the case that the costs of that International Business relative to those earnings were quite large?

MR PACKER: Yes.

MS CAHILL: Would you agree that there were financial risks attached to the International Business, specifically in respect of the risk of bad and doubtful debts?

MR PACKER: Yes.

MS CAHILL: Having regard to the relatively small contribution to revenue in Perth, balanced against the high cost of the business, or high costs of the business and the debt risk, what was the commercial rationale for operating the International Business through Perth Casino until 2016?

MR PACKER: Until 2016?

MS CAHILL: Yes.

MR PACKER: It was probably to pay for an allocation of overheads of the VIP business.

MS CAHILL: I'm sorry, I just didn't quite hear what you said?

MR PACKER: An allocation of overheads. So even though the Perth VIP business wasn't profitable, it was probably paying some of the fixed costs of the VIP business.

MS CAHILL: I see. Putting aside current regulatory barriers, do you see presently a commercial rationale for operating an International Business into Perth Casino?

5 MR PACKER: No.

MS CAHILL: What about any other of Crown's Australian casinos?

MR PACKER: I think that's a matter for Dr Switkowski and Steve McCann.

10

MS CAHILL: I'm just asking your view of it.

MR PACKER: My view is it's up to them.

15 MS CAHILL: I asked you before about the State agreement in respect of the Perth Casino. Likewise, in your role with the Crown group, as chair of Crown, were you aware of the casino agreement between Crown Melbourne and the Victorian regulator that related to the operation of the Melbourne casino?

20 MR PACKER: Yes.

MS CAHILL: If we go to PUB.0016.0018.0001, page 0032, what I'm showing you here, Mr Packer, is part of clause 22.1, in particular, paragraphs (r) and (ra). You have a familiarity with those clauses?

25

MR PACKER: I believe I do.

MS CAHILL: It was the case, wasn't it, that these clauses, amongst others, were introduced into the agreement in 2005?

30

MR PACKER: I'm not sure when they were introduced.

MS CAHILL: Do you recall, and is your understanding, that the clauses were introduced as, putting it loosely, the quid pro quo for the Victorian government agreeing to remove a restriction that would have prevented PBL from owning and operating more than one casino in Australia, which was relevantly at the time Perth Casino that was the subject of acquisition by PBL?

35

MR PACKER: That sounds correct.

40

MS CAHILL: Were you involved in the negotiations with the Victorian government about these clauses being added to the Melbourne casino agreement?

MR PACKER: I would have been involved in that, yes.

45

MS CAHILL: You were a director of Crown Melbourne Ltd at the time, weren't you, as well as the executive chair of PBL?

MR PACKER: Yes.

5 MS CAHILL: In substance, and I'm very much giving you the sense of the clause rather than the legal detail, Mr Packer, clause 22.1(r) provides for the PBL group, which later became Crown, the Crown group, to use its best endeavours to ensure that, relevantly for our purposes, Perth Casino is conducted in a manner not detrimental to Crown Melbourne's interests and so as to promote the economic interests of the State of Victoria. Do you see that?

10

MR PACKER: Yes.

15 MS CAHILL: Then in (ra), again in substance, getting to the pointy end of it, there's a promise there to ensure that PBL group, holding group, maintains the Melbourne casino as the flagship casino of Crown Resorts gaming business in Australia. My question about those two clauses is this, Mr Packer: did you have any sense at the time these amendments were agreed that they could work to the disadvantage of Western Australia's economic interests and diminish the benefits of the Perth Casino for the Western Australian community?

20

MR PACKER: I think that's one way to look at the document. The other way is I don't believe anyone would have bought Burswood and spent the capital that we spent transforming Burswood to Crown Perth. So I don't think that was inconsistent with (ra)(ii) because the Melbourne casino was still the dominant commission-based player casino in Australia. But the notion that PBL buying Burswood was bad for Burswood, I reject completely.

25

MS CAHILL: Well, if you look at (i) under (r), did you not have an appreciation at the time that it might require Perth Casino to be conducted in a manner to promote the economic interests of Victoria?

30

MR PACKER: Yes. Well, I believe that on the VIP business, we tried to show patrons the property and experience in Victoria, and we tried to show patrons the property and experience in Western Australia, and we believed that one and one was worth more than two.

35

MS CAHILL: Coming down to (ra) and the flagship, the requirement to ensure that the group maintain Melbourne Casino as the flagship casino, did you have an appreciation that if that clause were agreed to, it would mean that the Perth Casino could never be the flagship of the Crown group?

40

MR PACKER: Burswood was never going to be bigger than Crown, you know, Crown Melbourne. That's just farcical. The notion that we, Crown Resorts, didn't redevelop Burswood to Western Australia's benefit, to the tune of over a billion dollars of capital, that's a fact.

45

MS CAHILL: So you mentioned bigger. Did you understand this clause to mean that the Perth Casino could never be better --- could not even aspire to be

better --- than the Crown Melbourne casino?

5 MR PACKER: We did aspire. No one tried harder to build a six star hotel that was the best hotel in Australia than we did. You know, I was financially and emotionally committed to Perth, and I wanted Perth --- Perth was very important to me. It was the first casino that PBL had bought outside of Melbourne. I love Western Australia, I love Western Australians, and I wanted Crown to do a really good job on Burswood, transforming Burswood to Crown Perth.

10 MR HUTLEY: I hasten --- I'm reluctant to interfere, but the time is -. We have gone seven minutes over when I think you indicated, Mr Commissioner, that we would adjourn.

15 COMMISSIONER OWEN: I was just waiting for the end of this particular block, which I think is probably right. We will adjourn and come back at 10 minutes past the hour.

20 **ADJOURNED** **[8.50AM]**

RESUMED **[9.10AM]**

25 COMMISSIONER OWEN: Please be seated, thank you, Mr Packer. Ms Cahill.

MS CAHILL: Thank you, Commissioner.

30 Can I just come back to the questions I was asking you just before the break about the Melbourne Casino agreement and come back to something you said there in relation to that flagship clause where I think you used the word "farcical", it was farcical to think that the Perth Casino could ever be bigger than the Melbourne Casino. Why do you say it's farcical that it could ever be bigger?

35 MR PACKER: Because there were no poker machines in the Perth Casino, because the size of Perth is probably somewhere --- it's 40 per cent of the size of Melbourne, or something like that. The Melbourne Casino has a lot more tables and a lot more slot machines.

40 MS CAHILL: The ---

45 MR PACKER: And the total invested capital in the Melbourne Casino is probably \$3.5 billion, and the total capital invested in the Crown Perth is something like \$2 billion.

MS CAHILL: You don't ever envisage that those relativities could change?

MR PACKER: I --- Crown invested the maximum we could, taking into account the size of Perth, and I don't envisage that the Perth Casino can be bigger than the Melbourne Casino.

5

MS CAHILL: When you say the size of Perth, are you talking about the size of the Perth community?

MR PACKER: The population. The population.

10

MS CAHILL: Can I change topics now, and come to March 2018. That was the point at which you finally resigned as a director of Crown after returning to the board in August 2017; is that right?

15 MR PACKER: That's correct.

MS CAHILL: And John Poynton was appointed to the Crown board as CPH's nominee in November 2018?

20 MR PACKER: That's correct.

MS CAHILL: And was that at your instigation?

MR PACKER: Yes.

25

MS CAHILL: And by 2018, Mr Poynton and you had become friends through your time spent together on the Burswood Limited board; is that right?

MR PACKER: That's correct.

30

MS CAHILL: If we go to JHP.001.001.0001, this agreement was made with CPH and Mr Poynton and his service company in May 2018, in contemplation of his appointment to the Crown board; is that right?

35 MR PACKER: Yes.

MS CAHILL: The agreement was made at your request and at your instigation?

MR PACKER: I believe so, yes.

40

MS CAHILL: If we go to page 0003, clause 2.2, down the bottom, if we can blow that up so Mr Packer can see it, Mr Poynton was required to provide services which are defined --- I will come to that --- through his service company. That was the point of the agreement, yes?

45

MR PACKER: Yes.

MS CAHILL: And we go to "services" defined at the bottom of page 0002 and at the

top of 0003, that first one, "Services means representing CPH as a non-executive director of CRL".

5 MR PACKER: Yes.

MS CAHILL: Mr Poynton was to be paid a fee under this agreement, wasn't he, for, amongst other things, acting as CPH's nominee director on the CRL board?

10 MR PACKER: That's correct.

MS CAHILL: If we go to page 0005, that fee was \$50,000 per annum. You assumed, didn't you, that Mr Poynton would be paid directors fees by CRL at market rates?

15

MR PACKER: I'm not sure I thought about it. Yes. Yes, I did.

MS CAHILL: What was the purpose of CPH paying him an additional amount for taking on that role?

20

MR PACKER: I'm not sure. I was unaware of it.

MS CAHILL: Well, this was an agreement that was made at your instigation.

25 MR PACKER: What --- what I said to John and to Guy Jalland and Mike Johnston, is that I wanted John to be a CPH representative on the Crown board. I left it to them to work through the way --- best way to achieve that, and it appears that this is the way that everyone wanted to go forward and I was happy with it.

30 MS CAHILL: You reviewed the agreement, did you, before it was executed?

MR PACKER: I can't recall.

35 MS CAHILL: Let's go to the bottom of page 0003 and look at the other aspect of the services --- sorry, top of page 0003. The other aspect of the services is providing such other business services as requested by CPH from time to time, using Mr Poynton's business and industry experience. The question is this: what were the other business services specifically that were contemplated at the time the agreement was made that Mr Poynton would or could provide to CPH?

40

MR PACKER: I'm not sure.

MS CAHILL: Well, not sure at all? Any idea at all as to what he was going to ---

45 MR PACKER: I think this is a letter that's been put together by CPH's legal counsel and I'm not sure what that sentence relates to

MS CAHILL: Did you expect --- sorry, I should just clarify, this is an agreement,

Mr Packer, not a letter.

MR PACKER: Okay, sorry, I apologise.

5

MS CAHILL: That's all right. You didn't expect Mr Poynton to do anything other than act as a nominee director of CPH under this agreement; is that what you're saying?

10 MR PACKER: That's what I'm saying.

MS CAHILL: All right. So, to your knowledge, did he provide any services in fact under this agreement to CPH other than acting as a nominee director?

15 MR PACKER: I don't believe so.

MS CAHILL: Can we go to page 0007, please, clause 7.3(c). So both Mr Poynton and his service company are promising to both during and after termination of the agreement deliver confidential information on demand to CPH. I can show you at
20 page 0002, Mr Packer, that confidential information is defined to include information of the group, which includes Crown Resorts Limited. Do you see that? Coming back to 0007, clause 7.3(c), what was the purpose of this clause and its objective, Mr Packer?

25 MR PACKER: I don't know.

MS CAHILL: Did it occur to you at the time that such an obligation could place Mr Poynton in a position of conflict in respect of his duties of confidentiality owed to the
30 CRL board?

MR HUTLEY: I object. The witness should be asked if he was aware of that obligation at the time, I think.

COMMISSIONER OWEN: Yes, and I understood him to say that he wasn't.

35

MS CAHILL: Did you have a discussion with Mr Poynton about whether this agreement should be disclosed to the Crown Resorts board, Mr Packer?

MR PACKER: No.

40

MS CAHILL: Or the Burswood Limited board of which he was now by this time chair?

MR PACKER: No.

45

MS CAHILL: To your knowledge, did CPH enter into an agreement like this with any other individual directors of Crown or its subsidiary companies?

MR PACKER: I don't believe so.

MS CAHILL: What about any Crown executives?

5

MR PACKER: I don't believe so.

MS CAHILL: Can I ask you a question about culture, Mr Packer. The former chair of Crown, Ms Coonan, gave evidence to this commission on 12 August in substance and effect she described the culture of Crown, fairly put, it would be to say before the Bergin Inquiry, as one where the management was beholden to CPH. Would you agree or disagree with that?

10

MR PACKER: I would disagree with that.

15

MS CAHILL: She also said that when CPH stepped back from having involvement in the business, she thought that management still in many respects thought they were reporting to CPH and that that affected the way in which people carried out their functions. Would you agree or disagree with that view?

20

MR PACKER: I'm not sure what she's talking about.

MS CAHILL: She described a culture --- this is her viewpoint --- that before Bergin, the culture of Crown was one where management was beholden to CPH, and you say you disagree with that view, but she went on to say that when CPH stepped back from having as much involvement, or involvement in management, she thought that management still considered or felt that they were reporting to CPH nevertheless, and that that affected the way people discharged their managerial responsibilities. My question is whether you would agree with that viewpoint or not?

30

MR PACKER: No, I don't agree.

MS CAHILL: A different topic, Mr Packer. You and CPH have offered some undertakings to the WA regulator, GWC; is that right?

35

MR PACKER: That's correct.

MS CAHILL: Which reflect arrangements made between CPH and you and the New South Wales regulator ILGA?

40

MR PACKER: Correct.

MS CAHILL: Can I take you to a letter from your lawyers to GWC's lawyers dated 28 July 2021, CPH.177.002.0011. The undertakings are set out in numbered paragraphs 1 to 6, commencing on the first page. If I can just ask the operator to blow up numbered paragraph 1, please, and numbered paragraph 2 together. Just looking at numbered paragraph 1, what do you understand to be the scope or extent of the undertaking you have offered that's reflected in numbered paragraph 1?

45

MR PACKER: We will not seek any information from Crown.

MS CAHILL: Does it cover on your understanding informal arrangements?

5

MR PACKER: What's an informal arrangement?

MS CAHILL: Something that's not a formal contract?

10 MR PACKER: I'm not sure, but we have been very careful not to speak to anyone at Crown, and ---

MS CAHILL: Do you understand numbered paragraph 1 to include and extend to verbal arrangements, such that you can't enter into any verbal information-sharing arrangements with Crown?

15

MR PACKER: Yes.

MS CAHILL: What about arrangements with individual officers of Crown, does the undertaking extend that far, on your understanding?

20

MR PACKER: Absolutely.

MS CAHILL: What do you understand to be the scope or extent of the undertaking you've offered in numbered paragraph 2?

25

MR PACKER: That we won't initiate conversations to give gratuitous advice.

MS CAHILL: Have you taken or are you intending to take any practical steps to ensure that you abide by the undertaking in numbered paragraph 2?

30

MR PACKER: Sorry, would you repeat the question?

MS CAHILL: Have you taken or are you intending to take any practical steps to ensure that you abide by the undertaking in numbered paragraph 2?

35

MR PACKER: I'm not sure what practical steps we could or should take beyond what we've done. If there are additional steps that we should take to give comfort, I'm sure we'd be open to that.

40

MS CAHILL: For example, Mr Packer, are you positively refraining from meeting for social purposes with former colleagues and friends who remain involved in Crown's business?

45 MR PACKER: I have so far.

MS CAHILL: In paragraph 57 of your witness statement, page 0030, you mentioned

having had some communication with Todd Nisbet in June of this year to do with the apartment you're arranging to purchase in 1 Barangaroo, Sydney?

5 MR PACKER: Yes.

MS CAHILL: 1 Barangaroo is where Crown Sydney is located, isn't it?

MR PACKER: It is.

10

MS CAHILL: The executive offices of Crown Sydney are located there?

MR PACKER: I believe so.

15 MS CAHILL: Are you still proceeding with the purchase of the apartment there?

MR PACKER: Yes.

MS CAHILL: Do you have plans to occupy that apartment yourself?

20

MR PACKER: I'm not sure yet.

MS CAHILL: Do you think that if you do occupy that apartment, there will be any practical steps you need to take to ensure that you abide by your undertakings, particularly numbered paragraph 2?

25

MR PACKER: I don't think so, but if the Commission disagrees, then I'm happy to look at it.

30 MS CAHILL: What I'm driving at here, Mr Packer, is whether you need to think about practical steps to prevent incidental contact and inadvertent breach of paragraph number 2?

MR PACKER: I'd like to leave that to my lawyers.

35

MS CAHILL: Do you know what practical steps, if any, CPH has taken or will take to ensure that it abides by numbered paragraph 2 of the undertakings? Just put that up on the screen again for Mr Packer, please. To not initiate any discussions with Crown, its directors or executives. So insofar as CPH has undertaken not to initiate any discussions concerning Crown's business or operations, do you know what practical steps it's taken to ensure that it abides by that undertaking?

40

MR PACKER: I think practically the senior executives at CPH and myself haven't been in contact with anyone from Crown.

45

MS CAHILL: Is there any system that it has put in place to ensure that that does not occur?

MR PACKER: I'm not sure.

MS CAHILL: Thank you, Commissioners. I have no further questions.

5

COMMISSIONER OWEN: I think we have some counsel who are not in the room. I will start with them. Are there any applications for leave to ask questions of Mr Packer? I take silence that there are no applications. Any from this room?

10

CROSS-EXAMINATION BY MR WARD

MR WARD: I appear for Mr Poynton in this inquiry. Can I just start with the questions you were asked regarding the consultancy agreement.

15

MR PACKER: Yes.

MR WARD: You said that you weren't aware of clause 7.3 relating to confidential information. Can I just ask you this. Mr Poynton gave some evidence to the commission in the whole of his course of directorship in Crown Resorts Limited and the term of that consultancy agreement, you never asked him to provide confidential information of Crown Resorts, and he never provided that information to you. Do you agree with that evidence?

20

25

MR PACKER: I agree.

MR WARD: Can I come back to a question Ms Cahill asked you this morning relating to the relationship between Crown Resorts and Burswood Limited, she put to you a scenario where Crown Resorts might have wanted to appoint somebody over Burswood Limited's objection. Do you recall those questions?

30

MR PACKER: Vaguely.

MR WARD: Your answer was it wouldn't happen because we work together. Do you recall that?

35

MR PACKER: Yes.

MR WARD: Is it the case that the Burswood Limited board largely worked together and within a framework set by Crown Resorts Limited's board, in a general sense?

40

MR PACKER: I think in a general sense, they worked in conjunction.

MR WARD: So can I just tease out a few specifics here. The Crown Resorts board had a risk committee. That's right, isn't it?

45

MR PACKER: Yes.

MR WARD: That risk committee set the overall risk framework for the Crown Resorts group?

5 MR PACKER: Yes.

MR WARD: It also had an audit committee, and that set ---

MR PACKER: Yes.

10

MR WARD: --- the internal and external audit frameworks for the whole group?

MR PACKER: Yes.

15 MR WARD: It also had a Responsible Gaming committee that you mentioned Professor Horvath was a part of?

MR PACKER: Yes.

20 MR WARD: The policy set by the Responsible Gaming committee applied across the Crown group including Burswood, didn't it?

MR PACKER: Yes.

25 MR WARD: So when the Burswood Limited board came to consider these issues, it did so within that framework, didn't it?

MR PACKER: Yes.

30 MR WARD: Can I deal with the risk reporting. Can I take you, please, to a document CRW.700.022.0639. This is a legal risk and compliance board report provided to the board of Burswood Limited in September 2009. Do you recall receiving reports of this type at each Burswood Limited meeting?

35 MR PACKER: I can't recall.

MR WARD: Would you generally have expected a report on legal risk and compliance of this type to be considered at each board meeting?

40 MR PACKER: Yes.

MR WARD: Can I just take you through some of that. If we can go firstly to - - -

45 MR DHARMANANDA: Commissioners, I believe some of this material contains sensitive information in relation to certain incidents, as well as matters attracting legal professional privilege.

COMMISSIONER OWEN: Sorry, only on the in-room screens?

MR DHARMANANDA: Yes, please, Commissioner.

5

COMMISSIONER OWEN: This will only be displayed on the in-room screens.

MR WARD: Sorry, apologies, I thought it was a redacted version from what I had seen later in the document.

10

Mr Packer, I don't want to take you to specific instances in this report. I just want to give you the flavour of the report and the things that were being reported to the board. If we look, firstly, at page 0640, you see beginning there there's a section that runs through a few pages on gaming and liquor and smoking infringement issues?

15

MR PACKER: Yes.

MR WARD: And then at page 644, we have other compliance matters, including health and safety, and then over the pages, marketing, hotels, security and responsible service of gambling?

20

MR PACKER: Yes.

MR WARD: Can I take you to the heading "responsible service of gambling" at page 0646. The bottom of that page should now be before you, it's a section on responsible service of gambling.

25

MR PACKER: Yes.

MR WARD: You see there are a number of incidents reported to the board that have been dealt with by management during the previous reporting period?

30

MR PACKER: Yes.

MR WARD: Can we go then over to the next page, 0647, there's a large section on anti-money laundering and counterterrorism financing compliance.

35

MR PACKER: Yes.

MR WARD: The board regularly received reports from management about compliance in that regard, didn't it?

40

MR PACKER: I can't recall.

MR WARD: Can I take you, then, to page 0649, under the heading "Internal Audit". The board received reports on internal audit matters quite regularly, did it not?

45

MR PACKER: It appears so.

MR WARD: Now, Mr Poynton gave evidence that these reports had two aspects, two important aspects to them. Firstly, in the board reports that he received, there were no red flags to indicate that systems were not working. Would you agree with that proposition?
5

MR PACKER: Yes.

MR WARD: Secondly, the fact that issues were being detected positively indicated to him as a director that systems were working; would you agree with that?
10

MR PACKER: Yes.

MR WARD: Thank you, Mr Packer, that's all I have.
15

COMMISSIONER OWEN: Thank you, Mr Ward. Mr Dharmananda?

CROSS-EXAMINATION BY MR DHARMANANDA
20

MR DHARMANANDA: I act on behalf of the Crown group, Mr Packer. You were aware of the Victorian Royal Commission?

MR PACKER: Yes.
25

MR DHARMANANDA: Were you summonsed to appear in that commission, Mr Packer?

MR PACKER: No.
30

MR DHARMANANDA: Are you aware of the report that's been issued by Commissioner Finkelstein?

MR PACKER: Yes.
35

MR DHARMANANDA: You are aware that Commissioner Finkelstein found it was unlikely that you and the CPH group qualify as an associate of Crown Melbourne?

MR PACKER: Yes.
40

MR DHARMANANDA: That's because of the undertakings that you have given?

MR PACKER: I'm not sure.
45

MR DHARMANANDA: Are those the undertakings that you mentioned in your witness statement at paragraph 55.

MR PACKER: Yes.

5 MR DHARMANANDA: Are those to similar effect of undertakings that you were taken to in the letter written by Ashurst to Quinn Emanuel that Ms Cahill just took you to?

MR PACKER: Yes.

10 MR DHARMANANDA: You mentioned in your statement, Mr Packer, at both paragraphs 1 and 54 --- and if the operator could blow up those two paragraphs --- you mentioned that you are one of the ultimate beneficial owners of corporate entities that holds shares in Crown Resorts. Do you see that?

15 MR PACKER: Yes. Yes.

MR DHARMANANDA: Who are the other ultimate beneficial owners of the relevant corporate entities?

20 MR PACKER: My sister.

MR DHARMANANDA: You explain at paragraph 59 that CPH and CPH Crown Holdings have no current plan or proposal in respect of their shareholding in Crown Resorts. Do you see that?

25 MR PACKER: Yes.

30 MR DHARMANANDA: If you were minded to sell the relevant shareholding and you were prepared to proceed, who else would need to agree to that sale in order for it to go ahead?

MR PACKER: No one.

35 MR DHARMANANDA: What about your sister?

MR PACKER: I don't believe so.

MR DHARMANANDA: Thank you.

40 COMMISSIONER OWEN: Are there any other applications?

QUESTIONS BY THE COMMISSIONERS

45 COMMISSIONER JENKINS: Mr Packer, only two areas I want to ask you about. The first is you said that one of the differences between the Perth Casino and Crown

Melbourne is that Crown Melbourne has poker machines and the Perth Casino does not. Do you recall that evidence?

5 MR PACKER: Yes.

COMMISSIONER JENKINS: What do you understand as the difference between the electronic gaming machines at each of the properties that forms the basis for that view you expressed?

10

MR PACKER: I think the reels spin faster in Melbourne, and that may be the main difference.

COMMISSIONER JENKINS: Thank you for that.

15

MR PACKER: I was just going to say, which means that a machine in Melbourne may generate more revenue per day than a machine in Perth, even if they are both busy.

20

COMMISSIONER JENKINS: Thank you. The other area was in respect to one of the findings in the Victorian Casino Royal Commission, are you aware that the Victorian Casino Royal Commissioner has recommended that CPH's shareholding in Crown Resorts Limited and Crown Melbourne be reduced to less than 5 per cent compulsorily by September 2024?

25

MR PACKER: Yes, I'm aware of that.

COMMISSIONER JENKINS: Do you have any objections to this casino making a similar recommendation in respect to CPH's shareholding held ultimately in the Burswood entities?

30

MR PACKER: I believe my lawyers believe that there may be some misunderstanding about the date, in the sense that the initial --- that the date that the Victorian Royal Commission has used was the original date that we gave undertakings to New South Wales. We have extended those undertakings now. I'd be very happy to extend the same undertakings to the Western Australian Royal Commission.

35

COMMISSIONER JENKINS: My question was focusing on the recommendation in respect of the requirement that CPH sell down its shareholding in CRL and Crown Melbourne to less than 5 per cent by 2024. I wanted to give you the opportunity to give evidence as to whether you objected to that requirement and, if you did, what the basis of the objection was?

40

45 MR PACKER: I don't object to that requirement.

COMMISSIONER JENKINS: Thank you, Mr Packer. Those were the two areas I wanted to cover with you.

MR PACKER: Thank you, Commissioner.

5 COMMISSIONER OWEN: Mr Packer, I just have one area that I'd like to raise with you. Would you agree with the proposition that the holding of a casino licence from a government is a privilege?

MR PACKER: Yes.

10 COMMISSIONER OWEN: And that a casino licence, and therefore the casino business, because of the licence arrangements, has particular and peculiar features that might not be present in other types of businesses, and by that I mean an obligation to the people, the community, of the State. Do you agree with that?

15 MR PACKER: Yes, yes, I agree with that.

COMMISSIONER OWEN: I want to then focus on the situation that arises in a structure such as Crown Resorts and Burswood where you have a wholly owned subsidiary and you've got the holding company, but the licence is held at the
20 subsidiary level. You appreciate that?

MR PACKER: Yes.

COMMISSIONER OWEN: I accept that in terms of the continuity of the licence
25 and the preserving of the licence, there is an alignment between the holding company and the subsidiary. I accept that. However, given what I asked you first about the particular and peculiar features and the particular and peculiar obligations owed to the community of Western Australia, in this case, the primary --- the primary ---
30 responsibility lies with the licence holder itself; would you agree with that?

MR PACKER: That sounds correct. That sounds logical.

COMMISSIONER OWEN: I said that I don't disavow the alignment with the
35 holding company, but the primary responsibility lies with the licence holder itself. What I want to ask you is this: does that not suggest that there does need to be very specific and particular attention given to the governance arrangements of the subsidiary such that it would allow that subsidiary to ensure that it is fulfilling those what I would call particular and peculiar obligations?

40 MR PACKER: Yes, I agree with that.

COMMISSIONER OWEN: Harking back to your time as chair of the board of
Burswood Limited, do you believe that the governance arrangements did fulfil those
45 requirements?

MR PACKER: I'm not sure I know how to answer that, Commissioner.

COMMISSIONER OWEN: Let me ask it in another way. You said in answer to questions from Ms Cahill, that you accepted, I think, that in that period, 2013 to 2016, when you were effectively not attending --- you were not attending Burswood Limited board meetings, and that you accepted the proposition that really with hindsight you should have perhaps resigned from the board?

MR PACKER: Yes.

10 COMMISSIONER OWEN: But you didn't?

MR PACKER: No, I didn't.

15 COMMISSIONER OWEN: But you say you still had an eye on the Burswood Limited, or the Crown Perth --- we'll call it Crown Perth --- you had an eye on it through the information packs that were coming to the Crown Resorts Limited board?

MR PACKER: Yes.

20 COMMISSIONER OWEN: I want to then get your reaction to this: your non-attendance at Burswood Limited board meetings, and effective non-involvement at Burswood Limited level, was inconsistent with that requirement for the governance of the subsidiary to be in a form that enabled it to fulfil its peculiar responsibilities to the local community?

MR PACKER: I accept that.

30 COMMISSIONER OWEN: All right. Thank you. Mr Hutley, do you wish to re-examine?

MR HUTLEY: I'd like to ask one or two questions, if I might.

35 **RE-EXAMINATION BY MR HUTLEY**

MR HUTLEY: Mr Packer, you were asked by Commissioner Jenkins some questions about the Victorian Royal Commission and its report, and you referred to the fact that in the Victorian Royal Commission there was a reference to your undertaking being an undertaking which was to extend until 2024. Do you recall that?

MR PACKER: Yes.

45 MR HUTLEY: Is the fact that the Victorian --- the undertakings which had been offered both in New South Wales and in Victoria, so far as they were limited as to time, went to October 2026; is that correct?

MR PACKER: Yes, that's correct.

5 MR HUTLEY: To that extent, is it your evidence that it appears an error was made in the report of the Victorian Royal Commission?

MR PACKER: I wouldn't presume to say that, but it was an inconsistency.

10 MR HUTLEY: You were asked some questions again by Commissioner Jenkins about your attitude to selling down the interests of CPH to 5 per cent, and you expressed an acceptance of such a situation; is that correct?

MR PACKER: Yes.

15 MR HUTLEY: Were you intending by that to indicate an acceptance of selling down of that interest by 2024, or by 2026?

MR PACKER: I'd like to rely on my legal counsel for advice.

20 MR HUTLEY: Thank you. In other words, you were not directing your answer to the timeframe in which that selldown would take place; is that correct?

25 MR PACKER: I'm very reluctant to in any way --- in any way argue with Commissioner Finkelstein, so I'd --- I'd prefer to leave it at that.

MR HUTLEY: Thank you. You were asked some questions by my learned friend Ms Cahill where she put before you her summary of what Ms Coonan gave by way of evidence to the Commission. Do you recall being asked questions about that?

30 MR PACKER: Yes.

MR HUTLEY: And she said that Ms Coonan gave evidence describing the culture of Crown before the Bergin Inquiry as one where management was beholden to CPH. Do you recall that proposition being put to you?

35

MR PACKER: Yes.

MR HUTLEY: And you said you would agree with that --- disagree with that. Do you recall saying that?

40

MR PACKER: I remember saying disagree.

MR HUTLEY: Yes. Why do you disagree?

45 MR PACKER: Because CPH has always been --- has always relied on the managers in Crown Resorts to run Crown Resorts. That's the answer.

09:54AM

MR HUTLEY: Had Ms Coonan, before the Bergin Inquiry, ever raised with you a view that management was beholden to CPH?

5 MR PACKER: No, she hadn't.

MR HUTLEY: Had any director of CPH ever raised such a view with you?

MR PACKER: No.

10

MR HUTLEY: Had any person prior to the Bergin Inquiry raised such an issue with you?

MR PACKER: No.

15

MR HUTLEY: Thank you. By mistake, I ask whether any director of CPH. Had any director of Crown Resorts ever raised with you the suggestion that management of Crown was beholden to CPH?

20 MR PACKER: No.

MR HUTLEY: Thank you. Now, my learned friend Ms Cahill --- no, I think that is sufficient. Thank you, Mr Packer.

25 MR PACKER: Thank you.

COMMISSIONER OWEN: Mr Packer, thank you very much for making yourself available and for your evidence. It has been of assistance to us and you have our gratitude. That fulfils the requirements of the summons, so the summons will be discharged. Thank you very much, and you are now, of course, free to resume your other activities, and we will adjourn until --- it's now not before 12 noon.

30

THE WITNESS WITHDREW

35

ADJOURNED

[9.56AM]

40 **RESUMED**

[12.00PM]

COMMISSIONER OWEN: Please be seated. I think the arrangement is we will sit until 2pm. Mr Carter, do you wish to affirm or take an oath?

45

MR CARTER: Take an oath, thank you, Commissioner.

BRUCE JAMES CARTER, SWORN

5 COMMISSIONER OWEN: Thank you. Ms Thornton.

MS THORNTON: Thank you, Mr Commissioner.

10

EXAMINATION-IN-CHIEF BY MS THORNTON

MS THORNTON: Mr Carter, you prepared a witness statement dated 27 October in
15 response to a summons (inaudible); is that correct?

MR CARTER: Correct.

20

MS THORNTON: Do you have a copy of that statement with you?

MR CARTER: Yes.

25

MS THORNTON: Is that a document bearing document ID number
CRW.998.002.0994?

MR CARTER: Yes.

MS THORNTON: Is that your signature on page 13 of the document?

30

MR CARTER: I presume it is. How do I get to page 13? On my computer it's
blocked out, but I did certainly sign it on that day.

MS THORNTON: Are the contents of your statement true and correct?

35

MR CARTER: Yes.

MS THORNTON: Commissioners, I tender that statement with its annexure?

40

COMMISSIONER OWEN: Witness statement of Bruce Carter dated 22 October
2021 and bearing the identifier number CRW.998.002.0994 with its annexure is
admitted into evidence as an exhibit.

45

**EXHIBIT #CRW.998.002.0994 - WITNESS STATEMENT OF BRUCE
CARTER DATED 22 OCTOBER 2021 WITH ANNEXURE**

MS THORNTON: Thank you, Commissioner.

Mr Carter, have you had an opportunity to consider the Crown remediation plan document?

5 MR CARTER: Yes.

MS THORNTON: And do you have any comments on the Crown remediation plan or the program generally?

10 MR CARTER: Yes. It's an extensive plan. My career has been involved in corporate restructuring and turnaround prior to me becoming mainly involved with non-executive director positions, and, therefore, I have had a long career in remediation programs and this is certainly one of the most extensive ones that I've
15 ever seen. For a remediation to be successful, there are a number of elements that are required. First of all, you have to have a viable business, because if you can't push through financially, then you can't remediate. Certainly in the position of Crown, terrific world-class assets right across the country, so from a viable turnaround, you have the base from which you start.

20 The second part of remediation is identifying the problems and acknowledging the problems, and that can often be the hardest part. Because in many organisations, there's denial that these problems exist and, in fact, that leads to resistance, and what would they know, they are the new people-type attitude. In terms of Crown, I don't think there has ever been a company in Australia's history that's been examined more
25 so than Crown, and anyone that doesn't deny that there's a problem here obviously can't read. So the first aspect of --- after the viability, the first aspect of remediation, and acknowledgement and identification of the problem, in terms of Crown, which is a key part of any turnaround or successful remediation, is present.

30 You then sit down and work out where all the areas have got to occur, and that's what the remediation statement represents. Much of it relates to governance, to corporate culture, to the way that they do things, and the plan itself, whilst being extensive, sits from the top and then is pushed down through the organisation. So each part of the organisation will be responsible for a different part, and you have to create an
35 environment where there is encouragement for that remediation to occur, same as any turnaround.

Again, that's why it's driven down through the board, through the executives, right down to the teller on floor. That's what exists here. You create an environment
40 where people feel safe to talk, safe to change and welcome that.

The last part is to monitor, incentivise good behaviour which, amongst other things, is the remuneration, the way people are dealt with, encouragement, recognition of good. In all of the turnarounds that I have been involved in, they are the successful
45 ingredients. The remediation plan here is very large, probably the biggest challenge of this remediation plan is how much change there is, and when you have an

organisation that's going through significant change, getting all the moving parts to work is something that you have got to be --- you've got to catch carefully. So far at Crown it seems to be going well.

5

MS THORNTON: You've had a lot of experience in the past being director of a company. Have you had experience before as a director in implementing a remediation plan such as this?

10

MR CARTER: Yes. First of all, as an officer, where, in my days of insolvency, I did quite a lot of turnarounds of businesses that were financially viable, but just needed to be restructured. It's not just financial restructuring, it's dealing with the culture, getting the right agreements, getting the leaders in place is critical and then pushing it down, and getting everyone confident that it can happen.

15

In terms of my non-executive positions, probably the biggest --- earliest and biggest turnaround I did was of the work cover program with the South Australian government, which put me in effectively as executive chairman of work cover. The treasurer at the time said, "Bruce, we either put you in as receiver or we put you in as chair". A government appointing a receiver over their works compensation system is not a good look. So I was put in as chair with a brand new board and effectively restructured that over four to five years --- cleaned out the management, changed all of the culture and it was recognised by government such that I was then put into a senior position on the executive committee of cabinet and brought some of these roles across government. So a number of jobs that I did for government.

20

25

In terms of other turnarounds that I have been involved in, again another government job, the territory insurance office, the largest government-owned insurance company at the time. Many of the businesses I'm put in, there's an expectation that that will be some of the skills that I bring to the table. There's a business --- Australian Submarine Corporation which has a large employment here in WA, and in 2015, it was subject to ridicule in Parliament, and that was a very low point in ASC. We had an acting CEO at the time, big changes in management, and we had to effectively go into a remediation program in terms of culture, in terms of financial performance, and in terms of dealings with the many, many stakeholders we had.

30

35

Literally, every day I get up and read the paper, a bit like Crown, and find out what the day would bring to me. After two years, we would describe --- two or three years, we were described in Parliament by the then minister of defence, Christopher Pyne, as an exemplar, as a government business enterprise, and a lot of that was driven in Henderson down by Fremantle.

40

45

So, yes, look, this is what I do, this is what I enjoy. Some people find it a bit strange that you would enjoy these things, but it's what I enjoy and I get great satisfaction from it.

MS THORNTON: Do you have a particular view about the role of the board in

implementing the remediation program?

5 MR CARTER: Yes. The board needs to lead, needs to walk the talk, it needs to put in place appropriate leaders. It can't trespass into management, but it can't be divorced from management either. It has to be quite visible. Hands on, as I said, without trespassing into management.

10 So here, you need like-minded people at the board, you need the board operating as a team, and we have a very small board compared to what it was 12 months ago, and you need to be able to monitor, you need to be able to rely on your systems, you need to be able to get the framework into place to allow the people to deliver the remediation. You need to put the resources behind it, and one of the things about Crown is that it has the financial capacity to do that. That's not always the case.

15 MS THORNTON: What's your commitment to the Crown board and to the Crown remediation program?

20 MR CARTER: Well, my commitment's to see it through. I mean, the best part of a remediation or a turnaround is when you get through to the other end, if you ever get through to the other end, because it's a continuing program and you can sit back and say, "We've done it." I did that with ASC in 2018, and the day that that was set in Parliament, I was pretty happy. I'm still there.

25 As I say, you have to maintain the rage. All that happens is that the bar keeps getting lifted and lifted and lifted. The stakeholders, the various stakeholders then require the next level, and it's relentless. That's part of the fun of being a non-executive director.

30 MS THORNTON: Thank you, Mr Carter. No more questions.

COMMISSIONER OWEN: Thank you, Ms Thornton. Mr Feutrill.

35 **CROSS-EXAMINATION BY MR FEUTRILL**

MR FEUTRILL: My name is Michael Feutrill, Counsel Assisting. Can I start by a couple of clarifications in your statement. You have your statement there?

40 MR CARTER: Yes.

MR FEUTRILL: In paragraph 3 you make reference to a statement you provided to the Royal Commission in Victoria?

45 MR CARTER: Yes.

MR FEUTRILL: I just want to ask you to confirm that it's document number

12:09PM

CRW.998.001.0438. It should come up on your screen. If it doesn't ---

MR CARTER: Hang on, I think it just arrived.

5

MR FEUTRILL: We might be able to provide you with a paper copy. It might be easier.

MR CARTER: I have it, Mr Feutrill. 12 June 2021?

10

MR FEUTRILL: That's it, yes.

MR CARTER: Yes, I have it.

15 MR FEUTRILL: I just want you to --- it might be easier to provide a paper copy to you to be able to thumb through it. Do you mind? Thank you.

MR CARTER: Yes.

20 MR FEUTRILL: Do you confirm that's the statement you gave to the Victorian Royal Commission?

MR CARTER: So confirmed.

25 MR FEUTRILL: Can we take it that at least the time the statement was given, the contents of it were true and correct to your knowledge?

MR CARTER: Yes.

30 MR FEUTRILL: I want to ask you a couple of questions about it later, just to see if some parts of it remain your view today.

MR CARTER: Yes.

35 MR FEUTRILL: Before I do, can I just ask you some questions about your --- you touched a little bit on your qualifications and experience in the evidence-in-chief you've just given. You obviously had quite a bit of experience as a non-executive director, and have done so since you obviously transitioned your career, if you like, into those roles. You were a director of AIG Australia Limited?

40

MR CARTER: Yes.

MR FEUTRILL: And you were appointed in 2019; is that correct?

45 MR CARTER: Yes.

MR FEUTRILL: And that's a non-executive role?

12:11PM

MR CARTER: Yes.

MR FEUTRILL: Do I understand that to be an Australian subsidiary of a United
5 States global insurer?

MR CARTER: Yes.

MR FEUTRILL: Is the parent company, is that the American home insurance group,
10 is it?

MR CARTER: It's called AIG Inc, I think.

MR FEUTRILL: AIG Inc. Is that listed on the ---
15

MR CARTER: On the New York Stock Exchange.

MR FEUTRILL: Are there any --- just by way of the constitution of the board of the
20 Australian subsidiary, are there any directors on that board who are also common
with the parent company in the United States?

MR CARTER: No.

MR FEUTRILL: Is the board constituted by executives from the United States
25 parent company?

MR CARTER: Well, there, AIG executives on it. Australia's not big enough to have
an executive out of New York on it. What happens is we have an executive from
Singapore on it, so it comes down into APAC. Australia, unfortunately, doesn't rate
30 in terms of size to get a New York appointee on it. It comes down to APAC. So we
have a board member out of Singapore on it, and we have our CEO on it, and two
other directors.

MR FEUTRILL: Are the other directors, like yourself, independent?
35

MR CARTER: Yes. One's an ex-AIG employee, but now is no longer employed by
them, and so is independent, but certainly has a long history of AIG and another
person. I'm now --- I think I'm now chairman of AIG. That's different from the
40 statement.

MR FEUTRILL: Does that effectively operate as an independent, albeit subsidiary,
independently of the parent company?

MR CARTER: It relies --- it works very closely with the parent company because
45 it's a corporate model, so the people, for instance, the CRO and the CFO, they report
into the Australian board but they also report in to the APAC board. So, for instance,
our internal auditor does work right across APAC, Australian Pacific region. The
chief risk officer reports into London. So whilst it is an independent board, it is very
much

reliant on AIG and we work hand in glove. With an insurance company, as you would be aware, a key aspect of that is having a big capital base, and it is required to be kept locally, and that capital base comes via AIG, as does the reinsurance program. AIG is one of the largest insurers in the world, as you said.

MR FEUTRILL: You are also a director of a company called Aventis Capital Limited?

10 MR CARTER: Yes.

MR FEUTRILL: You were appointed as a director of that in 2015?

MR CARTER: Yes.

15

MR FEUTRILL: Is that part of what is known as the Aventis Group?

MR CARTER: No. I don't know what Aventis group is.

20 MR FEUTRILL: Aventis Capital Limited, does that have a stable security trading on the ASX?

MR CARTER: I beg your pardon, yes, that's it.

25 MR FEUTRILL: All right. You are also a director of the Bank of Queensland Limited?

MR CARTER: Yes.

30 MR FEUTRILL: That's obviously a publicly listed company as well?

MR CARTER: Yes.

MR FEUTRILL: Is it correct that you chair its risk committee?

35

MR CARTER: Yes.

MR FEUTRILL: And you are also a member of its audit committee, investment committee, IT committee and nominations committee?

40

MR CARTER: Yes. BoQ is a little peculiar in that the non-executive directors sit on each committee.

MR FEUTRILL: As a director you are also effectively on all committees?

45

MR CARTER: Yes.

MR FEUTRILL: And you chair the risk committee?

MR CARTER: Yes.

MR FEUTRILL: You are a director of One Rail Australia?

5

MR CARTER: Yes.

MR FEUTRILL: And you were appointed in 2011?

10 MR CARTER: Yes. Well, may I clarify that, in 2011, I was appointed as a local
director of Genesee & Wyoming Australia limited --- Pty Ltd, which was a
subsidiary of Genesee & Wyoming Australia Inc., which again was listed on the New
York Stock Exchange. In that situation, there were four Genesee & Wyoming Inc.
15 directors and one local director, myself. After a number of years, I think it was 2018,
I was then appointed to the New York --- the parent company board where I
remained for two years until Brookfield made a takeover for it. Once Brookfield
bought it, Macquarie Bank or Mirror, as they called, bought One Rail and asked me
to chair that business. So, through various iterations, I have been involved with that
20 business since 2011. However, just to finish that --- to update that, last week that
business was sold to Horizon, which is a --- which is not in my statement, because it
only happened last Thursday.

MR FEUTRILL: Right.

25 MR CARTER: Likewise, I had a big week last week. Last week, Aventis was also
subject to a takeover bid. So it was a big week.

MR FEUTRILL: So your role as chair of the board of One Rail, is that likely to
continue for the time being, or is it likely to change?

30

MR CARTER: Only until settlement. And in terms of --- which again is subject to
probably three or four months, and in terms of Aventis, I have agreed to stay on that
board not as chairman but for a short time for the transition. So I will come off that
board, I think it is in December next year.

35

MR FEUTRILL: Okay. Now, you mentioned earlier your role with the Australian
Submarine Corporation.

MR CARTER: Yes.

40

MR FEUTRILL: You are the chair of the governing body of that?

MR CARTER: Yes, it's a --- it's called a GBE, government business enterprise, and
I'm appointed by the minister of finance, who is the shareholder minister.

45

MR FEUTRILL: You chair something called the ASC committee for future
submarine negotiations as well; is that correct?

MR CARTER: That was an ad hoc committee that existed at the time. It's in my CV. As you no doubt would see from the press, that relationship with the French has been ceased. But at the time, I had led the negotiations to the extent that we would
5 co-work with the French on the future submarine. That, as I said --- events have overtaken that now that we don't have a relationship with them.

MR FEUTRILL: Are you a member of something called the resources infrastructure and investment task force. Is that a South Australian government organisation, is it?
10

MR CARTER: Yes, yes, that's a group of about six or seven public servants that I've headed up since I think 2006, and effectively using my insolvency and commercial skills, I get used by the government to come in and deal with resource and infrastructure matters. So I did the negotiations and saw the legislation through on
15 Olympic Dam, I then went down and did a \$700 million restructuring of new Star and then I head up the negotiations for the government in relation to what's called GFG group, in other words known as the Whyalla steel mills. So, I chair that group. I have been pretty stable since 2006 and from a State perspective been very successful. It transcended various governments, so Labor, Liberal. Likewise
20 Australian Submarines, I was appointed under Labor and then I was reappointed by Mathias Cormann under Liberal and reaffirmed by Birmingham. So across all the different political parties.

MR FEUTRILL: You are a director of something --- the SAGE Automation Group Limited?
25

MR CARTER: Yes.

MR FEUTRILL: That's a public company but not listed, is that correct?
30

MR CARTER: Correct.

MR FEUTRILL: What's the nature of the business of that company?

MR CARTER: Oh, it does all of the IT, for instance, on the highways, and on traffic lights. It basically automates processes through your water systems, through your businesses, and it's just the upgrading, taking it out of human hands and automating it. So it's the automation of businesses. It does work right across the economy, based in Adelaide.
40

MR FEUTRILL: All right. Now, you were a director of SkyCity, into earlier this year as well, were you not?

MR CARTER: Yes.
45

MR FEUTRILL: You were appointed as a director of Crown Resorts in August this year?

MR CARTER: Yes.

MR FEUTRILL: After the probity checks had been completed?

5

MR CARTER: Yes.

MR FEUTRILL: And since then, you've been appointed as chair of Burswood Limited, pending regulatory approval?

10

MR CARTER: Yes.

MR FEUTRILL: The remaining approvals, are they for the Western Australian regulator alone, are they?

15

MR CARTER: Yes. So I sit on the boards of the Burswood Nominees and the lower companies, but it's the public company that requires approval from the regulator here in and that's what I'm waiting for. All the others, approval has been received.

MR FEUTRILL: Right. And in the meantime, you've also been appointed as chair of the audit and corporate governance committee for Crown Resorts Limited?

20

MR CARTER: Yes.

MR FEUTRILL: And you are a member of the risk governance committee?

25

MR CARTER: Yes.

MR FEUTRILL: Sorry, risk service management committee.

30

MR CARTER: Yes.

MR FEUTRILL: Something called the safety and sustainability committee as well, you are on that committee as well?

35

MR CARTER: Yes.

MR FEUTRILL: And you're also chair of the Crown Melbourne audit committee; is that correct?

40

MR CARTER: Yes.

MR FEUTRILL: All right.

MR CARTER: As of last week.

45

MR FEUTRILL: So having regard to all of your existing commitments,

approximately how much of your, if you like, regular week or month do you have available to devote purely to the task of being a non-executive director of Crown Resorts?

5

MR CARTER: I have as much time as it requires. Look, I have a busy professional life, which I enjoy. I'm 63. My children have grown, I'm a widower but I have a new partner and she has her own career and this is what I do for a living.

10 The requirements out of Crown have been quite extraordinary, in terms of time. Much larger than what I expected. Often the board meeting three times a week, four times a week, in between calls, and that's at a level that I have maintained.

15 One would expect, however, once the remediation program becomes implemented, one would hope that that regularises, coming back to the normal timetable and requirements of a board director. This time --- well, this time last year, there were 12 Crown directors. Today there's three. So, again, the board --- I don't think it will ever get as high as 12, but one would expect there will be some more people that will be able to participate in the workload. As it stands, yes, the last few months have
20 been not only getting up to speed with the business --- I was familiar with the business, but getting up to speed with the numerous issues --- and meeting a lot. So I have not --- I'm trying to think, I might have missed one board meeting since I came on as an observer, and that would have been because of a conflict, and I reckon I've probably been to 30. It is quite extraordinary how busy this is.

25

But I have no issues in being able to deal with it. As I said, two of my boards have been subject to takeovers last week.

30 MR FEUTRILL: Okay. Can I ask you some questions about the nature of the training you've received since you've become a member of the Crown Resorts board. You indicated in your statement that you have undertaken some online training modules.

MR CARTER: Yes.

35

MR FEUTRILL: What was the --- have you received any other training aside from -- or briefings aside from the online training in the area of responsible service of gaming?

40 MR CARTER: Yes. So I said that I have done some online training modules. There are a couple that I hadn't done, I have now done them. In terms of AML/CTF, Steve Blackburn, I have had time with him. I've also had all the benefit of all the various papers that have come to the board. In terms of responsible service of gaming --- and these are all concepts and issues that are familiar to me from my previous
45 background, not just in gaming, obviously to gambling it is, but AML/CTF. So I came to it with a good level of knowledge, and I have spent --- I haven't been able to go to Melbourne and Sydney because of COVID, but this is my fourth trip to Perth in six weeks, so I have spent as much time as I can getting to know the business here.

I've spent time with the lady that heads up responsible gambling. I understand the programs, what we are putting into it, the resources. So I have done my best to put a fair amount of time into understanding what it is that drives these businesses and, in particular, having been the chair of Burswood Limited understanding what drives Burswood Limited.

Fortunately, I have been here at two really, really busy times for Burswood, one being the football final and the other one being the telethon, and watched this property heaving in terms of activity and reported back to the board that we should be proud as to the way it delivers its services.

MR FEUTRILL: Sticking with responsible service of gaming for a moment, you mentioned obviously you are familiar with the concepts from your time as a director of SkyCity.

MR CARTER: Yes.

MR FEUTRILL: Have you been able to form any view or formed a view at all about the comparability between the responsible service of gaming program for Crown Resorts, as compared to the program in place for SkyCity?

MR CARTER: In the sixth review by the Victorian Commission, they actually refer at about three or four places to the Responsible Gaming structures at SkyCity. So there was recognition of that regulator that Auckland was ahead of Crown at the time when that was issued. So it was a big part of --- a big part of SkyCity, and certainly when I have come to Crown, since I have been at Crown, it's become a big focus and that's a program that the board are very committed to.

Now, the three pillars of this are having people aware of it, and then assisting, and then supporting. And they are pretty simple pillars.

Then you have to put the resources into it, and they are building the new area over here. I went into the existing area, it's not very welcoming, the new area will be a lot better. They are putting more resources in. As far as I can see it, I've met each people available in responsible gambling, who was available while I was there, spent an hour or so with them, there is commitment in the organisation to improving work in that area.

MR FEUTRILL: When you say you've met, are you speaking specifically about the Crown Perth property, the people responsible there?

MR CARTER: Yes.

MR FEUTRILL: You mentioned the report, the sixth report of the Victorian regulator. That was 2018?

MR CARTER: Yes.

MR FEUTRILL: And is it your sense --- and if you don't know, then you can certainly say so. Is it your sense, though, that if the position in 2018 was that the Crown program was behind that of SkyCity at the time, is it your sense it remains so,
5 or has it caught up?

MR CARTER: Look, I think it's caught up. Steve Blackburn is going to be heading this up, and that's one committed individual. It's a crucial area of gaming and I expect that this area, supported by the independent committee, supported by the
10 regulator, supported by everything, we will end up hopefully being the gold star, certainly in Australia but if not globally, on responsible gambling.

The commitment and the plans that no doubt have been before the Commission are part of getting those in place, part of us being able to maintain and protect our social
15 licence, to have a gaming licence. So that's a long way of saying we will get it right.

MR FEUTRILL: All right. I think you've mentioned in answer to one of my earlier questions reference to AML/CTF briefings as well. Again, I assume you'd have a high degree of familiarity with that framework from your time as a director of
20 SkyCity?

MR CARTER: Yes.

MR FEUTRILL: And I presume also from your time currently as a director of both
25 the Bank of Queensland --- you would have some idea of how it applies to the banking sector as well?

MR CARTER: Yes.

MR FEUTRILL: Insofar as your briefings have taken place, we are to assume, are we, they were with Mr Blackburn?

MR CARTER: Yes.

MR FEUTRILL: What was been the nature of the briefings as regards the Crown
35 Resorts AML/CTF program?

MR CARTER: So the main training is in relation to AML and CTF and all the different aspects that it can present, whether it's customer, whether it's by source,
40 whether it's by jurisdiction. So it's an awareness training, and what you do. So that's a lot of the training. That's first line of defence. That's what they get trained on and that's really important.

You then go to what Blackburn's putting in place, and he will be given and has been
45 given the resources to put them in place. You elevate the systems and you want to try and get as much of them automated as you can, take the human aspect out of it. You still have to have the human aspects out of it, and put the appropriate resources at it.

That's what Blackburn's doing and he's taken the board through that. We have got a part A, we have got a part B, we have got the similar programs that you'd expect to find in a financial institution, right across the community that's been an uplift in these obligations.

It's a bit like occupational health and safety, 15 years ago, small issue, now it's engrained, embedded. AML seven or eight years ago was something that the financial systems and people like casinos were aware of, but certainly didn't have the systems in place to deal with. Part of the Royal Commission, the banking commission, provided the impetus for that to occur and everyone has lifted the bar. The fact is that you can't be in the system unless you have appropriate programs now.

MR FEUTRILL: Can I ask you in a similar way to the asked you questions about the RSG program, have you been able to form a view or an appreciation of the comparability between the AML, the approach to AML and CTF risk of Crown Resorts as compared to the approach that SkyCity had at the time you were a non-executive director of that company?

MR CARTER: A lot has moved in the last nine months. SkyCity's AML program was a good program but I expect that it would be a better program now. Again, it was iterative, and we had the equivalent of a chief risk officer there bringing that in. So it was a strong program. It was regularly audited.

In terms of the Crown, from just looking at the history of Steve Blackburn, this program has taken sort of a leap up, as opposed to perhaps as Sky would have done it on a more even basis.

MR FEUTRILL: Okay. So the question that I really had --- I may have for you in connection with that is is it the case that from your experience as a non-executive director of the Bank of Queensland, is the approach to AML and CTF risk in the banking sector somewhat more mature, perhaps, than it has been in the casino sector, in your experience?

MR CARTER: Yes. Same situation from the banking perspective. If you don't get it right, you get fined, you get shamed in public and you have no choice but to get it right. It's pretty similar to what's happening with casinos. What is happening also there is a lot more systems coming in that are automated and reduce the amount of human involvement.

So the casino sector should be able to benefit from that and by and large, Blackburn's a good example, you'll find that the people that are coming into the AML/CTF area in casinos primarily come out of banks, and that's where Blackburn came from. So it's much more sophisticated than it was. A lot of investment, but from AUSTRAC, same expectations. One aspect of gaming, of course, though, is that once you get to the Australian bank system, you can rely on that system in terms of you don't have to audit. From our perspective, if we can identify it back to accounts from KYC and knowing your customers, and it comes from an Australian bank, you can rely on that

system.

5 Whereas running a bank is a lot more difficult. Running a bank is also easier,
though, to get the information from customers because if they don't give you the
information, you close the bank account down. Whereas a casino, if they don't give
you the information, you're just not allowed in. So that doesn't mean that the bad
guys or women are going to be necessarily detected. The problem with AML/CTF in
10 the gaming system is it's only in casinos. If you go to the pubs and clubs and other
areas of gaming, these controls are not there. So a bad person comes, wants to put
their cash into the casino, gets sent away, because there are AML/CTF procedures
that are working, they walk down the road --- not in WA, but they walk down to the
road to the pub and the club and they get away with it.

15 So this sector will certainly contribute to reducing it, but it is something that you
won't ever get rid of until --- part of what will help it is cashless gaming. That will
help. You've still got remitters, you still always --- I guess it's like anything bad in
life, you will always find people able to get around the system, but it's pretty strong.

20 MR FEUTRILL: You mentioned there remitters. Are you referring to third-party
money remitters?

MR CARTER: Yes.

25 MR FEUTRILL: That are used, if you like, as an underground banking system
largely in undeveloped countries?

MR CARTER: Yes, a lot of third world countries, but there are plenty of other
remitters. Look, not all remitters are involved in aspects that are money laundering
30 or those things, but a lot of them are. So the way you deal with remitters is you don't
deal with them.

MR FEUTRILL: Okay. You mentioned in your statement --- and this might be
because it was signed some time ago --- that on the committee the people in the
35 remuneration and nominations committee has recently approved a training for non-
executives training, which you consider to be appropriate?

MR CARTER: Yes.

40 MR FEUTRILL: Given you have a quite, it seems, good background in Responsible
Gaming and AML/CTF, is there anything on the program in your view that you need
to undertake?

MR CARTER: Look, it's a constantly changing environment, and being refreshed
45 with it is a good thing to happen. The other thing with Responsible Gaming is that
there are new programs, new software, a lot of the work that needs to be done to
better deliver Responsible Gaming programs is developing. So it's always changing.
When that program came down, I think that's a good program, but it's certainly by no

means exclusive. So one of the key things, for instance, the board of a gaming company the size of Crown should do, is look around the world as to what's best practice.

5

Hopefully the best practice is at Crown, but if it's not, you find the best practice and you bring it in. So you do it by going to the jurisdictions and you do it by swapping people between, or having relationships. So it's a constant upgrade of skills, as the community expects.

10

So I'm saying to you that that program is a basic program. It's an important program, but I don't see it as exclusive. It will extend beyond that. And there will be other aspects of Crown's interaction in the community that will require training.

15

MR FEUTRILL: Is it your --- I'm directing the question here to the board itself, are you envisaging the board itself will undertake that process of ascertaining what the world's best practice is in particular areas and bringing that back to the board?

20

MR CARTER: No. What the board will encourage --- encourage executives to do is to bring back the opportunities --- this happens on most boards --- for board education. Now, board members may come up with ways of doing it, ideas, but ultimately, it's for management to deliver a program for the board to opine on.

25

But continuing education is an important aspect of every board, but it's particularly important when you live and operate in a highly regulated environment. You know, you can spend a lot of money doing a lot of research and what you want to do is pull the eyes out of the best research.

30

A good example --- this is not Responsible Gaming --- is, for instance, surveillance. Bad people are always coming up with different ways of cheating on the floor. So whenever you go to the gaming jurisdictions, you go and see someone, Las Vegas or one of these places where there are more cheats, and they tell you the different ways that people are doing it. If you bring this back to surveillance, you understand them more. So it's Responsible Gaming, you go and see what other people are doing, and the whole concept has to be to bring Crown to the highest level.

35

So if you find a system that should come in to Crown, and you say to the executives, "Why haven't we got this?" You charge them to go and do it.

40

MR FEUTRILL: Okay. Can I ask you some questions now more directly relating to the governance structure. I think you mentioned earlier in your evidence-in-chief you are familiar with the remediation plan?

45

MR CARTER: Yes.

MR FEUTRILL: One aspect of that plan suggests that the implementation of a centralised governance structure is under a degree of reassessment. Do you have an appreciation of what --- at what stage the centralisation has reached and what is

under reassessment?

5 MR CARTER: Yes. At the moment we have a draft board charter, which I think the Commission has seen, and it's in draft because it's subject to taking into account all the different views that are there, but ---

10 MR FEUTRILL: Can I stop you. The board charter you are referring to, is that of Burswood Limited?

MR CARTER: Burswood Limited, I beg your pardon, Burswood Limited charter, and it's in a draft form at the moment. The day after it was --- it was approved, I think, two weeks ago as a draft. The day after it was approved, I sent a copy to the independent director we have here in WA, Maryna Fewster, for her input. That
15 contemplates that there would be one independent director, which is in this situation Maryna, and but the directors would be appointed by Crown Resorts Limited. So that is a pretty contemporary way of dealing with boards and centralised skills, centralised controls, and centralised ways of dealing with finance and all of these other aspects and is consistent with my experience with subsidiaries, of which I have
20 been on a lot, and parent companies, of which I have been on.

MR FEUTRILL: In the consideration of the, if you like, composition of that board, that is to say the Burswood Limited board, has there been a development in the draft charter --- was there any consideration given to whether centralisation, on the one
25 hand, and composition of a board that has a minority of independent directors, independent of either Crown Resorts itself, Crown board or the Crown management, is an appropriate structure, given the idiosyncratic nature of the Western Australian regulatory environment?

30 MR CARTER: Yes, we have had that discussion. Let me come at that from two ways. Part of a centralised --- part of the benefits of being in a large centralised group is that you've got the scale to be able to do the matters that we have just been speaking about --- AML, gaming, teaching --- getting the appropriate people, finance, all of the scales that enable things like Burswood to be built.

35 So it is a --- it's a contemporary way of dealing with it. The way that you get the local flavour is by having local board members, and, again, that's the situation that is considered in Burswood Limited, and indeed the situation I have with Genesee & Wyoming Australia Pty Ltd, where I had a very large shareholder in Connecticut,
40 and I was the interest director in Australia, and in particular in Adelaide. What they relied upon me to do was to be a good non-executive director, but to provide to them the local flavour, local operating requirements, engagement with local statutory authorities, and the community generally. So that's a really important part of what a local director brings.

45 Having said that, as Burswood chair, I would expect that I would inject myself into this local community as much as they'll allow me to, living in Adelaide, and understand that business. So it works. The situation works. A lot of my corporate

career has been like that. Flip it over: if you have a board that is controlled by independent directors, I do not understand how you can discharge your fiduciary duties as a parent by pushing investment, by pushing controls, by effectively putting stakeholder investment into something which you don't control.

What happens if the independent directors take a view that is inconsistent with the holding company and you've put all these resources in there? Your shareholders are going to be pretty cranky. Indeed, the amendments to the Corporations Law, section 187, recognise that. At the time that it came out, it was welcomed by the non-executive director community. So it would be my submission that indeed the Parliament of this country has recognised the tensions that exist between subsidiaries and holding companies and recognised that with the enactment of 187.

I know in Burswood Limited, because it's an old constitution, that's not reflected and our submission would be for the minister to consider, amongst other things, changing that. That's a matter that the minister will make a decision on. But it's really important. As I said, I know evidence has been given about this, before Crown bought this place, and I came in before Crown owned it, it was at a level, and I think they paid about \$700 million for it. About \$1.45 billion has gone into it and this, on a global basis, is an outstanding facility.

The Terrace Towers are as good as accommodation as you will see. Having spent time here, this a wonderful part of Perth. That's occurred in an environment where the parent brought their strength, their balance sheet strength, the skills, their controls and everything, to Perth, in an environment where they did control the board.

A parent wants to see its subsidiary succeed. That's how it delivers returns to its stakeholders. Likewise, all of the stuff that I've given evidence on, AML, Responsible Gaming, a stand-alone business will not have the ability to access the capital, both human and financial, on a stand-alone basis as much as a centralised model.

So there are a whole lot of reasons that support the centralised model as reflected by that that is the contemporary way in which business is conducted, in this country and in most countries.

MR FEUTRILL: I want to come back to --- there's quite a bit you just said in that answer, Mr Carter. I want to come back to quite a bit of that. Can I just take it perhaps piece by piece and start with one of the things you said, either in answer to that question or an earlier question I asked, was that it was important to have directors on the local company that had a local knowledge --- I'm paraphrasing, but that's the sense of it. You have had obviously a degree of experience as a chair of other boards, and you will be, subject to probity, the chair of the Burswood Limited board. Do you have a view yourself about the extent to which the Burswood Limited board should have more than one independent director who is drawn from the local community?

MR CARTER: Yes. You could have two, but the parent has to remain in control. If it's three coming from Crown Resorts and two local, then the parent remains in control. So it would need --- it would necessitate an increase in the size of the board.
5 I think it's important to understand that on a local board and a board that I would chair, of Burswood Limited, will run it as a separate company, and I know that there has been criticism of that --- when I say separate company, in terms of its governance. I know that there's been criticism of that that there was effectively lip-service to Crown --- sorry, to Burswood Limited's board meetings. Again, I have
10 discussed that with the board, I have discussed it with Maryna and I have said if you want me to chair this thing, I'm going to run it as an independent company as effectively as a subsidiary, acknowledging our relationship with the parent.

MR FEUTRILL: All right. Just to deal with --- I'm sure you have become aware
15 this week of the recommendations in the Victorian Royal Commission in relation to the Crown Melbourne property, and one of the recommendations of the Commission there was that, in effect, Crown Melbourne would have a majority of independent directors, that's independent both of Crown Resorts itself and its management. What would you say to the possibility of a similar change being made in Western Australia
20 to the legislative framework so that that became enshrined also here in our regulatory framework, that you must have independence of that nature?

MR CARTER: Commissioner Finkelstein's findings are problematic. I don't know how they --- you co-exist with your duties under the Corporations Act in dealing
25 with stakeholder investments. So I don't know how it works, and I --- I'm yet to be shown it can work.

If I'm an investor into Crown or a banker into Crown and I then invest into a subsidiary that I can't control, and that subsidiary goes rogue on me, I expect to be
30 criticised. In fact, I don't think I'll get the capital in the first place.

So I don't know how practically it works, and I'm not saying it can't work; I'm just saying with my corporate experience, I don't think it will work. But if that's what is
35 put before us, that's what we'll have to deal with.

MR FEUTRILL: Can I just ask you about what you mean by "control", because control can take different forms. So if I understand the way you've answered the question, and you've given the view there correctly, you are attributing to the word
40 "control" effectively by virtue of having a majority of either Crown directors, Crown resort directors, or Crown management on the board of Burswood Limited, you are able to carry the days on the board by your decision-making process --- controlling in that sense, controlling the management of the company?

MR CARTER: Yes. But it's a separate company, so you are still subject to your
45 obligations under the Corporations Act, to act in the best interests of the company. Indeed, as you are aware, section 187 is promulgated on that basis. So a properly run company won't have conflicts between its subsidiary and its parent. Having been in that situation many times, it's hard to see what that conflict would be.

It's a long way of saying, I don't know how it works. Maybe smarter people than me will tell me how it works, but as it stands right now, I see it as problematic. Take, for instance, finance. You know, if you're going to borrow to spend \$1.5 billion, how
5 does the local company do that without the balance sheet of the parent. Will the banks lend money through the group if there's a chance that the subsidiary may go and do something that's inconsistent. I don't know. The answer is I don't know.

10 MR FEUTRILL: So just to stick with this idea of control, though, because obviously, in the --- in the situation in which a company is a wholly owned subsidiary of another company, the parent company always has the ability to replace the board with other people. So it has control over the membership of the board, and in a normal context, the members of the company control the board in that sense by the vote in a general meeting.

15

MR CARTER: Yes.

MR FEUTRILL: So when you say --- you've said a couple of times that you don't see how they can control. They do have control in that sense as the parent company,
20 do they not?

MR CARTER: Yes, but --- correct, in one aspect that they can fire the directors, if that's what you mean. But if that occurs, if you get to that situation, first of all, you
25 may actually have a situation where decisions are made at the corporate level and are properly passed at board meetings, and then --- so the decisions are made. And then the directors are replaced because the parent doesn't agree with them, but by then the decision's already made. If you do dismiss those directors, then particularly with Crown, it will lead to a degree of examination and excitement as to why that occurs.
30 So there is no interest in that occurring in any corporate structure.

As I said, I keep coming back to section 187, which to me enshrines what my understanding of Corporations Law is in Australia, and where it's --- and it doesn't contemplate having independent --- I know this is a gaming company and there may
35 be different issues, but you're asking me in terms of my experience in corporate Australia and contemporary --- in fact, globally, as I said in Genesee & Wyoming, they would have never let two local Adelaide guys or women control the destiny of their billion dollar business and neither would have the shareholders. So it's a long way of saying, sir, I'm not sure how it would work.

40

MR FEUTRILL: All right. It would be the case, though, would it not, insofar as the capitalisation goes, the parent holds the purse strings, in any event. So what I'm suggesting to you is that independence of the local board would not affect the parent's ability to control the capital flow?

45

MR CARTER: Yes, that's correct.

MR FEUTRILL: It wouldn't affect the ability of the parent company to impose group policies, group frameworks, that were the subject to the subsidiary board's application?

5

MR CARTER: Correct. So why --- but why would you give that opportunity for the dysfunctionality? I mean, the two should be consistent. And for the parent company, and its various stakeholders, it is in its absolute interests for its subsidiaries to perform at the best of their capacity.

10

But let's say --- an example, I can't think of any conflicts, but let's say the two local directors out-vote the parent company director and they decide to sell an asset and that sale --- the parent didn't agree to the sale, and they say, "Well, too bad, we control the company. We'll sell it"? You know, why put yourself in that situation.

15

When I say "why put yourself", that's what our stakeholders would say. The stakeholders, the various stakeholders in the community, and that's what I don't understand, how it would work. When I say the stakeholders, it's the providers of capital. I mean, this is a \$7 billion business. Fronting to the shareholders and saying, "We invoiced in such and such and it went off on a path that we didn't support, but we couldn't control because we didn't have control of the board", I think we would be subject to criticism.

20

As I said, it may be that smarter minds than mine can work it out, but from the way that I have dealt with it in the past, I struggle to see how it would work.

25

MR FEUTRILL: All right. So I take it, then, that your view is that that wouldn't be a positive move for the Western Australian framework, for the reasons you've just given?

30

MR CARTER: That's correct, but I would also give in the background that Burswood Limited would operate as a much more stand-alone company than it has before. So there will be meetings in Perth. There will be --- the board agenda consistent with what you would find on a contemporary board agenda. There would be --- there would be details on the Burswood Limited agenda that you won't find on the parent company.

35

So let me think of an example. Some of the local changes to employment law, some of the key aspects of the operation of the business --- the telethon, for instance, that's not going to get up to Crown Resorts, but it's a key marquee aspect that should be considered by the board because of its impact on Burswood's relationship with the community. So if you come to a Burswood Limited meeting, you will have all of the aspects that you would expect to find in a stand-alone company.

40

If you then go up to the parent company, for those of you that are on the Burswood Limited, you're going to be reading some stuff twice. But if you're reading material twice, c'est la vie. That, again, in the Genesee & Wyoming situation, I chaired the audit committee in Australia and did all of these --- somewhat Australianised --- I

45

then go to Connecticut, and I was on the audit and risk committee there. I'd read some of the material that I'd just chaired. That's why it works.

5 MR FEUTRILL: I want to explore something you've just said in part of your answer to the question when you said you used telethons as an example of a local event in Western Australia, which is a community interest. There that is something that would be of interest to Burswood Limited, but may not be of great interest to the Crown Resorts' board. You mentioned a few times section 187 of the Corporations
10 Act, which I take to be a reference to the backing the best interests of the company.

MR CARTER: Yes.

MR FEUTRILL: In terms of your conception of what the best interests of the
15 company contain, I expect that the members' interests are one of those interests you have to take into account. You may take into account the interests of creditors, because of the --- contingent creditors because of the nature of the company's financing, potentially. Do you see, within the conception of interest of the company as a whole, any, if you like, good corporate citizen or community responsibility as
20 part of that conception of interest of the company as a whole?

MR CARTER: See, I would do it reverse from what you just described. I take it --- I say the board is there to protect the value of that business, and you do that by dealing with your role in the community first, with all the obligations, regulatory,
25 community expectations. So there will be expectations within a small community like this of the way that Burswood should behave, and you bring that culture down, you protect it, you perform, and then the members' interests are best protected.

So I say by doing your fiduciary duty you achieve it by making sure that ---
30 particularly if you're a casino, which is only a smart part of this business. You're operating an integrated tourist resort, which is what Burswood is. If you are operating that as a good corporate citizen, it comes to the community with the respect that is earned, which is easily lost.

MR FEUTRILL: If you recognise that Burswood Limited, if you like --- stick with Burswood Limited for the moment --- part of its interests include, in effect, the interests of the Western Australian community. Is that not a reason for promoting membership of the board of Burswood Limited that may in fact have a majority of individuals with those interests closest to their heart?
40

MR CARTER: Look, it may be that a non-executive director to Crown Resorts board is sourced from Perth. So that --- you're not here to answer my questions, but to turn it around, whether or not that would make a difference, but I would say to you that I don't think it makes any difference. I, as a chair of Burswood, want to see
45 Burswood perform and perform well.

I want to work with Maryna, or whoever may be the director. I will rely on her. She's a highly placed and well-regarded executive in this community. I have friends

in this community. I have a business I chair in this community down at Henderson.

And outcomes like raising \$64 million at a telethon, which is quite extraordinary, Crown have to be there and part of that, and the way that it will be a part of that is if
5 it has good, strong local support. So I don't think you have to say I've got a WA address to be able to get to that information position.

By the way, getting to that position is entirely consistent with what the stakeholders of the parent company want. They want --- otherwise why would they invoice \$1.5
10 billion here? They want it to perform so well that it raises the bar across the group. I would be disappointed if the --- that an individual takes a view that they to have to have a Western Australian address to cause that to happen, because I don't have one and I'm going to cause it to happen.

15 MR FEUTRILL: Okay. Now, I take it you have some familiarity with the peculiar structure, if I can put it that way, of the Crown Perth group?

MR CARTER: Yes.

20 MR FEUTRILL: You would understand from that that the actual licensee for the casino is Burswood Nominees Limited?

MR CARTER: That's the licensee. The licence sits in the trust of which that is the trustee.

25 MR FEUTRILL: Without getting into the legal niceties, it's the owner of the licence?

MR CARTER: It's the legal owner, yes.

30 MR FEUTRILL: You are also aware, I take it, that effectively the employer of the various people who do the day-to-day functions at Crown Perth is a company called Burswood Resort (Management)?

35 MR CARTER: Yes, because I'm a director.

MR FEUTRILL: You've mentioned, I think, in paragraph 48 of your statement that there's currently no formal mechanism for reporting matters from the subsidiaries to Burswood Limited. Do you envisage putting in place some sort of structure or
40 mechanism for that taking place in the future?

MR CARTER: Yes. Look, what we have to do is to have a look at that structure and make sure we comply with all the obligations that sit in the trust deed. This is not unusual, but what you wouldn't do is have a separate meeting of Burswood
45 Nominees and a separate meeting of Burswood Resort (Management), which happens to be me, and then I go and have a separate meeting with Burswood Limited. What we need to do is comply with the trust deeds. It would be good to contemporise the documents that sit --- because they refer to arrangements going back to the '80s or '90s that don't

even exist in Australia anymore.

5 I'd expect that all of the obligations that sit with Burswood Nominees resort management would be dealt with at the Burswood Limited board meeting. And obviously I have to --- we'd have to get legal assurance that we are complying with our obligations and duties, but once appointed to the Burswood Limited, I will be a director across all three.

10 MR FEUTRILL: Just to go back to many some of the answers you gave to some earlier questions where you were describing the position you see Burswood Limited occupying within the Crown Resorts' group structure, in answer to one of my questions you may have said more than once that you were going to run this board as
15 if it were a separate company, with its local business. I just want to understand a little bit more about what you can see that to mean. For example, does that involve, in your view, having autonomy and an independence to appoint the CEO of Crown Perth?

20 MR CARTER: Okay. It involve input into the CEO. Ultimately the CEO will be agreed to by the parent, but it involves input into the identification of the CEO but, more importantly, the performance of the CEO. So performance, you know, whether it's every 6 months or 12 months in terms of their performance. And giving feedback, understanding what their KPIs are, and again across the top executives, you would expect to have that feedback.

25 That's again entirely consistent with other subsidiaries I have sat in, because one of the --- obviously part of the feedback you can give, being involved in a local board, is how he or she is performing. A key part of that in a place like Burswood is how they are regarded in the community, and that requires local flavour. Again, people
30 like Maryna give that feedback, and it is part of what a parent should expect out of a local board.

35 MR FEUTRILL: What about the lines of communication and responsibility? Do you conceive in what you are regarding as the modern corporate model that the CEO of Crown Perth would be reporting directly into Burswood Limited and Burswood Limited alone?

40 MR CARTER: No. He would --- or she would, in this case it's Lonnie Bossi --- ultimately report in to the CEO, which in this case is Steve, but he has a dotted line to me. So I would expect that he or she --- in this case it's a he with Lonnie, I would expect to speak to him every week. I would expect him to alert --- to treat me or whoever occupies my position as a chair that is kept informed of the business.

45 I would be disappointed if I found out about operational matters from the CEO in Crown Resorts rather than the CEO of Burswood. Again, that's consistent with other corporate structures in which I have been involved in, where you have a remote --- and I know Melbourne's not that remote, but it's pretty remote --- a remote parent company.

MR FEUTRILL: What are the nature and limits of authority of the CEO Perth? Who in your view do you envisage setting those limits?

5 MR CARTER: Look, they would be set --- normally you have a delegations authority that sits with the parent company and is pushed down through the group. The local company would adopt and respect that and have any input into it. So if we looked at it and said that's just impractical to have that level of delegation, whether it's low or high, you give feedback back to the parent company.

10 So, look, what would happen is that you have input into the budgets, you have input into performance, you have input into the whole organisation. Between the parent company and the subsidiary, you agree as to how this bit will perform. The strategic plan of the local company should be set by the local board, because they have local
15 interest. So you go away, and you have your day of planning, and you prepare a strategic plan, and there's a budget that sits under it, and then that fits into the parent. That's the contemporary way it works.

MR FEUTRILL: In that contemporary model, do you envisage that the CEO of
20 Crown Perth would be able to take instruction and directly from the CEO of Crown Resorts?

MR CARTER: Yes.

25 MR FEUTRILL: That may not be instructional direction that has the authority of the Burswood Limited board?

MR CARTER: You have to be careful that you don't trespass between the
30 obligations of management and the obligations of the board. Steve McCann is management. And he will talk to whoever the CEO is of Burswood Limited and deal with management issues. To the extent that they regard --- that they deal with matters that should be considered at the board --- policy, major material issues --- then they should be brought to the attention of Burswood Limited.

35 But, you know, this is a big operation, and thousands of employees, so items that relate to operational issues would normally be dealt with between the CEOs. You rely on having --- the key part to the rehabilitation of Crown and the remediation, which we spoke about before, is having good people in place. That's the key to any turnaround and transparency in what they do.

40 I believe that we have got good people in place. I believe that we are starting with a clean piece of --- we can redesign what's happening, and we are starting with people that really want to see this succeed. So I'm comfortable that the relationship that you're going to see between the CEO, the CEOs, will be strong.

45 If it doesn't, then you've got to change it.

01:15PM

MR FEUTRILL: Can I ask you something about --- have you familiarised yourself with the Burswood Limited constitution as it currently stands?

5 MR CARTER: The draft constitution?

MR FEUTRILL: No, as in the ---

MR CARTER: The constitution, I beg your pardon.

10

MR FEUTRILL: As it stands today.

MR CARTER: Sorry, I thought you were saying charter. I have read it through. I don't --- if you ask me individual sections, I won't be able to quote them, but I've read it through.

15

MR FEUTRILL: All right.

MR CARTER: Here we are.

20

MR FEUTRILL: I only want to ask you at this stage about two of them. If we could scroll to page pinpoint 0010, article 3.19. You might recall you received some questions and topics that referred you to article 3.12, which I will come back to. Before doing so, are you familiar with 3.19 and 3.20, which is on the following page, if we could bring that up and put it underneath of it.

25

MR CARTER: Yes, I have 3.19 and 3.20. Yes.

MR FEUTRILL: Have you attended some meetings of Burswood Limited as an observer?

30

MR CARTER: One.

MR FEUTRILL: Do you know if notice of the directors' meetings has been given to the GWC?

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MR CARTER: I think that meeting, which was in August, they did give notice, and I think through this process, Burswood Limited's become well aware of its obligations under 3.19 and 3.20, and certainly as chair I'm aware of it, and that's what will happen. If the Commission or the Commission's nominated representative wants to attend, they will be welcome.

40

MR FEUTRILL: That was really --- you've answered the question I was going to ask, whether you were going to ensure whether those provisions would be adhered to as chair?

45

MR CARTER: It's an obligation under the constitution, so it's a black-and-white decision. I have no choice. I'm going to comply with the constitution.

MR FEUTRILL: Okay. Again, you might recall you were provided with a list of topics for your statement, Mr Carter. If we can call up PCRC.0002.0028.0008.

5 MR CARTER: Yes.

MR FEUTRILL: I just noticed when reading through your statement that there were a number of these questions that were not directly answered, and I just wanted to know if that's because you don't know or there's some other reason. Can I draw your
10 attention to --- this is pinpoint 0013, and topic 30. Topic 30. Right?

MR CARTER: Yes.

MR FEUTRILL: Do you have an understanding of the role of the ERCC?
15

MR CARTER: Yes.

MR FEUTRILL: And what is your understanding of that role with respect to the Perth Casino operations?
20

MR CARTER: Yes. It's --- ERCC historically, I understand, was created 12 months ago by Keith Barton --- Barton? Whoever the CEO was at the time. Essentially, it had all of the executives on it, executive risk compliance committee. I have read the draft charter. It is in a stage of iteration, and change.
25

One aspect of it when I read it that needed to be changed was that the CRO needed to be on there, chief risk officer. I think under the proposed changes, that would happen. So it's a risk and compliance committee of peers and you need Steve Blackburn on there, and you need the compliance officer on there, and you need the chief risk officer on there. That would report, then, up to the board.
30

So it's a group of first line of defence and the risk model, but it had a high operational level looking at what's occurring across the business, but it has the important input of having the CRO on there and also the chief compliance officer.
35

Both of those, I think, were going to be appointed in the August meeting, but the August meeting was disbanded because of the obligations of appearing in the Commission, and didn't get around to it. There was quite of bit of change that I think would have to happen there. But at this stage, that's my reading.
40

MR FEUTRILL: All right.

MS THORNTON: Mr Carter does deal with this in paragraph 60 of his statement.

45 MR CARTER: I thought I did.

MR FEUTRILL: Yes, but it's the appropriateness and effectiveness and vision and

responsibilities component that I want to come to.

MR CARTER: Okay, sure.

5

MR FEUTRILL: Crown Melbourne has its own audit committee?

MR CARTER: Yes.

10 MR FEUTRILL: Audit and risk or just audit?

MR CARTER: Just audit, I think.

15 MR FEUTRILL: Do you see that to be a beneficial aspect of the Crown Melbourne structure?

MR CARTER: I believe so, but I have not been involved enough yet to be able to comment. I expect it would, but I don't know. I'll have to pass that judgment once I've been to a couple of meetings. If it doesn't add value, then it should be closed
20 down. If it does add value, then a question that follows that, would it add value in Perth, to have a similar one. That's the question that I need --- is in my mind, but I want to get a feel for how the various audit committees interact. I've discussed that with Steve McCann, that we may have to have a Perth audit committee, so it's on the agenda.

25

MR FEUTRILL: Can I take you back in this document to question 17, and ask you -- I can't detect there being any answer to this question. It may be that you don't have the information available to you, Mr Carter.

30 MR CARTER: Describe of degree of influence --- well, you can look through my statement again, but, I mean, the fact is it has a huge influence:

Describe your knowledge or understanding of the degree of influence

35 MR FEUTRILL: Is it in the nature of the answers you've given to my earlier questions relating to the control aspect?

MR CARTER: At a Crown Resorts level, it has a significant influence, and as I said before, Crown Perth, Burswood Limited, will get the benefit of all of the programs,
40 resources, skills, that come down through the various subsidiaries, whether it's Crown Melbourne, Crown Sydney or Burswood, and each of the locations, you will take the experiences of those individual locations --- this is what you do with subsidiaries --- and pull the best out of it.

45 So it may well be that you have an experience in Crown Perth that is positive for Crown Melbourne, and you bring that back up. So it's not like Crown --- you learn from your subsidiaries.

A good example, Genesee & Wyoming, going back to it again, I established a risk committee at Genesee & Wyoming in Adelaide. In Connecticut, global company, they took the risk framework that I had in Adelaide and bought it into the parent, because they liked it so much, and it was pertinent. So to say that --- what you do is you feed off each other, and the concept is that you bring --- hopefully it's a rising tide. You bring everyone up to the same level and it just keeps going.

So I'm sure there are aspects of the operations in Perth here that could be implemented in Melbourne, and likewise, when Sydney gets started, it will go across. As I said to you before, you go and look at other places, and you're always trying to raise the bar in terms of performance.

MR FEUTRILL: All right. Can I ask you about something you mentioned earlier, which is the proposal to introduce a charter for the Burswood Limited board.

MR CARTER: Yes.

MR FEUTRILL: I think you mentioned that in your statement as well.

MR CARTER: Yes.

MR FEUTRILL: The document I want to show you is CRW.701.009.5375.

MR CARTER: The one that's on my screen is all black.

MR FEUTRILL: Yes. That is because I think it's been redacted to remove privilege material from the public screen and from the view of the Commission.

MR CARTER: I now have the front page of the charter, the draft charter.

MR FEUTRILL: I think, if we could navigate to clause 4.1 on pinpoint .5381, I think we have already dealt with this, which is the composition of the board. I think you mentioned it almost immediately, that it requires there to be at least one non-executive director of Crown Resorts and the CEO of Crown Resorts. You've indicated that essentially as a non-specified requirement, one director in Western Australia?

MR CARTER: Correct. I can see in 4.1(d), I'm not sure if you can specify that anymore anyway. (A)'s discrimination. I don't know, that probably has to be deleted. The rest of it --- there's another clause in here which says the meeting's to be held in Perth.

MR FEUTRILL: Yes. Across the page, clause 4.5.1, and you may have already been directing your attention to this, Mr Carter, on pinpoint .5383, there's a reference to:

Subject always to the Company's overriding duty to act in the best interests of

the Company as a whole

5 Et cetera. Is it working a consultancy, cooperative and in harmony with Crown Resorts?

MR CARTER: That's consistent with my evidence.

10 MR FEUTRILL: And I think a similar sentiment is expressed in 5.4, towards the bottom of the page, the second bullet point. Is that reflecting, I think you said earlier, the modern structure where you have a wholly owned subsidiary?

MR CARTER: Yes.

15 MR FEUTRILL: Were you, in the course of the discussion about the charter, also dealing with what you call dealing with proposed amendments to the constitution?

MR CARTER: Yes.

20 MR FEUTRILL: I think you mentioned that earlier. If we could just navigate to .5389, attachment 2, you may have seen more than one draft, Mr Carter, this is the one attached to this memo. I just want to take you to page pinpoint .5415. Clause 5.13.

25 MR CARTER: Yes.

MR FEUTRILL: Earlier on you indicated that you didn't see how effectively you could operate independently as a subsidiary board, and it may in part have been reflected in the proposed changes to the constitution in this particular clause?

30 MR CARTER: Well, this is pretty much consistent with the provisions of 17 of the Corporations Act. That's an example of what I said before, contemporising what's a very old constitution.

35 MR FEUTRILL: So it's your understanding of this that, in effect, if the board of the subsidiary acts in the best interests of the holding company, it's taken to be the best interests of the subsidiary for the purposes of the Corporations Act?

40 MR CARTER: Yes. That's the current law as exists in Australia.

MR FEUTRILL: Yes. A little higher in the page there's another clause, 15.16. It's not yet completed. I don't know if there was any discussion about this. Scroll down.

45 MR CARTER: Yes, down the bottom.

MR FEUTRILL: And blow up 15.6, please. This is obviously a work in progress, as things stand in this document. But there's --- I really want to draw your attention to 15.6(c). Coming back to something we dealt with a little earlier in your evidence,

Mr Carter, is the question of control of the parent, and here there appears to be a proposal to enshrine in the constitution an element of control that takes certain decisions really outside the scope of the decision-making powers of the Burswood Limited board, unless there is approval of the Burswood Limited Crown Resorts board itself.

MR CARTER: Yes. My comment on that is firstly this is a draft. Secondly, my understanding is that any changes to the constitution require the minister's approval -- local minister's approval. That --- and that approval, of course, will be taken under advice - there's nothing in here at the moment, but I'll give you an example of something that may be in there. That would be you can't --- any sale of a major asset --- so this company can't go and sell the hotel for \$600 million to someone and then tell Resorts what they have done.

So you would expect --- I've --- we actually haven't discussed what may go in here, but I would expect that that would be high-level matters of materiality, and, yes, not fettering the ability of the board to act in a sensible manner.

MR FEUTRILL: All right. Just coming back to something you said earlier, then, insofar as the, if you like, perhaps the concerns of investors, if there were a higher degree of independence of the Burswood Limited board, a provision of this nature could effectively remove any anxiety in relation to things like a prescribed sale of the asset or other things that might destroy capital value, whilst leaving all other decision-making in the hands of an independent board.

MR FEUTRILL: Yes, that's a hypothesis that would be inconsistent with contemporary arrangements, but that's certainly --- it would obviously depend what goes in there. I looked at it the other way, that it would be highly material matters. I hadn't considered it in that respect, but I acknowledge your point.

MR FEUTRILL: First of all, I think you mentioned in answer to an earlier question that the current board --- directors of Burswood Limited consist of Mr McCann, Mr Bossi and Ms Fewster.

MR CARTER: Correct.

MR FEUTRILL: And are you aware they are subject to probity approval?

MR CARTER: Yes. As you know, it's a public company, it requires three directors. Mr Bossi was always an interim director, and because Crown lost all its directors, you had to comply with the law, so what it had to do is have people that were authorise here in WA to go on to the board. That's why Lonnie was put on there, so we complied with our obligations, and Lonnie will come after when I have my approval, subject to getting approval.

MR FEUTRILL: Has that particular arrangement been the subject of any discussion at the Crown Resorts board level?

MR CARTER: Yes, yes, it has.

MR FEUTRILL: What about the Burswood Limited board level?

5

MR CARTER: There's only been one Burswood meeting. That was in August. I was an observer. Subsequent to then, I received my clearance at the Sydney and Melbourne and Resorts level and subsequently I was asked to chair Burswood Limited. So I have had those discussions with Lonnie, who I must say back in
10 August I'd never met.

So it's been iterative dealing with the fact that we have got so few directors, and of those directors, it takes a long time to get approved, so it's just dealing with the practicalities of getting through the approval processes. So Lonnie would come off
15 when I'm appointed. I've had that discussion with Lonnie. I advised Maryna when we had --- we had a meeting, it was, like, Sunday, 17 October or something, which was formalised, and I advised Maryna the following day of that position.

MR FEUTRILL: So the meeting on the 17th, was that a Crown Resorts meeting,
20 was it?

MR CARTER: Yes, if that was a Sunday. That's where we approved this draft charter. It was that --- no. That's where --- yes, the draft charter was approved and the composition --- suggested composition of the board was approved. My
25 announcement as Burswood chair had come shortly after I was cleared by the regulatory authorities. As you recall, we had a board member retire, being Toni Korsanos, so we were down to three detectors.

MR FEUTRILL: I want to take you back to the constitution, the current constitution,
30 which is clause 3.12. I think you are familiar with it. This is the one that refers to Burswood Limited having its head office in Western Australia. You've indicated, Mr Carter, that you consider that to be in compliance with that provision of the constitution.

I just want to ask you, in practical terms where the governance structure of Crown Resorts is centralised, effectively, in Victoria, and, as you mentioned, there is this aspect of control of the Burswood Limited board for the reasons you've said, how do you consider that Burswood Limited is able effectively to comply with that part of the constitution?
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MR CARTER: Because that's for central management and day-to-day control to exercise subject to the policies and input of the parent. So we will have our board meetings here. We will have local input from Maryna. The CEO will live here. And we'll have centralised supply of some services, but the management team will be
45 here. There will be aspects of the Crown --- that will never get to Crown Resorts, of the Burswood's operation, because they are too small, and they are issues that are more properly dealt with at the base level --- at the subsidiary level.

As I said, in my view, consistent with --- so my view is that we will comply with 3.12. The draft charter has four meetings a year. I probably think we'll have more than that. I think we'll have once a quarter, probably, plus another one referring to strategic plan. That's what I would normally do on a subsidiary.

MR FEUTRILL: Do you think that's an adequate number of meetings a year to run Crown Perth?

MR CARTER: On formal boards, yes, you're getting quarterly accounts and --- but if you need to have more, then you would. As I said, I think I've had 30 at Crown Resorts, so you react to the environment in which you are. If you're not getting through the business properly, then what you do is you have more meetings. So generally quarterly accounts.

So I would expect in between times to get monthly accounts, but you wouldn't have to have a board meeting to look at them. So most companies I'm on where we don't meet each month, you would get quarter monthly accounts. They get put into diligent, you have a look at them, you might get a one-pager out to the directors as to how the performance is.

MR FEUTRILL: Do you foresee there being an active role of the Burswood Limited in oversight of risk management?

MR CARTER: Yes. The Burswood Limited will be important to look at the RAS, the risk statement. All parts of the risk framework, which you are familiar with, and to look at them, how they apply here, to look at them if there's any breaches, trigger breaches or breaches of the RAS, and then also to bring their local flavour.

What happens is in a risk statement is you have at the high level and then you push it down through the organisation. So, again, part of the Burswood board would be making sure that it's got --- by way of example, the person that is in charge of all the cleaning, they should have a risk assessment of that area. So it will be inflammable; it will be occupational health and safety, all the issues. Now, you don't want to see that the at Resorts level. You probably don't want to see that at Burswood level, but that's what a good risk framework does. It sets the tone from the top and pushes it down. That's why you'll often see it shown as a triangle.

So there's levels of embedded risk all the way through. The whole concept of risk is for it to become embedded in the organisation as occupational health and safety is now. It will be driven at Burswood. Burswood would look at different things. So it might have more of an interest as to the patronage at certain parts of the assets, let's say the theatre, compared to what Resorts is really concerned about. So it brings a really important local risk aspect to it, and it is consistent again with the other businesses.

MR FEUTRILL: In terms of setting a tone from the top --- and by "top" here, I mean

Burswood Limited --- reviewing the risks and management of risks once a quarter, do you consider that to be an adequate and sufficient demonstration of setting the train from the top on risk management?

5

MR CARTER: Yes and no. That's what happens in most companies. You don't do it every month. But if you're having a lot of --- well, first of all, if you're embedding the system and getting it as part of your culture, you may need to meet more. But what happens is on key risks, if there is a breach either of the trigger or the limit, it will be brought to the board's attention at that time. You wouldn't wait for a quarterly. There would be very few --- I can't think of any businesses I am in that would look at it more than quarterly.

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But, again, this is not --- this is a --- it's fluid. If there are issues with risk, then they get brought up to the board. If you have to have a risk meeting, you have to have issues that need to be raised, then you call a meeting.

MR FEUTRILL: What is your understanding of the mechanism, then, in the Crown Perth structure for what we might term ad hoc events. So something has triggered a breach, and it's something you consider ought to be brought to the board's attention. What's the process, to your knowledge, of that occurring in Crown Perth?

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MR CARTER: I think from a practical perspective it will probably come up through the ERCC, but if people are doing their job properly and there's been a breach, first of all, hopefully we saw it coming, but I'll come back to that in a minute, the CRO's been advised, the chief risk officer, the CEO's been advised and it comes through a level. There will be some stuff you wouldn't need to see at a board.

30
Let's say a breach of the number of cars allowed in the driveway. I'm not particularly interested in that, but I'm interested to know it was safe. Again, there's a degree of judgment that would come up through the ERCC. Again, it comes back to this issue of having embedded culture to the mitigation of risk.

35
I apologise for continuing. A good example where you may have a risk breach that wasn't even on your radar is cyber. So let's say you have a cyber attack, and your systems are down, and you didn't know it was going to come in. That's a good example where you expect it to be elevated to the board.

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MR FEUTRILL: So what's the mechanism in place for Crown Perth for that to be elevated to the board?

MR CARTER: There would be a report to the board.

45
MR FEUTRILL: From whom?

MR CARTER: Probably the CEO. It might be joint CRO, CEO, depending where it comes from. Maybe out of the ERCC. Probably the CRO, because it's their responsibility, but you'd expect the CEO to be all over it. And I'll tell you that I also

would expect the party that puts it up to put to the board, which the board may or may not accept, how it going to be fixed.

5 MR FEUTRILL: Is your understanding that that process is recorded in some form of risk management documentation, or is that just an expectation you have based on your understanding of how that ---

MR CARTER: That is the risk management framework in place.

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MR FEUTRILL: Can I just put to one side for the moment the question of what article 3.12 means in the Burswood Limited constitution.

MR CARTER: Yes.

15

MR FEUTRILL: Can I ask you a more general question about whether, from a good governance perspective, the responsibility and, if you like, the direct responsibility of the directors, control the operations in Perth, should be reposed in the directors of Burswood Nominees as opposed to Burswood Limited?

20

MR CARTER: No, they should --- there's a recognition of --- it's not uncommon to have subsidiaries or have a corporate structure, and in the case of Burswood Limited, it owns the shares in Burswood Nominees Pty Ltd and owns the units in the trust. So from a practical perspective, and it is well recognised in corporate, corporate law and corporate practice, that you have it in Burswood unless there is something in the documents that says otherwise, you know, in some older documents that may exist.

25

If you can change it, you change it, but the practical aspect of it is that the people that sit on those companies are the people that are going to be involved in Burswood Limited. A good example is me.

30

MR FEUTRILL: So do I understand from that, effectively, you're saying that the responsibilities of the licensee can be discharged through Burswood Limited as its parent company?

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MR CARTER: Yes, subject to --- I say that that is subject to receiving advice --- specific advice from our legal advisers that that is consistent with the documentation that establishes these trusts, the trust deed and the various regulatory aspects. When you deal with gaming, there is a whole bunch of different pieces of legislation and regulation, like there is in a lot of life, but in gaming in particular, and I would want to have it well understood that that is the way that it could be practically done. If it is not able to do that, then we adapt to what needs to be done to comply with the documents.

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45 MR FEUTRILL: Thank you. Can I ask you some questions now back to the topic I think we began the day with, which is remediation and the remediation plan.

You outlined in your evidence-in-chief your overview of what the plan is and its

comprehensive and so forwards. Is there any aspect of it that you consider to be, if you like, addressing the most serious or acute, if I can use the word, deficiencies in the Crown Resorts systems and structures?

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MR CARTER: Most of it. The AML/CTF system that Steve Blackburn's bringing in, and all the people that will come behind, there is sort of an army coming in, that will address part of the key weaknesses that have been well publicised. So you've actually got it from two ways. You've got it --- no more Junkets, so you've got the causes of the problem being reduced, not eliminated. And on the AML side, you have a high level of systems being brought in and people to bring those in, the second line of defence.

15 Likewise, Responsible Gaming is fundamental and, again, issues like disparity between pay, resources, recognition of the importance of those people, is being elevated to where they should be. So the causes of the problems are less. They still exist. The solutions, or the remedies to those problems, remediation, the resources being put into that are enormous. Crown has no choice but to get it right. That's why I'm sitting here, because it didn't get it right.

20

MR FEUTRILL: What about culture, do you see culture as a feature of the changes?

MR CARTER: Absolutely. Culture --- you've got to have the people to want to do this, or if they don't want to do it, then you've got to find people that will do it. You can have all the tools in your tool box, but if people don't know how to use them or respect them, then it's not going to work. Although making it automative helps.

30 But, you know, I have had a good look at the Deloitte culture report. I looked at it, and first of all, I tried to get it into perspective, and they make a significant comment in their executive summary in the first page, second paragraph, where they talk about the moment in time when this culture survey was done.

35 And it was at a time which was pretty dark in terms of COVID lockdowns, pretty dark in terms of every day you pick the paper up, these people who you respected as your leaders are being belted in a pillory, and you find out all these things about the organisation that you work for that are not good. So it was a dark time, and Deloitte recognised that.

40 I then went and looked at the basis under which Deloitte looked at their questions, and they gave 11 requests. One elicited a positive response; seven elicited a negative response. So it was biased. I'm not saying biased in a bad way, but it was directed, is a better word, towards eliciting the problems that existed. I think we ended up with 545 comments that came out of that. A lot of those comments related to their perception of being let down by their leaders, being embarrassed, going home and saying, "I work for Crown".

45

So really interesting piece of data. Another interesting piece in there was that 92 per cent across Crown --- I think it was 89 in Perth --- believed that they had a role in

compliance and doing the right thing. So you have a basic --- I think it's something like 90 or 85 per cent believe that the way that they do their job will impact on the result for Crown. So what you have is a core of people that understand their role in compliance. That's not that easy, actually. A lot of people --- compliance can be seen by people as an obstacle and it's just a nuisance that gets in the way.

So at 92 per cent, that's about as high as you can get. So, to me, the environment that we've got to work with in terms of the culture is really conducive to being able to get this turnaround. It needs to be led from the top, and if you don't --- as I said before, no one can dispute the need for this to happen. All you have to do is pick up the paper.

So denial, which is often a part of --- something that prevents cultural change, can't exist, and if you have someone that's denying, won't move, then you move them. They leave the organisation.

The last thing I would say is what we are asking of our people is to behave to the highest level of integrity, to care, to take care of each other, to provide great environments for people to live. That's the easiest thing to do in a job, to perform at a level where you're told, "Do your best, maintain your integrity and be a good person".

That's what Crown people are being asked to do. I'm not going back to the past, but 92 per cent believe, according to Deloitte, in a study that was done in a very dark time for Crown, they understand their influence.

The other reason I went to the Deloitte report is I actually --- a lot of people in Perth don't even know who I am. So I sort of wandered around the staff and talked to them. I couldn't do that in Melbourne and Sydney because of COVID, but I went around and talked to them and, you know, so many --- it's rare to find someone that's been less than two years or five years. They are all lifers there, and they love the place, and they deliver great service.

So I'm very confident that when you go to them and say, "These are the four bases under which we continue to exist to provide great experiences for our people in a safe environment", that they will say, "We can deliver that", and that's what they do. That's a long way of saying I've read the Deloitte report.

MR FEUTRILL: I appreciate that. Thank you for your answer. I have a couple of observations to make about what you've just said, though. The response that you've identified and highlighted about compliance was tempered, though, wasn't it, with a statement to the effect that the majority of staff believed it was necessary to bend rules and work around policies and procedures to get the job done, and it was driven by a perception of customer centricity and profit mandate. So even in that context, there was a negative aspect to the conclusions, would you agree with that?

MR CARTER: Absolutely. And tell people to compromise integrity or work around

it is not a very pleasant place to be. That's my whole point. When you take that 92 per cent, you say the guts of it is there. What we need to do is what you've just put up here, do the right thing, work together, act respectfully, be passionate. Nowhere in
5 there does it say we must achieve the greatest profit that is available under working these assets, and if there are problems, work around them. That is not --- that is not the culture that the new Crown will be, and it's not the culture that's existed for the time that I've been there.

10 MR FEUTRILL: All right. So leaving aside the context in which this culture review was undertaken, you've mentioned, all of the, if you like, mitigating factors you could think of, despite that, it does still review some quite concerning indications about the nature of Crown's culture, at least at the time when the report was undertaken?

15 MR CARTER: I totally agree. And that, as I said to you, an important tool, important piece of work, but like anything, you've got to take it in the context it was in, but it provided to us a pathway which our new people are dealing with, on how do we change that culture. You don't always get that pathway. So that's the importance
20 of the Deloitte report. There's no naivete about this. It's going to take some time, and we got to find out ways to measure it.

We got to do culture surveys, and we have got to --- then we have to do risk culture surveys. All the financial, you know, all the banks and all the financial instruments
25 have been doing this. Most businesses I'm in are measuring culture, and if we get our culture right with these assets, we will deliver to the community what they expect, and we will get this right.

30 MR FEUTRILL: I think the transcribers might need a break, Mr Carter.

COMMISSIONER OWEN: Can you give us an estimate, so we can plan for the afternoon?

35 MR FEUTRILL: About 30 minutes, possibly less.

COMMISSIONER OWEN: I think we might take a 30-minute break now, which should comfortably have you away before your aeroplane leaves without you. So we'll come back at 2.30.

40 **ADJOURNED** **[2.00PM]**

45 **RESUMED** **[2.30PM]**

COMMISSIONER OWEN: Please be seated. Thank you, Mr Carter. Mr Feutrill.

MR FEUTRILL: Mr Carter, just before the break we were dealing with the Deloitte

culture review. Would it be fair to say that, from answers to some of my questions and essentially from what you said in your opening statement, that you accept there is a need for culture change within Crown Resorts Limited?

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MR CARTER: Absolutely. Not a need for, that change is occurring as we sit here.

MR FEUTRILL: Does that need and that change extend into Crown Perth?

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MR CARTER: Yes. We have employed an executive Tony Weston, who has experience in cultural turnarounds, improvements, and the whole of Crown will be subject to that work. So, in terms of Crown Perth, and it was individually dealt with in the Deloitte report, that information there provides us the roadmap on what needs to be done.

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MR FEUTRILL: All right. Can I take you to the statement you gave in the Victorian Royal Commission, which is CRW.998.001.0438.

MR CARTER: Yes.

20

MR FEUTRILL: I just want to take you to a series of topics and answers under two headings, "Known Crown Failings" is one, and "Future" is the other. I appreciate that this statement was given at a time when you had really only just arrived. These appear to, if I might say, summarise some of the things you also said to the Commission today. If we look at what is said in paragraph 39, effectively the last sentence, that remains essentially true as of today?

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MR CARTER: Yes.

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MR FEUTRILL: And paragraph 41, just read that and confirm that's also accurate, paragraph 41 of your statement?

MR CARTER: Yes.

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MR FEUTRILL: And then paragraph 42, I draw your attention to that one as well.

MR CARTER: Well, yes.

MR FEUTRILL: And 43, just confirm that is the case?

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MR CARTER: Yes.

MR FEUTRILL: You are saying that 43 remains the case today?

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MR CARTER: 43 is referring to my position in lines 41 and 42, require massive change, which --- this was done some time ago, is occurring, as we sit here, an elimination to any blockages to such change, which is entirely consistent with the evidence I've given today.

MR FEUTRILL: That's right. I just wanted to ask you whether it was essentially a summary of more or less the same things you said today, but I want to ask you about that phrase you've used there:

5

Elimination of any blockages to such change

What do you have in mind, or what are you meaning by that?

10 MR CARTER: Okay. Could be a variety of things. So, the Deloitte report talks about workarounds and controls or processes that get in the way of doing a job --- or allowing them to do their job poorly. So there must be an environment of being able --- encouraging people to speak up, to identify what are the blockages that prevent them from doing the job.

15

By way of example, "I never report that particular incident because I got to sign out six bits of paper and then do a whole bunch of reports. It's too hard". A better way of doing it is X, and that then causes the process to be followed more. So there's processes, there's people. If there are people in there, as I gave evidence earlier on, that just don't accept the need for change, quite frankly, they have to go and find another place to work.

20

So there's that. There's providing people with the tools to change. So if something can be done easier and make their job in compliance or whatever with some more software changes or processes, then we have got to look at investing that. The whole thing is to encourage them to be able to get to where we want them to be, which is as described in the aspirational cultural change that you had up on my screen earlier.

25

MR FEUTRILL: Can I ask you some more questions about, I'm going to coin it, shape up or ship out. Essentially you described, I think, on a number of occasions if people are not will be to make the change, they have to find another job, or you used words to that effect. Is another way of putting that that, in order for true cultural change to take place in any organisation, not just Crown Resorts, you need to have essentially an attitudinal change throughout the organisation?

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MR CARTER: Yes, I'm agreeing with you.

MR FEUTRILL: Obviously there's been a good deal of change at the board level for Crown Resorts and a very large degree of change at the senior management level as well, in recent times. Do you see part of the cultural reformation of Crown Resorts as including the next layer of management as well, as in the middle management?

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MR CARTER: Yes. I mean, I see it the whole way down. So it's a bit like occupational health and safety or attitudes to diversity or harassment or any of these things. You comply with what's required, or your performance is subject to review.

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Now, I would hope that in the environment and the corporate culture that we are

leading there the top, that most people will embrace it because we need people to run these businesses, and getting people in this country at the moment to run these businesses is very hard.

5

So, I would hope that they will share a clear pathway, and, to me, the average human does want to act with integrity and do the right thing. So, to the extent that they felt compromised because they were driven to profit at all costs and we take that away from them, then that should enable them to do their job.

10

Now, if people behave in this manner, we will actually maximise the performance of the company, because we will protect its assets. We will have the place in the community that we expect to be, and, again, we were discussing some time ago, you bring it from the bottom --- you bring it from the top, but, I mean, I don't welcome people to the casino. I don't serve them drinks at the bar. I don't take the rubbish out. I don't do all of these things. All of that --- the interface between Crown people and the public is very large, and you're only as good as your weakest link on this stuff.

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So, as I said, you're always uplifting it. So if we find that there are blockages, yes, then we have to deal with them. Now, are if that means reeducation or changing their roles, or if they just don't fit, then so be it. Quite frankly, if they won't tow the line on the culture, they are probably not going to be happy enough to work for us anyway. That's easy for me to say, as the director up the top, but that is the support that we will give.

25

There will always be challenges because humans are humans all the way through. But if we take someone that's problematic and say, "What can we do to get you to where we want you to be?" and if it's "Change my desk", "Give me more tools", "Give me a car park", or "Just say thank you to us", that's what we'll do. But that's the path, and it's not inconsistent with most turnarounds and cultural turnaround that I've been involved with.

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MR FEUTRILL: I want to ask you about that, because I think you've indicated earlier today in your statement that you were --- I mean, the most relevant of the evidence would appear to be the significant program in terms the performance of the ASC corporation, most comparable, if you like.

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MR CARTER: Yes.

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MR FEUTRILL: And you describe in answer to that question a lot of things that are positive steps which can be taken to bring about a culture change. Are you able to explain to the Commission how the board of directors can and will contribute towards bringing about that, if you like, holistic change to the organisation?

45

MR CARTER: Yes. And the ASC situation was a unique situation because a comment was made in Parliament that the government wouldn't trust ASC to build a canoe, and the impact that held on the workforce, where we had a couple of troubled programs, was quite detrimental, apart from being unfair. And you are a worker.

You've been made a mockery of at the highest area of the country. So they dropped their heads.

5 We went from board down and said, "We will prove them wrong. We will turn this
business around". It was integrity, again, integrity in the way we did work,
manufacturing, and we deliver at all costs. If blockages are there, we move through
them. Within two years, we got to a place that no one would ever thought we would
10 have got to, and we are either --- we are at the world's best practice and have been for
three or four years.

So, again, it comes back to pride. It comes back to providing the tools and the
ability. Key to it is getting, as we have already identified, getting the right people on
15 the way through and having the leaders that can bring those changes.

Even --- you'll sometimes lose leaders because notwithstanding they might have been
able to do it, you just actually need a change. It's a bit like a football club. You can't
win because the matches aren't so good, so you sack the coach. It's always
20 remarkable how you've sacked the coach and all of a sudden the football team starts
winning with the same players. So it's a leadership, but then you push it all the way
down, and you measure it on the way through. So what sort of things will be
measuring it?

We'll be looking at all of the different aspects of our AML, our Responsible Gaming,
25 of our --- we'll actually look at our turnover, people through the door. One of the
reasons people come to Burswood is because it's safe and because it's a great place to
be. A lot of them never go near the casino. So we will gauge it by places of --- a
place --- people will judge us by turning up, because it's a great place to be, and that's
what we exist to do.

30 MR FEUTRILL: Do you have any concerns about the scope or adequacy of the
remediation plan?

MR CARTER: No, but --- sorry, I withdraw that answer. Yes, the size of it, but the
35 pace at which it is happening at the moment, it's going very well, but, again, it's a
dynamic document. It's going to have to be adjusted for what came out in the Royal
Commission last week. It will be adjusted for the findings of this Commission. It
will be adjusted --- it will just be continually updated for what life presents to Crown.

40 MR FEUTRILL: So would it be fair to say, if you like, the concern you have --- I
don't want to put words in your mouth --- is essentially the size and dimensions of
the change, what has to be done?

MR CARTER: Yes. So we will measure it and get the best people we can get to
45 deliver. Quite frankly, that's what's happening now.

MR FEUTRILL: Do you have any concerns about the ability of the current team that
you have in place to deliver a remediation plan as ambitious as it is?

MR CARTER: Are you talking Crown Resorts or Burswood?

MR FEUTRILL: Crown Resorts.

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MR CARTER: No, but you continually are assessing, looking at how individuals perform, particularly when you are a new director. Some of these people, I have never even met them because of COVID. Once I meet them, I'll be in a better position to make my own assessments as to whether or not they are appropriate.

10

COVID has made this really hard. Perth's been great, because I can come here, so that interaction, trying to get to know these people and what their values and skills are outside of considering documents, has been severely restricted by COVID. Something that once the board is down, I will, as I'm sure my fellow board members will, will rectify.

15

MR FEUTRILL: To sort of summarise the answer, at the moment, no present concerns, but you have not yet had enough interaction to form a final view?

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MR CARTER: Yes. So it's a dynamic role, and in organisations --- I'm not just speaking about Crown --- I've had situations where people appear to be doing a great job today, within six months, you form a different view. Our people get paid a lot of money, and they are expected to perform.

25

MR FEUTRILL: And if the question were rephrased and directed purely to the question of the remediation implementation of that component that specifically applies to Crown Perth, have you any concerns about the management team in place there to deliver on remediation plans?

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MR CARTER: Well, the CEO, Lonnie Bossi, to me, he is doing a very good job in difficult circumstances. He is a very experienced gaming executive that's been with this company for a long time. It is actually hard to find good gaming executives on a global basis. It is even harder to find good gaming executives that would be capable of being licensed in this jurisdiction, and it's a small pool. Lonnie has a long set of experience. He is a passionate Western Australian and, as far as I can gauge, is well regarded in the community.

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So the workings that I have had with him so far have been strong, but Lonnie, like every other executive, by the same token, like every other board member, is subject to continuing review as to performance. I have been on boards where board members haven't performed in six months. So a dynamic institution will be continually uplifting and monitoring performance.

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As Lonnie sits at the moment, he is an excellent CEO. Then you go down through the group and it is a stable group of executives delivering a quality product. If aspects come up about people's behaviour, then you assess that as you go along. It's no different from any organisation. But as he sits here, he has my support.

45

MR FEUTRILL: Okay. I have, I guess, a similar question to the one I asked earlier in the week to another non-executive director, which is taking into account all that you have already on your plate in your other various roles, what was it that made you
5 accept this particular role with Crown Resorts at the time you did, which is obviously a time of some turmoil for the organisation?

MR CARTER: Well, first of all, believe it or not, it's the type of work I like doing. Secondly, you could see actually what has to be done with this business, to turn it
10 around. So come back to my evidence, I looked at it, the aspects that I always look at in a business, and you could see that the path to turnaround was evident.

This was before the Melbourne Royal Commission. There were aspects that came out of the Melbourne Royal Commission of which I was unaware. And I must say,
15 that was a pretty interesting time, to pick up the paper and find out about stuff about your own company that you didn't know. I could have pulled out at that time, because I was still through, on the basis that I was not properly briefed. To be fair to the board at the time, they don't know a lot of the stuff so they couldn't have briefed me. I could have pulled out at the time and said that I didn't have this information
20 when I said that I joined, and I didn't, and I'm committed to see it through.

Once we move through the Royal Commissions, and have taken into account everything that we are required to do, we then become --- we then start to consolidate the work that's underway at the moment.
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MR FEUTRILL: I just want to return to a topic I omitted to ask you about earlier, Mr Carter, because we dealt very early on with the idea of responsible service of gaming.

30 MR CARTER: Yes.

MR FEUTRILL: I just want to ask you a couple of remaining questions I have on that topic, which is you would be aware that in the AML/CTF area, Crown Resorts is undertaking an enterprise-wide risk assessment for money laundering and terrorism
35 financing risk?

MR CARTER: Yes.

MR FEUTRILL: Do you consider that, in the area of responsible service of gaming or harm minimisation associated with gambling, that there may be benefit in
40 undertaking a similar kind of risk assessment, that is to say an enterprise-wide risk assessment, of Crown Resorts operations?

MR CARTER: In relation to Responsible Gaming?

45 MR FEUTRILL: Yes.

MR CARTER: Well, I think --- I mean, we have a program, that Steve Blackburn will give evidence on, where a lot of that is happening. And we've got an independent committee that's providing input. They have been quite, I guess,
5 complimentary of what council's doing. There are challenges in how you monitor a lot of this.

So we could take an enterprise-wide assessment on the risks of it, but I would argue to some extent a lot of that is being done now. Whatever we can do to be one of the
10 world's leaders in Responsible Gaming is what we should do.

MR FEUTRILL: Perhaps I need to explain what I mean when I say "enterprise-wide risk assessment". What I'm asking you is whether there is a process underway, of which you are aware, for identification of the specific risks associated with the
15 delivery of gaming services to customers that present a risk of harm?

MR CARTER: I'm not sure I understand the question, but that's the basis of what we are doing in Responsible Gaming and bringing in the various controls. I mean, if you look at gaming, I think our independent experts said about 90 per cent of people who
20 game, there is no issue. That's their findings. There's about 10 per cent that have issues and they are varying issues.

It's no different from many things in the community, like alcohol, as a good example, or drugs, or the various aspects of decisions that people make in terms of those and
25 how you reduce the harm of them. I have to say, the casinos in this country are the best places to game. They are the safest places to game. Just under 40 per cent of Australia is gaming. And it's not casinos; it's sitting at home betting on the sports; it's down at the race track; it's playing poker with your mates. It's betting on the price of iron ore.

30 Australians are gamers --- I'm not, by the way. And if you take Perth, it's probably the safest jurisdiction in terms of gaming. It's the only jurisdiction I'm aware where EGMs are confined to the casino. And, in my view, you've got it right. The day that you take them out they will be a proliferation, and they will get into the pubs and
35 clubs and never get them back. The reason you will never get them back is because the parties that benefit most from them, being the government because of the taxation laws, will never allow them to come back.

So where you have them at the moment is the safest place to have them and allows --
40 - and you take pubs and clubs and other jurisdictions, they cannot afford to, let alone have the appetite, to have Responsible Gaming like we have. We are the only place that can do it because it costs a lot of money.

So when you talk about harm minimisation, it would be my submission that in terms
45 of gaming, the safest place you could be is on that gaming floor because there's a whole lot of people around there, trained to look out for awareness, to support you, and to approach you and support you, the three pillars. Go to a leagues club or a pub, sit at home, watch the money go --- football, bet on the next goal. Any of that, it just

doesn't exist.

5 So we will strive to improve that, and we will improve it. We will probably lose customers because they'll go off to the unregulated place, but we have to look at our stakeholders and say we still give a great experience, but to that small group to which it becomes harmful, we have to do our best in remediation. As you know, that can involve a number of things, including exclusions and assistance and all of those things.

10 What we are not seeing, which exists in other jurisdictions, is someone who goes home to their suburb, which exists in virtually every other state, with their pay packet on a Thursday or Friday night and he or her go down to the local pub and blow it on poker machines or on those things. If you want to gamble here and you live in an outer suburb, you have to make a genuine effort to get there. Once you get there, you are in an environment where you are subject to --- you're about as safe as you can be. The fact is, gambling at the end of the day, the house usually wins. That's how it's able to build these things.

20 MR FEUTRILL: Let's focus on the 10 per cent who ultimately may or are at risk of developing a harmful behaviour.

MR CARTER: Yes.

25 MR FEUTRILL: In terms of the process of harm minimisation, to your knowledge, is there a process being undertaken to identify, if you like, the specific delivery of the gambling services that affect that risk? In other words ---

MR CARTER: Oh, I see.

30 MR FEUTRILL: --- there are ways you can deliver your services in a way that minimises through the possibility that the 10 per cent will develop a problem?

MR CARTER: Look, there are various controls that can come up on a machine that tell you you've been gaming for --- if you're talking about EGMs, plainly, aren't you?

MR FEUTRILL: That's one area.

40 MR CARTER: --- where you can say stop play after a certain amount of time, a sign saying you've lost this. We have a thing called play safe there, but it hasn't been taken up because it's voluntary. It's getting that fine line between people's rights to be --- of freedom to make their own choice to protect them against themselves. There's not a lot of evidence around the world on it. There's not a lot of studies. That's what I understand why Crown's gone to this independent group of four academics to find it.

45 But I --- it's my view and it's the view of the board that we will be duty bound to see what we can find. And that's why I go back to education, a couple of hours ago, if

we can find something in Timbuktu that is good for Responsible Gaming, we'll seriously look at bringing this in. The fact is that if you game, there is a good chance that you will lose your money. That's what gaming is.

5

The other thing I would say, sir, is that the strength of an integrated gaming resort, which is Burswood, is that it's not always in your face. So you come to the Towers here. It's actually hard to find the casino. You can go to the theatre. You can go to beautiful restaurants. You can go and have a drink at the bar, sit at the pool. If you want to find the casino, it's down the other end.

10

So, again, if you're looking at the temptations that exist, they will always exist in a resort if it's integrated and has all of these other aspects. Again, people don't necessarily have to go to the casino. It's a bit like a pub. You want to go to a pub, and you go there to have a drink. If you go to Burswood, you don't necessarily go there to game.

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MR FEUTRILL: Can I just ask you some questions around the structure of the RSG program. As I understand it, Mr Blackburn is the most senior executive with the responsibility for the RSG program?

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MR CARTER: Yes.

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MR FEUTRILL: And his expertise predominantly lies in the area of financial crime?

MR CARTER: Yes.

MR FEUTRILL: In your view, is there merit in appointing a person who has specific expertise in the area of harm minimisation to have the leadership role in Crown Resorts for that program?

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MR CARTER: Again, as a general comment, I would say that if we came across the world leader in Responsible Gaming, like you would in any organisation, we'd seriously look at whether or not we could access that skill. But you'd do that in any organisation. If I have a group of executives and I found someone that will uplift the whole skill base, I will move my executives around, and I have done it.

35

In terms of Steve Blackburn, who I think is yet to give evidence, or may have, he is one committed individual and one smart individual. This is not --- this is important, but it doesn't require you to have the training of a physician. What you have to do is have the training of knowing how to put systems through, embed it, bringing experts in, as you know, and get it down through the organisation. That's what Blackburn will do. Having said that, as I said to you, if a Responsible Gaming expert walked in the door and it could raise our levels, we'd be duty bound to look at that person. As it stands right now, I have the absolute confidence that Blackburn will deliver. And to the extent we have to give him the resources, we will.

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MR FEUTRILL: He does have an enormous amount of responsibility, when one

looks at your remediation plan.

5 MR CARTER: He's getting an enormous amount of people underneath him, too. So he's getting what he wants at the moment. But you are right, we need to him stand out and look at the policy rather than get lost in the weeds and the details.

10 MR FEUTRILL: In terms of setting the tone from the top aspect, in your view, is housing the primary leadership for that function in the same person sending a message that responsible service of gaming has the same priority as everything else that's within the remediation plan?

15 MR CARTER: Well, you're giving it to a senior executive. The two senior programs that we have are AML and Responsible Gaming. He knows how to implement it. He has the respect of the organisation. So as it stands right now, I think it's appropriate. But if --- and the dynamics of the structure are if it doesn't reform, we'll change it out. We'll change it. Nothing is cast in stone, and that's, by the way, one of the benefits --- two things, one, having a broad church of boards, and, two, being a new person in the board. You can ask the dumb questions. You
20 can ask the questions to challenging the status quo, and you can bring in to being your experiences you've got across other places. We will see how it goes, but right now he's doing a good job. If it doesn't work, we are duty bound it review it.

25 MR FEUTRILL: Thank you, Mr Carter. I have no further questions.

COMMISSIONER OWEN: Thank you, Mr Feutrill.

30 Do we have any counsel not in the room? Right. Are there any applications from this room? No.

QUESTIONS BY THE COMMISSIONERS

35 COMMISSIONER JENKINS: Just a couple of questions. I understand that your view is that the Burswood entities should be rationalised and essentially Burswood Limited should be responsible for governing the Burswood casino at the local level, so to speak, as opposed to the group level.

40 But can I just ask you about the current situation where Burswood Resorts Management Limited employs all the staff at the Perth Casino but doesn't appear to have any income and it has no agreement with Burswood Nominees Limited to provide it with income to pay the staff or to do anything else. Is that a desirable structure? Is that what is going to continue at least in the short-term?
45

MR CARTER: Commissioner, it's a contemporary structure consistent with many companies which I have been involved in, where you will have the workforce in a separate company. I'm not sure why it was set up like that in the first place. I'm all

for simplifying structures. So if upon review, it seems inappropriate, then it can be modified, but the fact is that that is our business, it's our people.

5 If upon review there's a weakness and the advice is that we should have agreements between the two to protect the directors of, for instance, the company that has no income, then maybe we need to do something. Having said that, I'm on both sides. I'll be protecting myself.

10 But it is quite contemporary to have your workforce in a separate structure. Often it's been set up historically because of industrial instruments or because of arrangements. I don't know what happened when Burswood Limited existed, whether it was a stand-alone public company, but it probably goes back to that time. But, yes, if it's part of a structure that should be simplified, we should do that. Provided we don't in
15 any respect compromise the position of the staff.

COMMISSIONER JENKINS: Burswood Nominees Limited and BRML have had in the past purely executive boards, that is, management boards, you're now on both of those boards, I understand. Did those boards report up to Burswood Limited or to
20 CRL?

MR CARTER: Up to --- well, as I was giving evidence before, they don't have a separate reporting structure per se. They are part of the consolidated group of Burswood Limited, but Burswood Limited owns the trustee company, which is the
25 licensee, the legal owner --- no, not the legal owner --- the legal owner, and the beneficial owner is the trust which owns the assets plus the licence. So the units in that trust, as I understand, are owned by Burswood Limited. So they are one hundred per cent subsidiaries.

30 Again, and I think this is historical, the way it was set up was as I have just described. In running Burswood Limited, I will need to get good advice that we are complying with any obligations of any trust deeds. If it becomes cumbersome, we will look at the opportunities of streamlining it. But the fact remains that it is the group that runs that structure, and in Burswood Limited is owned by Crown Resorts.
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COMMISSIONER JENKINS: So am I right in thinking that what you are saying is that those boards report up to Burswood Limited and through Burswood Limited to CRL or ---

40 MR CARTER: No, they just go as far as --- well, those boards don't report. They don't have separate board meetings, so there is no reporting per se. They just --- their business is dealt with the in the Burswood Limited. So that's a --- it is a --- that is where the assets sit, and they are the assets that we utilise in the operations of the business. And to the extent that that becomes a total business, that's what goes up to
45 Crown Resorts.

MR FEUTRILL: Another topic, should Burswood Limited have fraud committees?

MR CARTER: Yes. I don't have a firm view on that. Crown has got a lot of committees, so as I gave in my evidence, it may be that Burswood Limited needs to have an audit committee. Again, once we get into a routine of dealing with these
5 boards, board meetings in a more contemporary manner, that will come out. Now, whether or not that becomes an audit and risk committee, that is a possibility. So, yes, I guess that's work in progress, Commissioner. I'm not saying it's not in, but I could see good reasons for it to be in.

10 COMMISSIONER JENKINS: The Victorian Royal Commission recommended that the executive of Melbourne Casino be independent of CRL and report only to Melbourne Casino licensee. Are you aware of that?

MR CARTER: Yes.

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COMMISSIONER JENKINS: Am I right in thinking that model was not consistent with your proposed model for the Burswood entities?

MR CARTER: You are correct.

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COMMISSIONER JENKINS: How would management of the Perth Casino work if that recommendation was implemented in Melbourne, as currently, as I understand it, the CRL executives, it is certainly proposed that they should continue to have management or roles in supervising, at least, the Melbourne Casino executives. And
25 if that should change, would that then have a flow-on effect to the model in Perth?

MR CARTER: It may do. I actually don't know how that model will work, and it's not something we have considered at board yet. Once we get into the detail of what is expected by --- or what's recommended but ultimately what the government
30 require of us, we can look at it. It would be --- there is a --- it will be illogical not to look at changes in Melbourne to the extent whether they should be mirrored in Perth.

But as to whether or not they occurred, I can't comment, because I don't know what it's going to look like. The model coming out of that report last week is quite new
35 and not --- and is something that we have got to get our heads around because we don't have it yet.

COMMISSIONER JENKINS: Having regard to your experience in the casino industry, what should be the nature of the relationship between the Perth Casino and
40 its regulator?

MR CARTER: Respectful. The regulator basically controls your business and your destiny. So in other places where the regulator --- and it's not just casinos. A lot of my boards are in highly regulated environments. You have respect, you hopefully
45 have an opportunity to discuss, consult and get to the right result. Absolute transparency. You go to them with problems, and you've got to have a relationship that's working because it's so important.

If they both go to their own corners and don't work, then a lot of this comes to a grinding halt. You can't get anyone approved. You can't get any changes, and there needs to be trust between the parties without compromise. Would I go out and have a beer with one of my regulators? No. There would be a professional relationship, and that's just fundamental to operating in these environments.

At the end of the day, if the regulator tells you to do something, then you'd hope you'd have an opportunity to make a submission and have a sensible discussion, but if they ultimately say to do it, you've got to do it, otherwise you lose your licence. Your licence is compromised. So it's a little bit black-and-white, but it's in the interests of the community to have a working relationship.

COMMISSIONER JENKINS: Thank you for that. Only one other area. I don't know if you are across as yet the role of the Problem Gambling Support Services Committee in Western Australian, which is the committee which receives funds from gambling operators and disburses them to provide support services or counselling services to people affected detrimentally by gambling. It's currently funded and administered by the gambling service providers, including the Perth Casino, as well as receiving some government funding.

Do you have an opinion as to the correct model in this regard, and, first, should an industry-wide --- that is gambling --- that's the gambling industry we are talking about --- providing services for problem gambling be funded by the gambling industry, including the casino?

MR CARTER: I've not studied the structure that exists here, but I am familiar with such structures. So, for instance, in New Zealand, they have a similar structure. That's a matter for, I guess, legislators to decide, but it would seem sensible that those that are causing the issue end up --- should end up paying for minimising any damage that may occur.

So your hypothesis is entirely reasonable, and that's the way I would expect it to go. Maybe all the pubs should fund Alcoholics Anonymous, but, you know, it is --- this is quite easily identifiable to a subset of, particularly in Perth, institutions that are involved in that. So I apologise that I've not had a chance to look at it, but conceptually what you are saying would appear abundantly sensible and consistent with what happens in other jurisdictions.

COMMISSIONER JENKINS: Then having regard to your experience in other jurisdictions, do you think that industry participants --- that is, the providers of the gaming services and in this case the casino, should be the ones to administer the funds to fund problem gambling services?

MR CARTER: No, there should be a degree of independence, but you certainly want them at the table because they are the ones who will help you --- not just casinos, all the other gaming areas, push it down into the places where this is --- where it's needed. But I would have thought there's got to be a degree of independence.

COMMISSIONER JENKINS: Thank you, Mr Carter.

5 COMMISSIONER OWEN: Mr Carter, I want to cover a couple of the matters that have already been canvassed between you and Commissioner Jenkins, but I will do so from a slightly different angle.

10 The first one is the question of board committees at Burswood Limited level. That's the first topic. What is your view on this proposition, that if Burswood Limited is properly to carry out the full suite of governance responsibilities that it has, should have, that really a board of three might be a little bit small and perhaps it would benefit from the addition of perhaps a second Perth-based, non-executive independent director, and I understand that that would mean, under your model, perhaps an additional executive director as well?

15 MR CARTER: I think it's unlikely that this would be an additional executive director. An additional non-executive director ---

20 COMMISSIONER OWEN: Associated with Crown Resorts Limited?

MR CARTER: Yes. If the work --- if we are not achieving what we need to achieve pursuant to our board charter, then you have to adapt it. That's what happens. So, Commissioner, the establishment of committees is usually a way, as you would be familiar with, taking some of the work out of the board so the board can deal with better things like strategy and some of the other aspects that take us time.

30 So that's quite often the reason why committees exist. It may well be that we end up with an audit committee here. I've not been through a period yet of financial statements and how it works. Another possibility may be the establishment, for instance, of a risk committee, but not forever. Maybe it's there until we can get sign-off --- bear in mind our risk management strategy is reviewed every three years --- our framework, until we can get a sign-off that it's embedded in the organisation and we can adapt it.

35 So a modern organisation will try and delitter what's on the board, if you can push it down into the committees. It's just another way of dealing with it. So what you're saying could quite possibly occur to allow the proper running of the business.

40 COMMISSIONER OWEN: The reason why I adjoin in that exchange the question of size and committees is because, ideally, you would have your non-executive independent directors on the committees, would you not?

45 MR CARTER: Yes. The normal course would be you'd have one of your executive --- non-executive directors chair, for instance, the audit committee. The guideline from ARDC is that you wouldn't have the chair doing that.

COMMISSIONER OWEN: Would you see that sort of system as potentially

advantageous because it would allow the non-executive independent directors to become more embedded in the organisation, particularly when the organisation is in a state of evolution?

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MR CARTER: Yes, exactly. But by the same token, if we are able to get through all of that business in the Burswood meeting, then we could do it that way, but from transparency point of view and just from the appropriate use of time of our executives as well as our non-executive directors, I suspect that there is a high chance that what you described will occur.

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COMMISSIONER OWEN: The second area that was canvassed with Commissioner Jenkins relates to, I think, what was termed the rationalisation of the existing structure. I understood you to be saying that, in your view, even under the existing structure, there's no real impediment, no practical impediment, to the obligations and responsibilities of the licensee effectively being governed through Burswood Limited?

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MR CARTER: Commissioner, that's my practical view, but with the caveat that if there's anything identified within the trust deed that means that we are in breach of the trust deed or any of those aspects, then we will need to adapt to the rules of engagement. But assuming that it's allowed under the current documentation, then your description of my evidence is correct.

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COMMISSIONER OWEN: Can I put two things to you that might impact on that. The first is that Burswood Nominees Limited and Burswood Resort (Management) Limited are both parties to the statement agreement.

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MR CARTER: Yes.

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COMMISSIONER OWEN: Burswood Limited is not. So the responsibilities, the direct responsibilities are owed to the people of Western Australian by Burswood Nominees Limited and Burswood Resort (Management) Limited. That's the first thing. And the second thing is that Burswood Nominees Limited as the trustee and Burswood Resort (Management) Limited as the manager have specific identified obligations under the trust deed. So given that, does that cause you to reflect at all on your view that there's no real practical impediment to --- sorry, to the obligations being effectively governed through Burswood Limited?

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MR CARTER: That may cause me to change the view. As I said, whatever's required in the structure is what we have. Another way of dealing with it is maybe -- is should Burswood Limited become a party to those agreements so therefore have the mirrored obligations. So it becomes a party to the agreements that you've just described. So their obligations to the State are common amongst the companies.

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COMMISSIONER OWEN: Right. I have two further questions for you. The first one relates to the proposed addition of a new article in the constitution, 15.6, which

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deals with reserved powers, and in an exchange with Mr Feutrill, that was covered. You said that the content of the reserve powers hadn't been discussed at the board level, but, in your view, they were matters that had real materiality, I think?

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MR CARTER: Yes, Commissioner.

COMMISSIONER OWEN: Now, I can think of one, maybe, major capital expenditure, that might be a reserve power, perhaps with a ceiling. Can you give me --- I know you've said it hasn't been discussed --- from your understanding now, can you give me other examples of things that might be highly material and which therefore might be included in a list of subjects to be covered by the reserve powers clause?

10

MR CARTER: Yes. A decision to resume allowing Junkets into Perth; a decision to scrap major programs out of Perth; so a purchase of assets; agreeing to a widespread enterprise agreement with the workforce that has a knock-on impact through the balance of the workforce. So all material issues. They may not necessarily be financially material, but they may be policy material. So that's, Commissioner, in response to your question, some examples.

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As I said, it's not been discussed at the board, and again, involvement with Commissions as this are the matters we will consider when we take it to the board. It would be that sort of stuff I described as examples.

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COMMISSIONER OWEN: My final question to you, and I would like perhaps the witness statement displayed. It is at pinpoint 1003, the first line of clause 55. In an exchange with Mr Feutrill, you drew the well-known distinction between governance and management, and I think you said it was in the context of the board has to walk the talk, be visible, but not trespass management. So the clear distinction --- well, clear, that's probably one of the problems. The distinction between governance and management, that the governments govern and the managers manage.

25

Against that --- I'm not asking you for a legal interpretation of clause 3.12 --- do I understand from the first line of clause 55, that the distinction there is that you're talking there about management as opposed to governance --- the central management and the day-to-day control of the business resides in Perth?

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MR CARTER: Yes, but I haven't commented on governance.

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COMMISSIONER OWEN: No, that's what I'm asking you. Are you concentrating there on saying that it's the management that must be in Perth, and therefore what might go on top of that in terms of governance, the control of that, is not sensitive, is not geographically sensitive?

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MR CARTER: No, this is commenting on management, as you correctly identified, Commissioner. Then the draft charter is quite specific in the need for the board to meet in Perth, to have an independent director in Perth, to show a tie to Perth. So

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aspects of the governance go to the parent, but, as I said, Burswood Limited will operate as a subsidiary but with a full set of board meetings and a full set of governance.

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That will happen in Perth. Again, consistent, for instance, with my example I used with Genesee & Wyoming, that's the way we operated, separately from a parent that lived in Connecticut.

10 COMMISSIONER OWEN: Thank you. Anything arising?

MS THORNTON: No re-examination, thank you.

15 COMMISSIONER OWEN: Mr Carter, thank you very much for making yourself available and for your time and for your evidence. It has been of assistance to us. We are grateful for that. Because the situation is still pretty fluid, I think we might leave the summons in place. The likelihood of us wanting to speak to you again is not great, but just in case, and you will be advised as soon as we are able to discharge the summons. You are free to go, thank you very much.

20

MR CARTER: Thank you very much, and understood, Commissioners.

25 COMMISSIONER OWEN: Just one last thing in closing. Early in your evidence, you said that you were rather surprised at the amount of time that your directorial duties have taken and you perhaps underestimated them. I think that's what you said, isn't it?

MR CARTER: In Crown?

30 COMMISSIONER OWEN: In Crown. A yes or no will do.

MR CARTER: The answer is, yes, I was surprised. Normally boards meet three times a week.

35 COMMISSIONER OWEN: I just wanted to say that, probably in this room, there's a lot of sympathy for that here. We will now adjourn to Monday at 10am.

40 **THE WITNESS STOOD DOWN**

HEARING ADJOURNED AT 3.29PM TO MONDAY, 1 NOVEMBER 2021 AT 10AM

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