

Australia's Crown branded 'disgraceful', gets two years to fix Melbourne casino

Written by Administrator

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The logo of Australian casino giant Crown Resorts Ltd adorns the hotel and casino complex in Melbourne, Australia, June 13, 2017. REUTERS/Jason Reed

- Inquiry says Crown's conduct "disgraceful", co unfit for licence
- Company allowed to operate under supervision for 2 years
- Shares rally as regulatory cloud lifts

SYDNEY, Oct 26 (Reuters) - Australia's Crown Resorts ([CWN.AX](#)) was declared unsuitable on Tuesday to hold a gambling licence in Victoria but was allowed to operate its main Melbourne casino under supervision, raising hopes for its earnings and takeover prospects.

After months of hearings where the company was accused of enabling money laundering and misleading regulators, a Royal Commission inquiry called Crown's actions "disgraceful" in a report published on Tuesday by the Victorian state government.

The company 37%-owned by billionaire James Packer had acted in a way which was "illegal, dishonest, unethical and exploitative", the report said. Some actions were "so callous that it is hard to imagine it could be engaged in by such a well-known corporation."

But rather than shut down its flagship casino, the inquiry recognised the board's reform efforts and recommended letting it continue to operate the resort for two years under supervision.

It also recommended boosting the maximum penalty for casino wrongdoing to A\$100 million (\$75 million), from A\$1 million, and for Packer to be forced to cut his holding to 5% by September 2024, meaning he must sell 32% of the company by then.

A spokesman for Packer was not immediately available for comment.

The report sent a rush of relief through Crown investors who have seen takeover approaches

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evaporate and the company's shares dive as they braced for full licence cancellation at Crown's Melbourne resort, which delivers three-quarters of its profit.

Shares of Crown soared 11% in early trading on Tuesday before settling up 9% by mid-session, outpacing a slightly higher overall market ([.AXJO](#)).

The share price of smaller rival Star Entertainment Group Ltd ([SGR.AX](#)), which had binned a Crown buyout approach due to uncertainty about Crown's future, also rose. Star is now under investigation over similar matters, and did not immediately respond to a request for comment.

"With a bit more regulatory certainty now, people can run the rulers and see what it's worth again," said John Ayoub, a portfolio manager at Wilson Asset Management, which has Crown shares.

"There are a lot of jobs and a lot of economic factors that need to be taken into consideration, and Crown is a long way down that remediation path."

Nathan Bell, a portfolio manager at Investsmart, which owns Crown shares, said the company's pivotal role in the Victorian economy and "the fact Crown's key board members and CEO departed may have helped it get a second chance".

Crown, Victoria's biggest single-site employer with 11,500 employees at the Melbourne complex, has replaced its chairman, CEO, most of its board and senior management since its three state regulators began holding inquiries into its governance in 2020.

Packer, the company's founder, also removed his designated nominees from the board after a separate inquiry in New South Wales found he held improper influence.

"STRINGENT OVERSIGHT"

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Victoria's minister for gaming regulation, Melissa Horne, said the state government would accept all of the report's recommendations.

"We are creating the most stringent oversight of any casino in the country. No longer will Crown's destiny be theirs to manage," Horne told reporters in Melbourne.

An independent manager would be able to investigate the Melbourne casino's affairs and operations, attend board meetings and inspect all records, books and documents, the state government added.

The manager could direct the board and veto its decisions.

Earlier this year, the NSW inquiry led to the freezing of Crown's licence for a new A\$2.1 billion casino tower in Sydney. A third inquiry into Crown's remaining casino, in Perth city, is ongoing.

As with the other two, the Melbourne inquiry heard detailed accounts of Crown enabling money laundering and failing to act on regulatory concerns.

(\$1 = 1.3398 Australian dollars)

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