



**INDEPENDENT LIQUOR AND GAMING AUTHORITY OF NSW**

**INQUIRY UNDER SECTION 143 OF THE CASINO CONTROL ACT 1992 (NSW)**

**THE HONOURABLE PA BERGIN SC  
COMMISSIONER**

**PUBLIC HEARING  
SYDNEY**

**THURSDAY, 8 OCTOBER 2020  
AT 9.58 AM**

**Continued from 7.10.20**

**DAY 39**

Any person who publishes any part of this transcript in any way and to any person contrary to an Inquiry direction against publication commits an offence against section 143B of the *Casino Control Act 1992 (NSW)*

**MS N. SHARP SC appears with MR A. BELL SC and MR S. ASPINALL as counsel assisting the Inquiry**

**MR N. YOUNG QC appears with MS C. HAMILTON-JEWELL for Crown Resorts Limited & Crown Sydney Gaming Proprietary Limited**

5 **MR N. HUTLEY SC appears with DR R. HIGGINS SC, MR A. D'ARVILLE and MR T. O'BRIEN for CPH Crown Holdings Pty Ltd and Mr Packer**

**MR J. STOLJAR SC appears with MS Z. HILLMAN for Melco Resorts & Entertainment Limited**

**MR N. OWENS SC appears with MS C. PLATFORD for Mr Brazil**

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COMMISSIONER: Thank you. Yes, Ms Sharp. I'll just – if I may, just deal with this tender. Mr Young, I have the document that was sent across to the Inquiry last evening: the Fourth Review of the Casino Operator and Licence, June 2008. I will

15 mark that as exhibit AB56, and I will note the content of the pages that you referred to yesterday at 28 and 29, that Dr Ho did not – so far as the VCGLR was concerned, did not have any ongoing influence over Melco or Mr Lawrence Ho in 2008. That was in the joint venture in Macau.

20 MR YOUNG: Thank you, Commissioner.

COMMISSIONER: That will be exhibit AB56.

25 **EXHIBIT #AB56 FOURTH REVIEW OF THE CASINO OPERATOR AND LICENCE, JUNE 2008**

MR YOUNG: Thank you.

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COMMISSIONER: Yes, all right. Yes, Ms Sharp.

MS SHARP: Commissioner, just before we get started today with questioning, can I tender some documents?

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COMMISSIONER: Yes of course.

MS SHARP: First of all, Mr Bell yesterday tendered AB54 which was a 2006 transcript of interview. Could I tender some further pages of that document?

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COMMISSIONER: Yes.

MS SHARP: The pages I will tender, Commissioner, are pinpoint 0260, pinpoint 0265, pinpoint 0269 and pinpoint 0290.

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COMMISSIONER: Yes, all right. That will be part of the exhibit.

MS SHARP: Commissioner, there is next a tender list marked exhibit AF in front of you. Before I tender those documents, can I explain some limits on that tender. If you go to the entry for AF47, that is another transcript of interview in 2008. I only seek to tender three pages of that document.

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COMMISSIONER: Yes, all right.

MS SHARP: The pages I seek to tender are – and I will give pinpoint references – pinpoint 0047, pinpoint 0076 and pinpoint 0077.

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COMMISSIONER: Thank you.

MS SHARP: Can I also take you, please, Commissioner to the final entry which is AF57. That's a 2012 transcript. I only tender a very limited number of pages and they are pinpoint 0001, pinpoint 0002, pinpoint 0023, pinpoint 0024 and then pinpoints 0083 to pinpoint 0091.

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COMMISSIONER: Yes, thank you.

MS SHARP: With those observations in mind, I tender the documents in the list marked AF.

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COMMISSIONER: Thank you. And the basis on which they are tendered is marked on the document. I will mark those exhibits AF1 to AF57, with those observations noted. Thank you, Ms Sharp.

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#### **EXHIBIT #AF1 TO AF57 PART OF 2012 TRANSCRIPT**

30

MS SHARP: Thank you, Commissioner.

COMMISSIONER: Yes.

MR YOUNG: Commissioner?

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COMMISSIONER: Yes, Mr Young.

MR YOUNG: Commissioner, we lost the first half of what Ms Sharp said because of internet issues and an echo from the hearing room.

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COMMISSIONER: I'm not sure you can tell me that the echo came from me, Mr Young, can you?

MR YOUNG: Well, all I know is my junior in Sydney had the same problem. I had the problem in Melbourne.

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COMMISSIONER: Never mind. Mr Young, I think the transcript is unaffected by these gremlins so that you will be able to see what Ms Sharp, in fact, said to the hearing and it's really only explaining the limitations of page numbers in exhibit AF1 through to AF57, and nothing adverse to you or to your clients.

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MR YOUNG: All right. Thank you.

MR HUTLEY: Madam Commissioner, we had a similar reverberation problem; it's probably our fault. And we did lose some of the pages and the difficulty is could we keep – have the pages at the moment treated as confidential? That can then be the subject - - -

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COMMISSIONER: They are all that. They are all there on the basis that – yes, they are all in the basis of “position reserved”, Mr Hutley.

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MR HUTLEY: Thank you, Madam Commissioner. Therefore, we can address it later on. Thank you.

COMMISSIONER: Yes, thank you. Mr Packer, you are ready to proceed?

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MR PACKER: Yes, Madam Commissioner.

COMMISSIONER: Just pardon me. Yes, thank you. And Mr Packer, you understand that you are bound by the affirmation that you took on Tuesday, I think it was, to tell the truth?

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MR PACKER: Yes, Madam Commissioner.

COMMISSIONER: Yes, thank you. Yes, Ms Sharp.

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**<JAMES DOUGLAS PACKER, ON FORMER AFFIRMATION [10.03 am]**

35 **<EXAMINATION BY MS SHARP**

MS SHARP: Mr Packer, it's correct that on about 23 July 2019 your adviser, Karl Bitar, was provided with 63 questions from journalist Nick McKenzie about some stories he was proposing to run on Crown Resorts?

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MR PACKER: I can't remember the exact date but that sounds correct, Ms Sharp.

MS SHARP: And it's your evidence that you don't recall being made aware of the 63 questions at that time?

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MR PACKER: Yes, Ms Sharp.

MS SHARP: May we take it, however, that you were made aware of the general thrust of the allegations?

MR PACKER: I presume so.

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MS SHARP: Now, it's correct that at about that time, you reached out to Mr Alexander for his opinion on the proposed 60 Minutes program?

MR PACKER: Yes, Ms Sharp.

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MS SHARP: May we take it from that, that you had considerable interest in the allegations the program intended to air?

MR PACKER: Yes, Ms Sharp.

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MS SHARP: Now, on the same day that the program aired, that is, 28 July 2019, you reached out to Mr Felstead to ask him what he thought of the program; correct?

MR PACKER: I can't recall, Ms Sharp.

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MS SHARP: I will take you to a document to see if this prompts a recollection. Could I – to be brought up on the confidential link, exhibit AF36. The Ringtail reference is CRL.501.009.7238.

25 MR PACKER: Yes, Ms Sharp, I see that email.

MS SHARP: That's an email dated 28 July 2019 from you to Mr Felstead?

MR PACKER: That's correct, Ms Sharp.

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MS SHARP: So it is correct that you reached out to Mr Felstead the same day that the 60 Minutes program aired?

MR PACKER: Yes, Ms Sharp.

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MS SHARP: And you did watch at least part of that 60 Minutes program at the time it aired?

MR PACKER: I watched part of it and then the transmission went down.

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MS SHARP: So is it right you saw about half of the program?

MR PACKER: That's a rough guesstimate.

45 MS SHARP: At around the same time, that is 28, July 2019, you also read some media articles making similar kinds of allegations against Crown Resorts?

MR PACKER: I believe I would have, Ms Sharp.

MS SHARP: So you were following these allegations with considerable interest?

5 MR PACKER: Yes, Ms Sharp.

MS SHARP: Were these allegations of concern to you, Mr Packer?

10 MR PACKER: Of course, they were, Ms Sharp.

MS SHARP: And why was that?

15 MR PACKER: Because they were casting Crown in a bad light and implying improper behaviours.

20 MS SHARP: Can I take you to a document, please. This is a public document. It's exhibit A219. It's INQ.100.010.0895. What I'm going to show to you, Mr Packer, is Crown Resorts ASX media release issued on 31 July 2019. And what I will do is show you over the page to pinpoint 0896 and I will have that second page shown to you. Now, you saw this advertisement at around the time it was brought into existence; correct?

MR PACKER: I believe – I believe so, Ms Sharp.

25 MS SHARP: And in fact, you were provided with updates by Mr Alexander about the steps the board was taking to prepare this ASX media release?

30 MR PACKER: Updated is a strong term. I wasn't shown the contents of the media release but I was told that a media release was planned.

MS SHARP: Could I take you, please, Mr Packer, to a document on the confidential link. It's exhibit AA195, CRL.501.026.6747. This is an email from Mr Alexander to you on 29 July.

35 MR PACKER: Yes.

MS SHARP: And you will agree that he is expressing telling you he is providing you with an update?

40 MR PACKER: Yes.

MS SHARP: So it's right that he was updating you on the board's response to these media allegations?

45 MR PACKER: Could you repeat the question, Ms Sharp?

MS SHARP: It's right that he was updating you on the board's response to these allegations?

5 MR PACKER: I'm not sure he's updating me on the board's response.

MS SHARP: Well, he's telling you that there's going to be a board meeting the following day, isn't he?

10 MR PACKER: Yes.

MS SHARP: And he's telling you that the board is going to receive a detailed response in relation to the allegations?

15 MR PACKER: Yes, but that's different to the board's response.

MS SHARP: Could I then take you, Mr Packer, to another document on the confidential link, please. This is exhibit AA197. It is CRL.501.026.6761. You will agree, Mr Packer, that you were provided with a draft of a paper to go to the board setting out management's investigation into the allegations?

20 MR PACKER: Yes.

MS SHARP: And you will agree that attached to that email I'm showing you is the draft board paper?

25 MR PACKER: Sorry, Ms Sharp, will you repeat the question, please?

MS SHARP: Attached to that email was the draft board paper, do you agree?

30 MR PACKER: Yes.

MS SHARP: And this email was sent to you by Mr Alexander?

35 MR PACKER: Yes.

MS SHARP: Did you read the draft board paper?

MR PACKER: I presume I did.

40 MS SHARP: And you were aware that the board was meeting to discuss the allegations and this paper on 30 July 2019?

MR PACKER: Yes.

45 MS SHARP: And you took steps to follow up with Mr Alexander what the outcome of that meeting was, didn't you?

MR PACKER: I can't recall, but I wouldn't be surprised if I did.

MS SHARP: Well, I'll take you - - -

5 MR PACKER: I would be surprised if I didn't.

COMMISSIONER: Yes.

10 MS SHARP: I will take you to exhibit AF37, which is a confidential link document, CRL.501.025.6639. This is an email from you to Mr Alexander dated 30 July.

MR PACKER: Yes, Ms Sharp.

15 MS SHARP: So you were following up with Mr Alexander what the outcome of the board meeting was; correct?

MR PACKER: It looks like that, Ms Sharp.

20 MS SHARP: So you agree?

MR PACKER: I think it's probably a broader question than that, but it encapsulates the board meeting.

25 MS SHARP: Can I take you to another document - - -

MR PACKER: I didn't say, "How was" - - -

MS SHARP: Sorry, the last bit of your answer cut out, Mr Packer.

30 MR PACKER: I didn't say, for instance, "How was the board meeting?"

MS SHARP: Well, you wanted to know what the outcome of the board meeting was, didn't you?

35 MR PACKER: I wanted an update, yes.

MS SHARP: And you wanted to know what the board was doing in relation to the media allegations?

40 MR PACKER: I put that - I think that's putting it too strongly, Ms Sharp.

MS SHARP: How would you put it?

45 MR PACKER: "Dear JA, what's news?"

MS SHARP: Well surely you have some recollection of what you were doing back in July of last year?

MR PACKER: I do.

MS SHARP: In relation to a matter that was of considerable interest to you?

5 MR PACKER: Yes.

MS SHARP: Because you wanted to understand what the board was going to do in relation to these proposed allegations; correct?

10 COMMISSIONER: The response to the allegations.

MR PACKER: I don't think I was asking in that question what was the board's response.

15 MS SHARP: Could I show you another document, please, Mr Packer. This one is also a confidential document. It's exhibit AA199. It's CRL.501.026.6839. Now, this is an email that Mr Alexander has sent to you, correct, on 31 July?

MR PACKER: Yes.

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MS SHARP: And you will agree that what he is doing is forwarding you an email from the company secretary, Ms Manos, to the directors of the board?

MR PACKER: Yes.

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MS SHARP: And what he is doing is forwarding you a draft letter for publication?

MR PACKER: Yes.

30 MS SHARP: And so we may take it by this time you were made aware that the board was intending to publish a full-page ad responding to the allegations?

MR PACKER: Yes, Ms Sharp.

35 MS SHARP: And Mr Alexander asked you if you wanted to catch up, didn't he?

MR PACKER: Yes, he did.

40 MS SHARP: And you will agree that the attachment to Mr Alexander's email to you was a draft of the advertisement?

MR PACKER: That's what it appears to be, the subject.

MS SHARP: Did you read that at the time it was sent to you?

45

MR PACKER: I presume I would have.

MS SHARP: Well, it's really most likely that you did, isn't it?

MR PACKER: I will accept that, Ms Sharp.

5 MS SHARP: Can I then take you, please, Mr Packer, to exhibit AA201. This is also to be brought up on the confidential link. It is CRL.501.026.6866. And you'll agree that what you're doing on the 30th of – I beg your pardon, the 31st of July, is asking Mr Alexander to give you a call?

10 MR PACKER: Correct.

MS SHARP: And then he responds, "Call me now."

MR PACKER: Correct.

15

MS SHARP: Did you speak on the phone that day?

MR PACKER: I can't recall.

20 MS SHARP: Do you think it's most likely that you did?

MR PACKER: I think it's most likely that I did.

25 MS SHARP: Do you think it's most likely you spoke about the proposed advertisement?

MR PACKER: I can't recall.

30 MS SHARP: Did you have - - -

MR PACKER: But, yes, I think it is most likely. I think it is most likely.

MS SHARP: Did you have any input whatsoever into the terms of the proposed advertisement?

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MR PACKER: Zero.

MS SHARP: It's right, though, that at this time you were in almost daily contact with Mr Alexander about these media allegations?

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MR PACKER: It's right that I'd been in contact with him for a couple of days in a row or something like that.

MS SHARP: And it was about the media allegations, wasn't it?

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MR PACKER: Yes.

MS SHARP: Could I take you, please, to exhibit AA199. Again, on the confidential link, CRL.501.026.6839. I beg your pardon, I've given you the wrong number. Let me do this again. It's confidential link CRL.568.027.9524. It's exhibit AF41. Now, this is the 1st of August. This is the date of the publication of the advertisement and – you agree with that, Mr Packer?

MR PACKER: I'm not sure, Ms Sharp, but I'll accept that if that's what you're telling me.

MS SHARP: And what you were doing on the 1st of August 2019 was following up with Mr Alexander as to whether there'd been any news?

MR PACKER: Yes.

MS SHARP: And may we take it that what you were following up on is whether there'd been any news in relation to the publication of this letter from the directors of Crown Resorts?

MR PACKER: No, I don't think – I don't accept that that's all that I would have been asking about.

MS SHARP: You accept that that is one of the things you would have been asking about?

MR PACKER: One of the things I would have been curious about, yes – or asking about.

MS SHARP: Tell me, we've established you were provided with a draft board paper in relation to the investigation of the allegations. Did you have any input whatsoever in relation to that document?

MR PACKER: In relation to which document, Ms Sharp?

MS SHARP: The investigation paper that was placed before the board at its 30 July meeting?

MR PACKER: No, I had no input into that paper.

MS SHARP: Can we return, now, to the board of directors' open letter. If I can have brought up on the screen exhibit A219, which is INQ.100.010.0895, and it's at pinpoint 0896. Mr Packer, do you agree that this release is in the most strident of language?

MR PACKER: I agree it's in very strong language, Ms Sharp.

MS SHARP: Do you accept, now, that parts of this release are wrong?

MR PACKER: Yes.

MS SHARP: As a former director and, indeed, as the executive chairman of Crown Resorts, is it your view that the publication of this open letter by the directors reflects upon their judgment as directors?  
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MR HUTLEY: I object.

COMMISSIONER: Yes. Yes, Mr Hutley?  
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MR HUTLEY: The view of Mr Packer, who is not an executive director, is a past one, reflecting on the judgment of others will not be of assistance to you in this case – this matter.

COMMISSIONER: Yes. Yes, I will allow it. Yes, Ms Sharp.  
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MS SHARP: Mr Packer, would it help if I asked you the question again?

MR PACKER: Yes, please, Ms Sharp.  
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MS SHARP: From your perspective as the executive director of Crown Resorts – sorry, the executive chairman of Crown Resorts for many years and, thereafter, a director, do you consider that the publication of this advertisement in these strident terms reflects upon the judgment of the directors who signed this document?  
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MR PACKER: No, I don't.

MS SHARP: And why is that?

MR PACKER: I think it reflects upon the information that the directors were given.  
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MS SHARP: Aren't the directors ultimately responsible for documents that go out in their name?

MR PACKER: I'm not a lawyer, Ms Sharp, but I presume so.  
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MS SHARP: In that event, doesn't this document ultimately reflect upon their judgment?

MR HUTLEY: I object. The premise – the conclusion doesn't follow from the premise and the premise is, with all due respect to the questioner, obtuse.  
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COMMISSIONER: Yes. All right. Perhaps a little more precision.

MS SHARP: Yes. The premise, Mr Packer, is you accept now, don't you, that parts of this open letter are wrong?  
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MR PACKER: Yes. With the benefit of hindsight, I do, Ms Sharp.

MS SHARP: And one of the aspects of this open letter that is wrong is the assertion that Suncity was listed on the Hong Kong Stock Exchange; do you agree?

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MR PACKER: I agree, from what – from following the Inquiry.

MS SHARP: And another part of this release that is wrong is the assertion that Crown Resorts had ceased to deal with all junkets named in the media allegations aside from Suncity.

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MR HUTLEY: I object. It's not what the document asserts.

MS SHARP: Well, I'm happy to address you on that, Commissioner. If I could perhaps have enlarged subparagraph (e) on the left-hand column.

15

COMMISSIONER: Yes.

MS SHARP: And Commissioner, what you will see at subparagraph (e)(i) is that Crown does not deal with any of the other junket operators or players mentioned in the program.

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COMMISSIONER: That is (ii)?

MS SHARP: Yes.

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COMMISSIONER: Yes, thank you. Yes, you may proceed.

MS SHARP: That part of this media release is wrong, is it not?

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MR PACKER: I'm not sure, Ms Sharp.

MS SHARP: Would you accept that if Crown Resorts' chief legal officer had indicated that, in fact, at the time there were four such junkets that Crown continued to deal with, this part of the advertisement would be wrong?

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MR PACKER: I accept that.

MS SHARP: And I suggest to you that – if I can have highlighted another part of this document. We can minimise that and then highlight the bottom half of the left-hand column under the heading Junket Operators. What you will see is the assertion that the junkets are not Crown's, they are independent operators. And do you agree that what's sought to be asserted here is that Crown did not partner with junket operators?

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MR HUTLEY: I object.

COMMISSIONER: Yes, Mr Hutley.

MR HUTLEY: This witness can't comment upon what is sought to be asserted in a document which is not his, and in which he didn't – which is not his.

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COMMISSIONER: Yes. Ms Sharp, you may proceed on a reasonable reader reading this would assume, etcetera.

MS SHARP: Yes.

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COMMISSIONER: Yes.

MS SHARP: Mr Packer, you would agree that a reasonable reader, reading this, would take from it the assertion by Crown that it did not partner with junkets?

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MR YOUNG: Commissioner, I object to this question.

COMMISSIONER: Yes, Mr Young.

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MR YOUNG: That's not what the advertisement says, what was just put.

COMMISSIONER: I'm going to allow the question. Yes, Ms Sharp, you may proceed.

25

MS SHARP: Mr Packer, would you like me to ask you the question again?

MR PACKER: Yes, Ms Sharp, and can you tell me where on the page it is?

MS SHARP: Yes.

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MR PACKER: On the advertisement page.

MS SHARP: If you could look at the heading Junket Operators and then read to yourself the very first paragraph under that heading and my question is, would you agree that a reasonable reader would take from this the assertion that Crown Resorts does not partner with junket operators?

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MR PACKER: Can you repeat the question?

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MS SHARP: Bearing in mind that first paragraph that I've asked you to read, would you agree that a reasonable reader would understand from that, that Crown Resorts was asserting that it did not partner with junket operators?

MR PACKER: No, Ms Sharp.

45

COMMISSIONER: It was suggested to you that – I withdraw that. You understood that the publications over the time in July/August had suggested that Crown was partnering with junket operators, did you, Mr Packer?

5 MR PACKER: Working with them or partnering, I'm not sure.

COMMISSIONER: Yes. Yes, and so this advertisement or publication suggests, on one view of it, doesn't it, that really the junkets are separate from Crown as they are independent operators; do you see that?

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MR PACKER: I'm sorry for being slow, Madam Commissioner; can you try again.

COMMISSIONER: That's all right. That's all right, no problem at all Mr Packer. You see in the third sentence it says:

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*They are independent operators.*

MR PACKER: Yes.

20 COMMISSIONER: And so it's suggested, isn't it, that these people that are junket operators with whom Crown deals are independent of Crown; do you agree with that proposition?

25 MR PACKER: I think the fourth sentence is the one that I'm having trouble with, Commissioner.

COMMISSIONER: What, "Crown deals"?

30 MR PACKER: "Crown deals with junkets" –

*Crown deals with junkets and their customers in essentially the same way as other international casinos.*

35 COMMISSIONER: Why are you having trouble with that?

MR PACKER: Because doesn't that cover Ms Sharp's question?

40 COMMISSIONER: No, you are just being asked do you agree, if you just focus on what I am asking you, do you agree that the paragraph suggests that the junket operators are independent of Crown; that they're their own companies or individuals. They're independent of Crown. You agree with that proposition?

MR PACKER: Yes, I do, Madam Commissioner.

45 COMMISSIONER: Yes, thank you. Yes, Ms Sharp.

MS SHARP: And assume from me, please, Mr Packer, that at this time in late 2019, media articles had repeatedly asserted that Crown Resorts was partnering with junkets. Now, to your knowledge, that proposition was correct, wasn't it?

5 MR YOUNG: Commissioner, I object to the question.

COMMISSIONER: Yes, Mr Young?

10 MR YOUNG: The article itself, as Mr Packer just observed, says that "Crown deals with junkets" - - -

COMMISSIONER: Could you speak up a bit, Mr Young; I'm having a little hearing you.

15 MR YOUNG: I apologise, Commissioner.

COMMISSIONER: That's all right.

20 MR YOUNG: The article itself, as Mr Packer just pointed out, says that Crown deals with junkets in the same way as other casino operators. Ms Sharp's question presupposes some different meaning of "partnering" than what the ad says deals with. Now, there is no evidence to support any other interpretation of the word "partnering". Now, if Ms Sharp is saying that there was a legal partnership in some fashion, that is not supported by the evidence.

25 COMMISSIONER: Look, that's a totally different matter. Ms Sharp is entitled to test the content of the article. She is entitled to test Mr Packer's knowledge and ask him to assume that in the articles things were being said. The fact that we might get into a legal debate about the evidence in due course is another matter. I'm going to allow her to proceed. Please proceed, Ms Sharp.

30

MS SHARP: Mr Packer, you understood at all relevant times, that Crown Resorts did partner with junkets; correct?

35 MR PACKER: Yes.

MS SHARP: Mr Packer, this article asserts in the third paragraph, which you have blown up for yourself:

40 *Crown itself has a robust process for vetting junket operators.*

Now, that assertion is not correct, is it?

45 MR PACKER: With the benefit of hindsight, I agree with you, Ms Sharp.

MS SHARP: I will move back to my initial question with its premise, its premise being that many parts of this release are wrong. May I ask you, Mr Packer, based on

your long experience as the executive chairman of Crown Resorts and later a director, do you consider that to publish an open letter which is wrong in so many respects, reflects poorly on the judgment of the directors?

5 MR PACKER: Not at the time, if the directors had been given incorrect information. With the benefit of hindsight, I accept it reflects poorly.

10 MS SHARP: Can I move to a different topic now, Mr Packer. In 2012, you were interviewed for the purpose of a New South Wales probity investigation, and you were asked about your role as an executive chairman. You said that your role was to monitor the strategy, the management, the capital employment and the operating resorts – I beg your pardon, operating results of Crown Resorts. Does that remain a correct statement as to your role as the executive chairman?

15 MR PACKER: I'm not the executive chairman, Ms Sharp.

MS SHARP: I withdraw that.

20 MR PACKER: I stopped being the executive chairman five years ago.

MS SHARP: I accept that, Mr Packer. Does that statement that you made in 2012 correctly reflect what you understood your role to be at the time you were the executive chairman?

25 MR PACKER: Can you repeat what I answered?

30 MS SHARP: Yes, indeed. I will show it to you to assist, Mr Packer. Can I call up on the confidential link INQ.150.020.0001\_R at pinpoint 0023, and if we could go to pinpoint 0023. And could I direct your attention please, Mr Packer, to the bottom of that page and the very final question that this transcript records being asked of you is:

*What do you see as your role as the executive chairman of Crown Limited.*

35 Then if I could go over the page, please, to pinpoint 0024. The transcript records you as answering:

*To monitor the strategy, the management, the capital employment and the operating results.*

40 Now, Mr Packer, is that a correct statement of what your role was as the executive chairman?

MR PACKER: Yes, Ms Sharp.

45 MS SHARP: Can I move now to ask you about the period during which Crown had a joint venture with Melco. Now, it's correct, isn't it, that Crown had an interest in Melco Crown, later Melco Resorts for around 13 years?

MR PACKER: I believe that's correct.

MS SHARP: And that was in the period from late 2004 until May of 2017?

5 MR PACKER: That's correct.

MS SHARP: And this was a joint venture that you negotiated with Mr Lawrence Ho?

10 MR PACKER: Well, the Crown team – the PBL team negotiated with Mr Lawrence Ho. I wouldn't say it was just me.

MS SHARP: There's a transcript of an interview you had with the Victorian regulator in 2016 where – I beg your pardon, 2006 – where you are quoted as saying:  
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*I basically did the negotiations with Lawrence.*

Is that right or wrong?

20 MR PACKER: That's correct but I don't think it's inconsistent with my previous answer.

MS SHARP: Now, during the period of the joint venture, you were the co-chair of Melco Crown?  
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MR PACKER: Until about April or May 2016 when I became the deputy chairman.

MS SHARP: Thank you, Mr Packer. When you were negotiating this joint venture, it's right that you travelled to Macau on at least six occasions?  
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MR PACKER: I can't recall, Ms Sharp, but that could be correct.

MS SHARP: I might just take you to a document which may assist to refresh your memory. It's the 2006 interview with the VCGLR. Could I bring this up on the confidential link, please. It's INQ.080.080.0241.  
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COMMISSIONER: Whilst that is happening, Mr Packer, when you said you became the deputy, was that at a time when Mr Rankin became the co-chair?

40 MR PACKER: No, Mr Rankin never became the co-chair of – of Melco Crown or Melco Resorts as it is now. It was after – it was after the first sell-down in Crown's shares. So until April or May 2016, Mr Ho – or Melco International had identical numbers of shares to Crown Resorts.

45 COMMISSIONER: Yes.

MR PACKER: And then in mid-2016 Crown Resorts sold 10 per cent of their shares into a share buyback which made Mr Ho the senior partner, numerically.

5 COMMISSIONER: Thank you. What position then did Mr Rankin take in respect of the joint venture?

MR PACKER: He stayed on the board.

10 COMMISSIONER: So he was on the board for the period whilst he was chairman of Crown Resorts?

MR PACKER: Yes, he was.

15 COMMISSIONER: Yes, thank you. Yes. Yes, Ms Sharp.

MS SHARP: Could I have Mr Packer taken to .0290.

COMMISSIONER: 0241, is it?

20 MS SHARP: No, it's 0290.

COMMISSIONER: All right. We can have that brought up on the screen, please. Thank you. Yes.

25 MS SHARP: And Mr Packer, you can take it from me that this is a transcript of your 2006 interview with representatives from the Victorian regulator. Could I direct your attention to question 189 and then - - -

30 MR PACKER: Yes.

MS SHARP: - - - your answer recorded underneath it. Could you just read that to yourself, please.

35 MR PACKER: Yes, Ms Sharp.

MS SHARP: So it's correct, isn't it, that for the purpose of considering whether to enter into joint venture arrangements you travelled to Macau on six occasions?

40 MR PACKER: At least six occasions and with other executives.

MS SHARP: And the purpose of so doing was to allow you to conduct your own due diligence?

45 MR PACKER: Yes, Ms Sharp.

MS SHARP: And may we take it that one part of that was allowing you to form an understanding of how the casino industry operated in Macau?

MR PACKER: Yes, Ms Sharp.

MS SHARP: And may we take it that during that period, you became familiar with the significance of what are there described as gaming promoters and are here  
5 described as junkets in the promotion of VIP gaming in casinos?

MR PACKER: I believe that's correct, Ms Sharp.

MS SHARP: And what view did you form about the role that gaming promoters,  
10 that is, junkets, played?

MR PACKER: I formed the role that they were very important in the VIP side of the business, and formed the view that the mass side of the business was going to grow from being the minority to being the majority over the medium term. So in that  
15 sense, the VIP - - -

MS SHARP: And Mr Packer, why - - -

MR PACKER: - - - so in that sense the VIP - - -  
20

COMMISSIONER: You proceed, Mr Packer.

MR PACKER: Sorry, Ms Sharp. So in that sense, both Lawrence and I believed that the VIP business was going to become proportionately a smaller share of the  
25 overall casino business in Macau, over time.

MS SHARP: Can I just return to your answer where you said that you formed the view that junkets were very important to the VIP side. Why did you form that view?

30 MR PACKER: Because that's the way the market worked in Macau.

MS SHARP: And you understood that that VIP market was a global market; correct?

35 MR PACKER: I'm not sure how global that market had become out of China by 2004.

MS SHARP: Did you understand that in relation to junkets, the casino operators had arrangements with the junket operators rather than with the players directly?  
40

MR PACKER: Yes.

MS SHARP: And to the extent to which the casino operators advanced credit, they advanced credit to the junket operators rather than the patrons?  
45

MR PACKER: Not all the time but mostly.

MS SHARP: And that meant that the casino operator could enforce debts against junket operators rather than patrons?

MR PACKER: Yes.

5

MS SHARP: And it was a matter for the junket operator to – I cut across you, Mr Packer, please continue.

COMMISSIONER: We will just wait until the connection is restored.

10

MR PACKER: Sorry, Ms Sharp.

COMMISSIONER: Yes. Thank you. Yes, Ms Sharp.

15

MS SHARP: I was just about to ask you, you understood that it was for the junket operators to enforce debts as against the patrons?

MR PACKER: Yes.

20

MS SHARP: So from the casino operator's perspective, you understood, didn't you, that the advantage of dealing with junkets was to transfer a credit risk so that the casino operator could enforce a debt against a junket operator rather than looking to the patron?

25

MR PACKER: That was one of the advantages.

MS SHARP: And another advantage was that the junket operators could locate the patrons in the first place?

30

MR PACKER: I assume that's correct.

MS SHARP: Well, you knew that that was correct, didn't you?

MR PACKER: Well, in most occasions, yes.

35

COMMISSIONER: Do you mean to locate them to bring them to play at the casino?

MS SHARP: That is so, Commissioner.

40

COMMISSIONER: Yes, I see. Yes.

MS SHARP: Now, Melco Crown opened Altira in Macau in May of 2007?

45

MR PACKER: Yes.

MS SHARP: And Melco Crown then opened the City of Dreams in Cotai in Macau in June 2009?

MR PACKER: Yes.

5

MS SHARP: And Melco Crown opened Studio City in Macau in October of 2015?

MR PACKER: Yes.

10 MS SHARP: Additionally, Crown Melco operated or opened City of Dreams in Manila in February 2015?

MR PACKER: Yes.

15 MS SHARP: I want to ask you some questions about Altira. Is it fair to say that shortly after Altira opened, there was a pivot towards the VIP market?

MR PACKER: Yes, that's correct.

20 MS SHARP: And in particular, there was a focus on drawing VIPs from mainland China?

MR PACKER: I can't recall if that was a particular strategy that was employed.

25 MS SHARP: Can I take you, Mr Packer, to an interview you participated in, in 2008 with the Victorian casino regulator. If I could call up on the confidential link, please, INQ.080.080.0047\_R. That's exhibit AF47.

COMMISSIONER: Thank you.

30

MS SHARP: Could I take you, please, Mr Packer, to pinpoint 0076. And if you look at .0076 at the bottom, would you agree that you're discussing Altira? And I can take you to the next page, if that would assist, which is pinpoint 0077.

35 MR PACKER: Yes.

MS SHARP: Now, it's right that Altira did struggle when it first opened?

MR PACKER: Yes, Ms Sharp.

40

MS SHARP: And you viewed one of the mistakes as having too much of that casino dedicated to mass market as opposed to VIP?

MR PACKER: Yes, Ms Sharp.

45

MS SHARP: And to rectify the situation, what Crown – sorry, what Melco Crown did was a deal with a gaming promoter to bring in VIP patrons; is that correct?

MR PACKER: I believe so, Ms Sharp.

MS SHARP: And in order to sweeten that deal, it's right that Crown Melco paid – or Melco Crown paid above market commission to this gaming promoter?

5

MR PACKER: I believe that's correct.

MS SHARP: And this gaming promoter was called AMA, A-M-A, correct?

10 MR PACKER: That sounds correct.

MS SHARP: And that company had a relationship with another company called Amax, A-m-a-x; correct?

15 MR PACKER: I can't recall that.

MS SHARP: Well, isn't that a company into which you had a share – or I beg your pardon, CPH had a share investment at around this time?

20 MR PACKER: I can't recall.

MS SHARP: Does it sound right to you?

MR PACKER: I'm just not sure, Ms Sharp.

25

MS SHARP: In any event, you are aware that Melco Crown had an arrangement with a gaming promoter by the name of A-M-A, AMA?

MR PACKER: Yes.

30

MR STOLJAR: Commissioner, could I raise an objection?

COMMISSIONER: Yes, Mr Stoljar.

35 MR STOLJAR: It's not so much an objection, it's a situation in which we seem to be moving into a terrain involving my client to some extent, and I don't have access to any of these materials. I'm not in a sense putting forward an objection at this point but I'm simply noting that this may be moving into an area that does affect my client. My client is not really in a position to assess the direction we're going. It  
40 may be that the matter could be cured if Ms Sharp asked questions in a way that didn't, as it were, put on open record the identities or the certain actions that may have or may have not taken place.

45 COMMISSIONER: I note your note, and I also will make sure that anything that may be adverse to Melco about be given to you, Mr Stoljar. But Ms Sharp will tell me if that is about to happen or may happen, and we will ensure that anything that is necessary to be provided to you will be provided to you, Mr Stoljar.

MR STOLJAR: Thank you very much, Commissioner .

COMMISSIONER: Yes, Ms Sharp.

5 MS SHARP: Mr Packer, did you understand that the man who stood behind your – I beg your pardon – Crown Melco’s – I withdraw that. Did you understand that the man who stood behind the gaming promoter with which Melco Crown dealt was Ng Man Sun, N-g M-a-n S-u-n?

10 MR PACKER: I can’t recall, Ms Sharp.

MS SHARP: So you can’t assist this Inquiry either way?

MR PACKER: Not on that name.

15

MS SHARP: Now, you told Mr Bell yesterday that while you were the co-chair of Melco Crown, your practice was to read its annual reports. Would it follow that you read Melco Crown’s annual report of 2008?

20 MR PACKER: Probably.

MS SHARP: Could I take you to that report, please, Mr Packer. This is exhibit AF45. This is an open document. It is INQ.030.001.0322. And could I take you, please, to pinpoint 0329 of that annual report. I need to have that enlarged so you can read it, Mr Packer. If I could highlight the first page, page 12, and I’m sorry, just to put that in context, I then need to take you to pinpoint 0329, which is the second column in English. If I could have that highlighted for you, please, and enlarged. And can I draw your attention, please, to the first paragraph beginning:

30 *We are not afraid –*

do you have that paragraph there, Mr Packer?

MR PACKER: Yes:

35

*We are not afraid of new ideas.*

COMMISSIONER: Yes.

40 MS SHARP: Could I take your attention down five lines, please, to the statement:

*For example, we created a unique operating structure at Altira Macau that delivers working capital, the life blood of this business, to gaming promoters in a way that insulates us from credit risk.*

45

Now, that, so far as you are concerned, that statement was true at the time it was made?

MR PACKER: I presume so, but I can't recall.

MS SHARP: Well, you understood at that time that an advantage of dealing with a gaming promoter, that is, a junket, is to insulate the casino operator from credit risk?

5

MR PACKER: That's correct, Ms Sharp.

MS SHARP: Can I take you, please, to the transcript of your 2012 interview for the purpose of a New South Wales probity investigation. Can I have this brought up on the confidential link, please. It's exhibit AF57, INQ.150.020.0001\_R, and then go to pinpoint 0091. Now, if I could direct your attention to the top half of that page and have it enlarged for you, Mr Packer, and if I could draw your specific attention to line 15. Do you agree that what Altira did was reposition itself from a mass casino to a junket casino?

15

MR PACKER: Yes.

MS SHARP: And it's fair to say, isn't it, Mr Packer, that Melco Crown's relationships with junket operators were the key to the success of Altira?

20

MR PACKER: Yes.

MS SHARP: And is it right that you realised at that time the value that junket operators could bring to the casino business?

25

MR PACKER: Well, Altira was a unique casino. It became aware to me the value that junket operators especially could bring to Altira.

MS SHARP: And is it right that you did understand that junkets could perform a key role in driving a casino operator's profits?

30

MR PACKER: That's a relative question, Ms Sharp. In the case of Altira, that would be an example of the furthest extreme. For City of Dreams, it wouldn't have been anywhere near as much.

35

MS SHARP: And in these early days of Altira's operation, it's right, isn't it, that you understood the relationship between Melco Crown and its junket operators to be one of partnership?

MR PACKER: I'm not sure legally what "partnership" means. They were certainly working together and were seeking mutual benefit.

40

MS SHARP: While we are in the transcript, could I take your attention, please, to pinpoint 0089 and could I draw your attention, please, to line 20. Do you agree that you were, in 2012, comfortable to describe the relationship between Melco Crown and its gaming promoters as one of partnership?

45

MR PACKER: I used the word “partnership” in there, along with other words.

MS SHARP: Yes, but you thought at the time that that is a word that could fairly apply; correct?

5

MR PACKER: That’s correct, Ms Sharp.

MS SHARP: Now, is it correct that this casino operator model which depended upon – depended to no small extent upon relationships with junkets, is a model that you wished to bring to Crown Resorts’ Australian operations?

10

MR PACKER: No, I disagree with that.

MS SHARP: Are you sure about that?

15

MR PACKER: Yes, because the percentage profit that the junket business would be in Australia was always going to be very minimal compared to the mass side of the business.

MS SHARP: I’m asking – just to be clear, Mr Packer, I’m not asking for your views today. I’m asking for your views in around 2012?

20

MR PACKER: I thought that the inbound Chinese tourism market was going to continue to grow in Australia at double digits for the foreseeable future, and I was clearly wrong about that.

25

MS SHARP: So back at that time in 2012, was it your intention to bring this junket operating model to Crown’s Australian Resorts?

MR PACKER: Subject to regulatory approvals.

30

MS SHARP: And one of the things you were seeking to do back in around 2012 was take some of the share of the Macau VIP market; is that right?

MR PACKER: A tiny bit of the share of the Macau VIP market. The Macau VIP market was so huge; if we could have got a fraction or if we can get a fraction, that would move the needle in Australia.

35

MS SHARP: And is it correct that your vision for Crown Sydney at that time, in around 2012, was to bring VIPs to Sydney?

40

MR PACKER: In part, Ms Sharp.

MS SHARP: And just to be clear, it was to bring VIPs to Sydney to gamble in the restricted gaming facility?

45

MR PACKER: In part. But not completely.

MS SHARP: Mr Packer - - -

MR PACKER: .....

5 COMMISSIONER: Sorry.

MS SHARP: Sorry.

COMMISSIONER: You proceed, Mr Packer.

10

MR PACKER: From – thank you, Madam Commissioner. From memory, Ms Sharp, the VIP component was about a third of the budgeted component of Crown Sydney. So it was two-thirds local VIP, hotel, food and beverage and one-third international VIP across the board.

15

MS SHARP: Do you agree that - - -

COMMISSIONER: Yes. Thank you.

20 MS SHARP: Do you agree that in pitching your proposal for Crown Sydney to the New South Wales Government, you understood that the ultimate success of the integrated resort strategy turned upon the ability to attract VIP patrons to gamble?

MR PACKER: Local and domestic – sorry, domestic and foreign.

25

MS SHARP: Are you sure that you understood at that time that the ability to attract domestic VIPs was integral to the success of the integrated resorts?

30 MR PACKER: There are budgets that I'm sure you could get access to which my recollection shows that the international VIP was only about a third of the EBITDA of Crown Sydney.

35 MS SHARP: Mr Packer, could I take you, please, to a letter that you wrote to the Department of Premier and Cabinet on 21 June 2013. This is exhibit A136. It's an open document and it is INQ.010.004.0001. And we may take it that you sought to be candid with the New South Wales Government in explaining how you saw this proposal as working, can we?

MR PACKER: Yes.

40

MS SHARP: Could I take your attention to this first page and have the second last paragraph highlighted for you. Do you see that second or third sentence says:

45 *The VIP gaming facilities at Crown Sydney hotel resort are necessary to make such a world class project commercially viable.*

MR PACKER: Yes, Ms Sharp.

MS SHARP: And that was an accurate statement of your understanding at the time, was it?

MR PACKER: It still is, Ms Sharp.

5

MS SHARP: So even today you're of the understanding that the VIP gaming facilities are necessary to make Crown Sydney commercially viable?

MR PACKER: Ms Sharp, you've got to remember that, effectively, Crown Sydney has a tables licence which allows it to have unlimited tables, which can be played by people in Sydney as long as they join and they have minimum bet thresholds. That was always forecast to be the majority of the VIP profit as opposed to the profit coming in from inbound tourism. So VIP covers both traditional VIP and it covers the table games segment of Crown Sydney.

15

MS SHARP: Could I take you to page 3 of this letter and direct your attention to the heading at the top of page 3. It's pinpoint 0003. And you see there's a heading there:

20 *Crown's Proven Track Record Will Result in an Increase in Sydney's Share of the International VIP Gaming Market.*

Mr Packer, it's right that in 2013, you were focusing on the international VIP market, weren't you?

25

MR PACKER: Yes.

MS SHARP: And in the third paragraph on that page, you express the belief that Crown Sydney will be able to almost treble the volume of VIP business coming to Sydney from Asia and, in particular, China.

30

MR PACKER: Well, clearly that's wrong but that's what I believed at the time.

MS SHARP: Yes, thank you for clarifying that, Mr Packer. What you also said in this letter is that:

35

*Unlike Echo, Crown has the advantage of being able to leverage its joint venture in Macau.*

40 Now, that's what you were intending to do at that time; is that correct?

MR PACKER: That's correct, Ms Sharp.

MS SHARP: And at that time, was it your intention to leverage off that joint venture by bringing in Macau junket operators to Sydney?

45

MR PACKER: I believed it was.

MS SHARP: Is it correct that as at 2014, you understood that relationships with junket operators would be the key to the financial viability of Crown Sydney?

5 MR PACKER: It depends what you mean by the financial – I’m sorry, can you repeat the question, Ms Sharp – viability.

MS SHARP: Do you agree - - -

10 COMMISSIONER: Yes.

MS SHARP: Do you agree that as at - - -

15 MR PACKER: I – I believe, as I’ve stated, that the upside in Crown Sydney was from the international VIP business but hopefully the domestic business and the hotel and food and beverage business would almost cover the costs of the development.

20 MS SHARP: I will put this matter simply; in around 2012/2013, you understood that the junket operator model had worked well in Macau and you wished to bring that model to Crown Sydney; is that correct?

MR PACKER: That’s correct, Ms Sharp.

MS SHARP: Commissioner, I see the time. Would that be a convenient time?

25 COMMISSIONER: Yes, of course. Mr Packer, I will take a short break and return at about 25 minutes to 12, our time.

MR PACKER: Thank you Madam Commissioner.

30

**ADJOURNED** [11.25 am]

35

**RESUMED** [11.36 am]

COMMISSIONER: Thank you. Yes, Ms Sharp.

40 MS SHARP: Can I call up a document, please. This is an open document, an Australian Financial Review article, it’s INQ.100.001.1049. It’s exhibit AF48. Can you see that document, Mr Packer?

COMMISSIONER: We might enlarge it.

45 MS SHARP: Yes. What I’m showing you is an 8 - - -

COMMISSIONER: July.

MS SHARP: An 8 July 2013 publication from the Australian Financial Review and you will see the second paragraph refers to an exclusive interview with you.

MR PACKER: Yes.

5

MS SHARP: Do you agree you did give an exclusive interview to the Australian Financial Review in around July of 2013?

MR PACKER: I can't recall, but that's possible – that's probable.

10

MS SHARP: And at the third paragraph, the article states:

*Mr Packer conceded Crown's target of tripling Australia's current share of the international VIP gambler market was ambitious.*

15

That's consistent with your thoughts at that time, is it?

MR PACKER: Yes.

20 MS SHARP: And then there's a quote which purports to be from you in the fourth paragraph, where you're quoted as saying:

*The economics of this project are tough. It involves Crown making some really significant assumptions along the line of tripling the value of international VIP business coming to Sydney.*

25

Now, have you any reason to doubt that that is an accurate quote of what you said at the time?

30 MR PACKER: No.

MS SHARP: And in the fifth paragraph, it states that:

*Mr Packer said the growth would come from taking share from established casino hubs like Macau and Singapore.*

35

Is that what you told the AFR in July of 2013?

MR PACKER: I presume so.

40

MS SHARP: Is it correct, Mr Packer, that at all times while you were a director of Crown Resorts, since at least 2012, you were a key stakeholder in the Crown Resorts VIP international business?

45 MR PACKER: Well, in the sense that Crown Sydney was aiming for the VIP market, in particular, I'd say yes.

MS SHARP: Can I take you, please to - - -

MR PACKER: Can I say, Ms Sharp - - -

5 COMMISSIONER: Yes.

MR PACKER: Ms Sharp, can I also say that, in the second paragraph, it says that Crown Barangaroo would generate half its earnings from local players and, then, if you add the hotel and food and beverage on to that, you get to the two-thirds of the  
10 EBITDA that I was talking about before we took the break.

MS SHARP: Thank you, Mr Packer. Can I show you a document, please, which is one where the position's been reserved. So bring it up on the confidential link please. It's exhibit M109, CRL.527.001.1826. Now, you will see that the first page  
15 of this document, it's a Crown document and it's the VIP marketing kick-off workshop, financial year 2015? Now, I'm not suggesting that you saw this document at the time, I did want to take you to page 7. If we could go to pinpoint 1832. And you'll see that this page identifies other key stakeholders with active involvement or interest in VIP. And you'll see that you're identified here. Now, was that an  
20 accurate statement - - -

MR PACKER: Yes, Ms Sharp.

MS SHARP: That was an accurate statement at the time?  
25

MR PACKER: Yes, Ms Sharp.

MS SHARP: And do you agree that the other people identified here were also key stakeholders with active involvement or interest in VIP?  
30

MR PACKER: Yes, Ms Sharp.

MS SHARP: Could I show you part of a statement which Mr Michael Johnston gave to this Inquiry. If I can have brought up, please, on the confidential link,  
35 WIT.CPH.006.0001. And could I take you, please, to pinpoint 0003, which is paragraph 14. And if I could have paragraph 14 highlighted for you. Mr Johnston told this Inquiry that, in around March 2013, you raised with him the idea of his participation in the VIP working group at Crown Resorts. Do you agree that that was the case?  
40

MR PACKER: I can't - I can't recall, but if Mr Johnston said that, I accept it.

MS SHARP: And Mr Johnston continues that, in a subsequent conversation, you and Mr Craigie said to him that they thought that, given his skill set, he may be able  
45 to help Mr Craigie's team with a number of issues with which the VIP business was struggling in 2013. Those issues related to debtors, currency controls, pricing, and so on. Do you agree that that's what you asked Mr Johnston to do at that time?

MR PACKER: I will accept Mr Johnston's evidence, Ms Sharp.

MS SHARP: Can you tell us what was the problem with currency controls?

5 MR PACKER: I can't recall.

MS SHARP: Did it have anything to do with the increased number of restrictions the mainland Chinese government was placing to prevent capital flight from that country?

10

MR PACKER: It may have.

MS SHARP: Well, does that sound right to you?

15 MR PACKER: At least partially.

MS SHARP: Well, going back, if we can, to 2013, it is correct that the mainland Chinese Government was tightening the ability of people to move capital from China?

20

MR PACKER: I believe that's correct.

MS SHARP: And this was creating more challenges for Crown in terms of recovering debts?

25

MR PACKER: Crown had a bad period recovering debts around that stage. I think some of them were just bad debts as opposed to the Chinese Government cracking down. Bad credit decisions.

30 MS SHARP: Is it also correct that the restrictions on capital flow were creating some challenges for Crown in recovering debts?

MR PACKER: I can't recall.

35 MS SHARP: Did you understand that junket operators could play a role in circumventing the Chinese currency controls?

MR PACKER: I wouldn't describe it as that.

40 MS SHARP: How would you describe it?

MR PACKER: Junket – well-run junket operators have a better credit history than individual premium players.

45 MS SHARP: But did you understand they played any role in assisting patrons move their money out of China for the purpose of gaming and, thereby, circumventing mainland China restrictions on capital flow?

MR PACKER: Yes, I believe so.

MS SHARP: In view of that understanding, did you turn your mind, at that time, to  
5 whether junket operators, in performing that role, may be facilitating money  
laundering?

MR PACKER: No, I didn't.

MS SHARP: So is it a matter that simply never occurred to you?  
10

MR PACKER: I can't recall.

MS SHARP: Are you sure about that?

15 MR PACKER: I believe so, Ms Sharp.

MS SHARP: Can I take you, please, to another part of Mr Johnston's statement, at  
paragraph 16, which we will also find at that same pinpoint I took you to. What Mr  
20 Johnston states is that he attended Crown Resorts CEO meetings, which ceased some  
time in 2015, and that others who attended the meeting included persons including  
yourself. Do you agree that you did attend Crown Resorts CEO meetings up until  
2015 – some time in 2015?

MR PACKER: I'd say it was probably up until late 2013.  
25

MS SHARP: And if we - - -

MR PACKER: Before I moved to America.

30 MS SHARP: Thank you. Could I take you over to the next page, continuing on at  
paragraph 16, Mr Johnston said that typically an agenda and papers would be  
circulated a few days before the meeting, including a VIP international business  
update. Now, do you agree with that?

35 MR PACKER: I will accept Mr Johnston's evidence.

MS SHARP: He also says, at paragraph 16, that Mr Felstead and Mr O'Connor  
would speak to the VIP international business update during the meeting. Do you  
40 agree with that?

MR PACKER: I can't recall but I accept Mr Johnston's evidence.

MS SHARP: Could I take you to an email, please, Mr Packer. This is an open  
document. It's exhibit M87, and the document number is CRL.545.001.2038. Now,  
45 you're not a party to this email, let me point out, but do you see it's headed CEO  
Papers?

COMMISSIONER: At the very top.

MR PACKER: Yes.

5 MS SHARP: And if you look down that email, can you see attachments – a heading Attachments?

MR PACKER: Yes, I can.

10 MS SHARP: And could I draw your attention to the last attachment, please, which is VIP international business update, July 2014?

MR PACKER: Yes.

15 MS SHARP: Now, my question is, while you participated in these CEO meetings, were you provided with VIP international business updates?

MR PACKER: As I said before, Ms Sharp, I think I stopped participating some time towards the end of 2013 in these meetings. I can't recall if I was given VIP international business updates prior to that date.

MS SHARP: Given your interest in the VIP international business, even though you stopped attending the meetings, do you think it most likely that you were provided with the VIP international business updates?

25

MR PACKER: I think if I was provided with them, you would have found them, Ms Sharp.

MS SHARP: Well, let's not worry about what I might have found; what do you recall?

30

MR PACKER: I can't recall.

MS SHARP: Well, let me show you one of them. If I could take you – and I will take you to that VIP international business update of July 2014. This is a confidential document; it's CRL.522.001.0238. It's exhibit M88, Commissioner.

35

COMMISSIONER: Thank you.

MS SHARP: Now, perhaps I will just take you to pinpoint 0240. And you see there are references there to the win rate and the turnover and so on? And then let me take you, please, to pinpoint 0242; you see there's a consolidated turnover summary?

40

MR PACKER: Yes.

45

MS SHARP: And you will see there's also reference at the bottom there to the turnover deriving from particular junkets? Do you see that one of those is the Song junket; do you see that?

5 MR PACKER: Yes.

MS SHARP: And one of those is the Qin Si Xin junket?

MR PACKER: Yes.

10

MS SHARP: Does this refresh your memory as to whether this document, and one subsequently dated, were ordinarily provided to you?

MR PACKER: I don't believe so.

15

MS SHARP: So it doesn't refresh your memory?

MR PACKER: It doesn't refresh my memory.

20 MS SHARP: Mr Craigie has given evidence to this Inquiry. Did you hear Mr Craigie give evidence?

MR PACKER: No, I didn't.

25 MS SHARP: I will tell you what he told the Inquiry at page 1450 of the transcript. He said – and in fact, I will call it up so you can see it, Mr Packer. It is INQ.009.003.1393 at pinpoint 1448. And could I take your attention to the second half of the page and have that highlighted for you. And you will see at line 31 that Mr Bell asked:

30

*Were the VIP updates typically in the form of this document?*

And that's the one I've just taken you to, Mr Packer. And Mr Craigie said:

35 *Yes, this was a fairly standard format for the VIP update.*

And then Mr Bell then asks for Mr Craigie's understanding of why this document went to the CEO meetings, and Mr Craigie said:

40 *Mr Packer wanted to drill down into this part of the business. I think he had a particular interest in it and obviously in the CEO report there is a reference to the VIP business.*

45 Now, do you agree with what Mr Craigie is saying here in terms of your wanting to drill down into this part of the business?

MR PACKER: I will accept that, Ms Sharp.

MS SHARP: And do you agree that you had a particular interest in the VIP business?

MR PACKER: Not more so than the rest of the business.

5

MS SHARP: Does this refresh your memory as to whether you were typically provided with these VIP international business updates, one of which I have just shown to you?

10 MR PACKER: I don't believe I was after some time in 2013.

MS SHARP: Can I take you – I withdraw that. Can I take you to another document which I recall Mr Bell took you to yesterday. If I could call up exhibit AA29, which is a confidential document; it is CRL.512.001.8101. And could I take you, please, to  
15 pinpoint 8339. Do you recall Mr Bell asking you some questions about this letter from Egan Associates yesterday?

MR PACKER: Yes, I do.

20 MS SHARP: And you recall that this letter was looking at the reasonableness of suggested remuneration were you to take a position with Crown Resorts of president, global strategy?

MR PACKER: Yes.

25

MS SHARP: And what I wanted to do was take you to pinpoint 8340 and do you see right at the top, it refers about the key areas of the president global strategy's engagement? And do you see the second last dot point is Crown Resorts VIP  
30 strategy?

MR PACKER: Yes.

MS SHARP: Now, is that an accurate statement of what your then engagement  
35 already was with Crown Resorts?

35

MR HUTLEY: I object.

COMMISSIONER: Yes, Ms Sharp.

40 MS SHARP: I'm not sure why Mr Hutley objects.

COMMISSIONER: I see. Yes, Mr Hutley?

45 MR HUTLEY: It's just the – the difficulty is, with respect, the use of the words "then engagement". This is about a proposed engagement. And that's - - -

COMMISSIONER: Yes. Yes, Ms Sharp?

MS SHARP: We will close the document. Is it right that in 2012, 2013, 2014 and 2015 until you ceased becoming the executive chairman, that one of your roles was in setting Crown Resort VIP strategy?

5 MR PACKER: No, I don't accept I ever set the strategy for Crown Resorts VIP.

MS SHARP: Did you contribute to that strategy?

MR PACKER: Marginally.

10

MS SHARP: Are you sure it was only a marginal contribution?

MR PACKER: Yes.

15 MS SHARP: Do you know Mr Michael Chen?

MR PACKER: I met him once or twice.

MS SHARP: When did you first meet him?

20

MR PACKER: I can't recall. Some time around 2014, I would guess.

MS SHARP: Was that at a time after he had been employed by Crown Resorts or before he had been employed by Crown Resorts?

25

MR PACKER: I believe after.

MS SHARP: Did you play any role at all in Crown Resorts engaging Mr Michael Chen as Crown's president of international marketing?

30

MR PACKER: No.

MS SHARP: Is it correct, Mr Packer, that you have played a role in building relationships with some of the junket operators who have dealt with Crown Resorts?

35

MR PACKER: I would say I've given them courtesy calls, no more than that. But I've had courtesy calls with some of the junket operators that deal with Crown Resorts.

40 MS SHARP: And it's right that you would, on occasion, meet with the junket operators?

MR PACKER: Rarely, but on occasion I would.

45 MS SHARP: You say at paragraph 21 of your statement that you met with Mr Alvin Chau on one occasion in around 2015 in Macau; is that correct?

MR PACKER: I believe that's correct.

MS SHARP: And at that time, you understood, didn't you, that he was associated with the Suncity junket?

5

MR PACKER: Yes.

MS SHARP: You also say at paragraph 21 of your statement that Mr Ratnam organised that meeting; is that correct?

10

MR PACKER: Yes.

MS SHARP: Why - - -

15 MR PACKER: Yes.

MS SHARP: - - - did he organise the meeting?

MR PACKER: Because he knew Mr Chau better than I did – or he knew him; I didn't know him.

20

MS SHARP: Is it fair to say that Mr Ratnam was a liaison point between you and various junket operators with which Crown Resorts dealt?

MR PACKER: It would be fair to say that Mr Ratnam organised for me to meet certain junket operators on rare occasions.

25

MS SHARP: Why did you meet with Mr Chau?

MR PACKER: Because Suncity was, from recollection, the biggest junket operator in Macau.

30

MS SHARP: And in that event, was your meeting with Mr Chau designed to build a business relationship with Mr Chau?

35

MR PACKER: I believe that's fair.

MS SHARP: You say at paragraph 22 of your statement that you also met with Mr Song in Australia at around the same time you met with Mr Chau. Now, is that correct?

40

MR PACKER: That's correct.

MS SHARP: And at the time of that meeting you understood that Mr Song was a junket operator at Crown?

45

MR PACKER: Yes.

MS SHARP: Did Mr Ratnam organise that meeting?

MR PACKER: I believe so.

5 MS SHARP: And what was the purpose of you meeting with Mr Song?

MR PACKER: It was just a courtesy meeting.

10 MS SHARP: Was the purpose of that meeting to build a business relationship with Mr Song?

MR PACKER: I think the relationship had already started, and the purpose of the meeting was me to thank Mr Song for – for his business.

15 MS SHARP: So was the purpose of that meeting to strengthen the business relationship with Mr Song?

MR PACKER: You could say that.

20 MS SHARP: On other occasions, is it right that you would have Mr Ratnam meet with junket operators on your behalf?

MR PACKER: No.

25 MS SHARP: You're aware that he did meet with junket operators from time to time?

MR PACKER: Yes.

30 MS SHARP: So are you saying that he was not doing so on your behalf?

MR PACKER: No, I – I withdraw my previous answer. Mr Ratnam was meeting with junket operators on my behalf.

35 MS SHARP: And is it right that those meetings occurred to strengthen or build business relationships with junket operators?

MR PACKER: That's correct.

40 MS SHARP: Could I take you to an email, please. The position is reserved so I will have it brought up confidentially.

COMMISSIONER: Thank you.

45 MS SHARP: It's exhibit AF5, CPH.001.700.0760. Can I start at the bottom of this email exchange, Mr Packer. You will agree that this is an email from Mr Ratnam to you dated 23 August 2016?

MR PACKER: Yes.

MS SHARP: And he says:

5           *Just wanted to touch base and say hello. Currently travelling through  
Shanghai and Beijing meeting patrons.*

MR PACKER: Yes.

10   MS SHARP: So he would update you on his meetings with patrons, would he?

MR PACKER: Rarely. As you can see in that email, there are no names.

MS SHARP: And you will see, further down, he says to you:

15

*Our players love hearing about you and what you're getting into.*

MR PACKER: Yes.

20   MS SHARP: And then in your reply to him, you ask:

*What is the market speak?*

Is it right that you would ask him for market intelligence?

25

MR PACKER: Yes.

MS SHARP: And then you see he replies to you on the 23rd of August and tells you that:

30

*In Shanghai word is no big customer wants to go there due to AML pressure  
from China banks.*

And then he says:

35

*Mainly junket Suncity and Neptune VIP rooms supports them and them small  
and under the table players.*

40   Do you agree you were familiar with the Suncity and Neptune junkets as at 23  
August 2016?

MR PACKER: Yes.

45   MS SHARP: Can I take you to an email which, again, the position is reserved, so  
I'll have it brought up on the confidential link. It is CPH.001.700.0773, which is  
exhibit AF6. And can I take you to about halfway down the page, Mr Packer.  
You'll see there's an email from Mr Ratnam dated 31 August 2016?

MR PACKER: Yes.

MS SHARP: And you'll agree that he was there telling you that transferring money out of China difficult?

5

MR PACKER: Yes.

MS SHARP: Now, that was a matter of which you were aware at the time, wasn't it?

10

MR PACKER: Yes.

MS SHARP: And did you understand that was because of the controls that were being placed on the flight of capital from China?

15

MR PACKER: I believe I did.

MS SHARP: And you'll see he also says:

20

*Missing not seeing you. Our VIPs always ask how you are.*

MR PACKER: Yes.

MS SHARP: And you will see there's another email a bit further up the page from Mr Ratnam of the same date where he reports:

25

*Baz and I are making more trips to Asia and London. As you know, VIP can turn around quickly.*

30 Now, did you understand at that time that Baz, that is, Mr Felstead, and Mr Ratnam were making these trips in order to build the VIP international business?

MR PACKER: Yes, I did.

35 MS SHARP: Can I take you to an email, which is CPH.001.700.0796. Bring it up on the confidential link, please. It's exhibit AF7.

MR HUTLEY: Madam Commissioner - - -

40 COMMISSIONER: Yes.

MR HUTLEY: - - - as my learned friend has indicated a number of times, confidentiality is reserved in relation to these. I haven't objected. But if my learned friend proposes to read them out in answering the questions, the point of the reservation seems somewhat to have departed.

45

COMMISSIONER: I couldn't agree more. Do you want to give them up, Mr Hutley? I mean, some of these are not really matters that you, ultimately, I think, would want to remain confidential. I mean - - -

5 MR HUTLEY: I'm not - - -

COMMISSIONER: - - - we've done it this way for convenience and I think, if there's something that you really want to object to Ms Sharp reading out, please do so.

10

MR HUTLEY: That is why I have not objected.

COMMISSIONER: Yes.

15 MR HUTLEY: But I'd ask my learned friend, to stuff which – to material which is likely to be of confidential nature, not to follow the course of reading it out. I haven't interrupted - - -

COMMISSIONER: Yes. Thank you.

20

MR HUTLEY: - - - for the reason you have indicated, Madam Commissioner.

COMMISSIONER: All right. Yes, thank you Mr Hutley. Yes, Ms Sharp.

25 MS SHARP: But, Commissioner, I'm not sure how you wish me to proceed.

COMMISSIONER: In exactly the same way you have been proceeding.

MS SHARP: Thank you, Commissioner.

30

COMMISSIONER: - - - and if Mr Hutley objects you will no doubt hear about it.

MS SHARP: Thank you. You'll see this is an email from Mr Ratnam to you dated the 24th of November 2016?

35

MR PACKER: Yes.

MS SHARP: He reports that:

40 *The bottom has fallen out of our whole VIP market, but reparable.*

MR PACKER: Yes.

MS SHARP: And he then states:

45

*You will find when we start again we will not be as aggressive in our margins as in the past.*

MR PACKER: Yes.

MS SHARP: And you will agree that what he is doing is updating you on the state of play in the VIP market?

5

MR PACKER: Yes.

MS SHARP: And what he's also stating is that, in the future:

10           *...we will not be as aggressive in our margins.*

Is it the case that, prior to November 2016 – and that is prior to the arrests of the Crown staff in China – Crown had been more aggressive in its margins?

15 MR PACKER: I'm not sure what you mean by more "aggressive in its margins"?

MS SHARP: Well, I'm just looking at the words on the page. Mr Ratnam says:

20           *We will not be as aggressive in our margins as in the past.*

What did you understand that to mean, given the email was to you?

MR PACKER: I'm not sure, as I reread it, because when you say "aggressive in our margins", you could be saying that you need to increase your margin, or that could also be read as your margin is going to reduce.

25

MS SHARP: Well, given that this email comes about one month after the arrest of 19 Crown staff in mainland China, what do you think this reference is most likely a reference to?

30

MR PACKER: I think it's a reference to being more conservative - - -

MS SHARP: And taking less risk?

35 MR PACKER: - - - going forward.

MS SHARP: And do you think it's a reference to taking less risk, Mr Packer?

MR PACKER: Yes.

40

MS SHARP: And you will see that Mr Ratnam states:

*As always, remain positive under yours and Barry's management.*

45 Was it you and Mr Felstead who were managing the VIP international business?

MR PACKER: No.

MS SHARP: Can I take you to exhibit AF9. Again, please bring this up on the confidential link. It is CPH.001.700.0946. And you'll agree that, on the 3rd of May 2017, you sent an email to Mr Ratnam asking how he was feeling about VIP with the new model and Macau rebounding?

5

MR PACKER: Yes.

MS SHARP: You ask this because you had a particular interest in Crown Resorts VIP international business?

10

MR PACKER: I had an interest in the VIP business as I had an interest in all the businesses of Crown Resorts.

MS SHARP: And just to be clear, on the 3rd of May 2017, you were not a director of Crown Resorts?

15

MR PACKER: That's correct.

MS SHARP: Can you see a little further up the page, Mr Packer, on the 3rd of May 2017, Mr Ratnam emailed you again and said:

20

*Just got off the ferry from Macau. Meeting key junket partners and players.*

Now, Mr Ratnam use the language of "partners". Is that also the language you were using at that time?

25

MR PACKER: It was language I was understanding. I'm not sure if I was using that language or not.

MS SHARP: But you do agree that people within Crown Resorts were referring to junket operators as "partners"?

30

MR PACKER: Yes.

MS SHARP: And can I take you to another email, CPH.001.700.1026. This is exhibit AF10. Now, this is an email from you to Mr Ratnam of the 26th of July 2017?

35

MR PACKER: Yes.

40

MS SHARP: Can I take you, please, to exhibit AF11, again, to bring up on the confidential link. It is CPH.001.700.1039. This is an email exchange between you and Mr Ratnam on the 29th of July 2017.

MR PACKER: Yes.

45

MS SHARP: And you will see Mr Ratnam is talking about Crown Perth?

MR PACKER: Yes.

MS SHARP: And you'll see he says:

5           *Trying to arrange a fixed room operator from Malaysia there.*

MR PACKER: Yes.

MS SHARP: What did you understand a "fixed room operator" to mean?

10

MR PACKER: An operator with a full-time presence.

MS SHARP: Was that like the Suncity Room at Crown Melbourne?

15   MR PACKER: I believe so. Yes.

MS SHARP: And when did you first become aware of the arrangement in respect to the Suncity Room at Crown Melbourne?

20   MR PACKER: I can't recall, Ms Sharp.

MS SHARP: But would you agree it was some time earlier than this email in July 2017?

25   MR PACKER: I don't know when the Suncity Room at Crown started.

MS SHARP: If I told you when it started, would that assist you in remembering when you first became aware of it?

30   MR PACKER: Potentially.

MS SHARP: It started in 2014, Mr Packer.

MR PACKER: Thank you, Ms Sharp.

35

MS SHARP: Is that about the time you became aware of the Suncity fixed room?

MR PACKER: I would – I think I would have. Yes.

40   MS SHARP: And did you understand that part of the arrangements for the Suncity fixed room was that the Suncity junket had its own branding and signage in that room?

MR PACKER: I'm not sure if I was aware of that.

45

MS SHARP: Did you understand it operated its own cash desk in that room?

MR PACKER: I don't believe I knew that.

MS SHARP: Do you know that now?

5 MR PACKER: Yes.

MS SHARP: When did you first become aware of that?

10 MR PACKER: I watched the Inquiry last week, and I can't remember if it was Mr Alexander or which witness spoke about the Suncity cash desk.

15 MS SHARP: Can I take you to another email, please. This is exhibit AF12. If it could be brought up on the confidential link. It's CPH.001.700.1061. And could I draw your attention to the email from Mr Barr to yourself and others, dated August 2017.

MR PACKER: Yes.

20 MS SHARP: By this time, you were once again a director of Crown Resorts?

MR PACKER: Yes.

25 MS SHARP: And you will agree that what this email does is send through a VIP plus-minus 100 K report?

MR PACKER: Yes.

30 MS SHARP: Could I take you to that report, please. That's attachment – I beg your pardon. It's exhibit AF13. And I'll call it up on the confidential link. CPH.001.700.1064. Mr Packer, given that this was emailed to you and your interest in the VIP business, do you think it most likely that you read this report at the time?

MR PACKER: Yes.

35 MS SHARP: And you will see that what it does is identify a number of patrons with high turnover and what that turnover was on a particular date in August of 2017?

MR PACKER: Yes.

40 MS SHARP: And towards the right-hand side of the document, it reports the total turnover for these patrons.

MR PACKER: On a visit-to-date basis.

45 MS SHARP: Yes. Thank you. And you'll agree that at least some of these patrons are junket operators?

MR PACKER: I'm not aware of any of those names.

MS SHARP: What about Chau Cheok Wa?

5 COMMISSIONER: The last one on the list.

MR PACKER: Is that Alvin Chau?

MS SHARP: Yes, it is, Mr Packer.

10

MR PACKER: I'm sorry. The initial was confusing me. Yes.

MS SHARP: And what about Zezhai Song?

15 MR PACKER: Yes.

MS SHARP: So you were – do you agree you were being kept informed of what the turnover of particular junket operators was?

20 MR PACKER: Well, there was a daily VIP report. And if junket operators were playing, they'd turn up on the report.

MS SHARP: And you were being kept informed of that?

25 MR PACKER: Yes.

MS SHARP: And did you know, and keep an eye on, who Crown Resorts key junket operators were in terms of the turnover they brought to Crown?

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

MS SHARP: But you were aware of both Alvin Chau's junket and Mr Song's junket?

35 MR PACKER: Yes.

MS SHARP: And were you aware of the Si Xin Qin junket.

MR PACKER: Sorry, Ms Sharp, can you repeat the question.

40

MS SHARP: Were you aware of the Si Xin Qin junket?

COMMISSIONER: Is that name on the list?

45 MS SHARP: It's not one on the list.

COMMISSIONER: I see.

MR PACKER: I don't believe so.

MS SHARP: If I could just show you exhibit AF14; again, it's confidential. It's  
CPH.001.700.1132. This is an email from Mr Ratnam to you dated 19 August 2017  
5 and it reports that he's in Macau meeting with Alvin Chau and also with Mr Qin, Q-  
i-n. Do you agree you were made - - -

MR PACKER: Yes.

10 MS SHARP: - - - aware of the Qin junket?

MR PACKER: It seems so from this email, but I can't recall ever meeting Mr Qin  
or inquiring about him.

15 MS SHARP: Do you see that you respond to Mr Ratnam and say:

*Be great if we could build a good new relationship with Suncity.*

Why did you think that?

20

MR PACKER: Because they were the biggest junket operator in Macau.

MS SHARP: Can I take you to – it's another confidential document  
CPH.001.700.1155. I should say it's not a confidential document; it's a document in  
25 respect of which the position is reserved. If that can be brought up on the  
confidential link, please. And this is exhibit AF18, Commissioner.

COMMISSIONER: Thank you.

30 MS SHARP: This is another exchange between you and Mr Ratnam by email, do  
you agree?

MR PACKER: Yes.

35 MS SHARP: And if I can take your attention to the bottom of that, do you agree  
that on 20 August 2017 you were asking Mr Ratnam if he thought we can rebuild  
VIP?

MR PACKER: Yes.

40

MS SHARP: And do you see he advises you that London will be very challenging  
with their regulatory legislation on credit and wealth checks?

MR PACKER: Yes.

45

MS SHARP: What did you understand that to be a reference to?

MR PACKER: AML

MS SHARP: And did you understand at that time that AML did present challenges to Aspinalls in London?

5

MR PACKER: I can recall that the Aspinalls business was getting tougher and tougher.

MS SHARP: And do you recall that that had something to do with the AML framework over there?

10

MR PACKER: That's my recollection, Ms Sharp.

MS SHARP: And can you see further up the page that Mr Ratnam sent you an email at 19 August 2017 at 5.27 pm. He states:

15

*We are working through now with London on having credit through junkets to make third party bank statements - - -*

COMMISSIONER: Bank payments.

20

MS SHARP: I beg your pardon:

*...to make third party bank payments not having to prove proof of wealth.*

25

What did you understand that to be a reference to?

MR PACKER: I'm not sure.

MS SHARP: Well, let's have a look:

30

*...third party bank payments not having to prove proof of wealth.*

Why did you understand people needed to prove proof of wealth?

35

MR PACKER: I wasn't an expert on the UK regulatory framework and I'm not a lawyer. I believe it had something to do with AML.

MS SHARP: Well, is that because the AML framework required people to prove the source of their wealth, Mr Packer?

40

MR PACKER: I'm not sure, Ms Sharp.

MS SHARP: Can you assist us in any way in what the reference to "to make third party bank payments" relates to?

45

MR PACKER: No, I can't. I don't know what that means.

MS SHARP: Can I take you, please, Mr Packer, to – again on the confidential link, CPH.001.700.1159, which is exhibit AF19. Now, you will agree that what Mr Ratnam is doing here is updating you on performance with the Suncity and Song junkets?

5

MR PACKER: Yes.

MS SHARP: And you replied:

10 *Would be great if we could find a junket for Perth.*

Why did you think that?

15 MR PACKER: Because he had raised it with me previously and because we had spent a lot of money there, and it was effectively only a local's business.

MS SHARP: So you did perceive at that time that junkets were a good way of bringing business into the casinos?

20 MR PACKER: Yes.

MS SHARP: And is it fair to say that you were keen to pursue a strategy based upon using junket operators?

25 MR PACKER: It wasn't my strategy. I was receiving emails from Ishan and I believed that I thought well-regulated junket operators were a useful part of the business.

30 MS SHARP: Could I take you, please, Mr Packer, to CPH.001.700.1205. And if I could – that's to come up on the confidential link, please. And could I take you to pinpoint 1206. It's exhibit AF20, Commissioner.

COMMISSIONER: Thank you.

35 MS SHARP: And halfway down that page, Mr Ratnam is, in the context of discussing London, saying:

*This will happen when we can have junkets there.*

40 And you reply and say:

*When will junkets be allowed in London?*

45 MR PACKER: Yes, Ms Sharp.

MS SHARP: And that's because you perceived that junkets could be good for business; correct?

MR PACKER: Yes.

MS SHARP: And in fact, later that year Mr Ratnam organised for Suncity to visit London, didn't he?

5

MR PACKER: I can't recall.

MS SHARP: Well, let me take you to an email. CPH.001.700.1250; this is exhibit AF22. Does this help you recall whether Mr Chau came to London?

10

MR PACKER: Yes.

MS SHARP: So he did come to London, did he?

15 MR PACKER: I can't recall if he did or if he cancelled. I can't recall.

MS SHARP: Let me take you to another email, then. CPH.001.700.1321. Does that assist you in recalling that Mr Chau came to London?

20 MR PACKER: Yes.

MS SHARP: That's AF25, Commissioner.

COMMISSIONER: Thank you.

25

MS SHARP: Can I take you, Mr Packer, to CPH.001.700.1390, again on the confidential link; this is AF26. And you will agree that in September 2017 Mr Ratnam was telling you:

30 *The junkets are helping to drive the business to Australia as their margins are better here than Macau.*

MR PACKER: Yes.

35 MS SHARP: And that is consistent with your own understanding at the time, is it?

MR PACKER: Yes.

40 MS SHARP: Can I take you to CPH – again, on the confidential link – 001.700.1427. Do you agree that you knew in October 2017 that Mr Qin, Q-i-n, was one of Crown Resorts major junket operators?

MR PACKER: Mr Qin rings a bell, but I don't think I have met him or know him or  
- - -

45

MS SHARP: Can I take you to CPH.001.700.1823. This is an email from Mr Ratnam to you of 28 December 2017. Can you see he there says - - -

MR PACKER: Yes.

MS SHARP: - - - that:

5           *From 20 Jan we will have the third biggest junket in Macau running a fixed room for Australia for Melbourne.*

This is AF28, Commissioner.

10          COMMISSIONER: Thank you.

MR PACKER: Yes.

15          MS SHARP: Is this a reference to the Meg-Star junket?

MR PACKER: I'm not sure.

20          MS SHARP: Well, surely you knew what the third biggest junket operator was in Macau?

MR PACKER: No.

25          MS SHARP: Are you really not sure that it had been arranged for Meg-Star to have a fixed room at Crown Melbourne?

MR PACKER: I'm really not sure.

30          MS SHARP: Did you know that Meg-Star, from this time, had a dedicated room at Crown Melbourne on level 29?

MR PACKER: Not to the best of my recollection.

35          MS SHARP: Perhaps this will assist: the name of the junket operator for Meg-Star was Ngok Hei Pang. I will spell that to you. First word N-g-o-k. Second word H-e-i, third word Pang, P-a-n-g.

MR PACKER: No, that doesn't help.

40          MS SHARP: You'll agree that you are being kept well-informed of Crown's relationships with junkets in late 2017?

MR PACKER: I was being informed about some junkets that came to Crown in late 2017. Yes.

45          MS SHARP: Were you monitoring Crown Resorts' relationship with junket operators?

MR PACKER: No.

MS SHARP: Isn't this why Mr Ratnam is providing you with these updates?

5 MR PACKER: I think I've been asking Mr Ratnam general questions, and he comes back with the answer that he comes back with.

MS SHARP: Can I take you to CPH – again on the confidential link – 001.700.1866  
10 . And you'll see there's an email in January 2018 from you to Mr Ratnam, when you ask whether any players are on the horizon?

MR PACKER: Yes.

MS SHARP: And then Mr Ratnam reports to you that Mr Felstead and he caught up  
15 with Alvin Chau. Isn't that an example of you monitoring what's happening with junket operators at Crown?

MR PACKER: I said "Ish, any players on the horizon?" I don't think that meaning  
20 monitoring junket operators.

MS SHARP: Well, then, Mr Ratnam reports to you about junket operators, doesn't  
he?

MR PACKER: Yes.  
25

MS SHARP: And what he tells you is that Suncity is planning to ramp up its  
business in Melbourne, and "this is all on rev share". I assume that's revenue share.  
What was the revenue share?

30 MR PACKER: There were two ways that junkets operated with casinos,  
simplistically: one was they negotiated a rate which was a slight discount to  
theoretical and took the ups and downs on the luck of the cards falling from that  
point; revenue share just means that whatever the total revenue is, that that would be  
split between the junkets and the – and the – and the casino. So revenue share is a lot  
35 less volatile.

MS SHARP: Is that a form of economic partnering?

MR PACKER: Yes.  
40

MS SHARP: And you will see there's a reference here to Meg-Star.

MR PACKER: Yes.

45 MS SHARP: And it starting on a rev share?

MR PACKER: Yes.

MS SHARP: Do you agree that you were made aware, in January 2018, that Meg Star would have a fixed room at Crown Melbourne?

MR PACKER: I can't recall.

5

MS SHARP: Well, I mean, the writing is here. Do you agree you were made aware of it?

MR PACKER: I – I don't think this email says that they're going to have a fixed room.

10

MS SHARP: What about if we read it in the context of the previous email. Do you want me to take you back to that one?

MR PACKER: Yes, please.

15

MS SHARP: If I could call up again CPH.001.700.1823. This is an email of the 28th of December 2017 that says:

20 *From 20 Jan, we will have the biggest junket in Macau running a fixed room.*

Do you see that date, 20 January?

MR PACKER: Yes. Yes.

25

MS SHARP: Then if we go back to that other email, CPH.001.700.1866, a short time later on the 5th of January 2018, it says:

*We start with Meg-Star around the 20th January.*

30

So do you agree - - -

MR PACKER: Yes.

MS SHARP: - - - you were made aware at the time that Meg-Star would have a fixed room at Crown Resorts?

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MR PACKER: Well, it wasn't – Meg-Star wasn't named in the prior email as the third-largest junket operator in Macau.

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MS SHARP: Mr Packer, is it correct that, over the years, you have monitored Crown Resorts relationship with key junket operators?

MR PACKER: No. I think I've met two, perhaps three, in my life, once: Mr Chau, Mr Song, and I can't remember who else. I do – do not and never had intimate relationships with junket operators and junkets. And I had nothing to do with the management or the running of those relationships.

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MS SHARP: My question was slightly different. I asked you whether you monitored relationships with Crown's junket operators.

MR PACKER: No.

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MS SHARP: Are you sure about that?

MR PACKER: I – I take that back. With Suncity, I monitored it. With Suncity, I monitored it.

10

MS SHARP: And do you agree that, up until the point when you ceased being a director, you had an awareness of the key junket operators with whom Crown Resorts dealt?

15 MR PACKER: No. I was aware of Song. I was aware of Suncity.

MS SHARP: And it seems you were also aware of Meg-Star and the Qin Si Xin junkets; correct?

20 MR PACKER: Well, there'd been an email to me with that information on the email. To say that I was intimately – or you didn't say that. To say that I was monitoring their relationships, I think, is a step too far.

MS SHARP: Mr Packer, is it correct to say that you were one of the key driving forces in bringing Macau junkets into Crown's casinos in Australia?

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MR PACKER: Yes.

MS SHARP: Do you accept, Mr Packer, that casinos can be vulnerable to infiltration by organised crime?

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MR PACKER: Yes.

MS SHARP: Can I take you to the Victorian regulator's Sixth Review report, published in 2018. It's an open document; it's exhibit J1 and I will have it called up for you. It's exhibit CRL.508.001.8052. Now, I appreciate, Mr Packer, that this document was published at a time after you were a director of Crown Resorts, but have you read this document before?

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40 MR PACKER: No, Ms Sharp.

MS SHARP: Can I take you, please, to pages 134 to 135, which you will find at pinpoint 8189? If I can just highlight the bottom two paragraphs under the heading Junket, you will see that what is stated here is that the Victorian regulator:

45

*...other regulators and law enforcement agencies are aware of the significant potential risks of money laundering through casinos, particularly through junket operations.*

5 Do you agree with those significant potential risks?

MR PACKER: Yes.

10 MS SHARP: And you will see further down there's a reference to a 2016 report of Mr Horton and it said that:

15 *...it was noted that the Australian Federal Police had advised that junkets present an opportunity for the injection of tainted funds at various entry points, including the junket participants, the junket operators, and a source in Australia.*

Do you agree with that?

20 MR PACKER: Ms Sharp, that didn't come up on my screen, so can you repeat the question, please.

MS SHARP: I apologise for that, Mr Packer. I will take you back.

25 COMMISSIONER: It's now on the screen.

MS SHARP: Can you see that now, Mr Packer?

MR PACKER: Yes.

30 MS SHARP: And do you agree with that observation?

MR PACKER: Which paragraph?

35 MS SHARP: I will read it out to you, Mr Packer. In the report, being Mr Horton's report:

40 *...it was noted that the Australian Federal Police had advised that junkets present an opportunity for the introduction of tainted funds at various entry points, including the junket participants, the junket operators and a source in Australia.*

Now, do you agree or disagree with that observation?

45 MR PACKER: I agree with that.

MS SHARP: And on the following page, it stated:

*Junket operations in Australian casinos are vulnerable to exploitation by organised crime to launder money.*

Do you agree or disagree with that?

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MR PACKER: With the benefit of hindsight, I agree.

MS SHARP: Did you understand that at the time you were the executive chairman of Crown Resorts?

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MR PACKER: I thought we had better compliance than we did.

MS SHARP: But did you understand at all times that that risk of infiltration by organised crime was there, Mr Packer?

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MR PACKER: I believe so, Ms Sharp.

MS SHARP: Could I take you to a transcript of a recent media broadcast on the 7.30 Report on 5 October this year. It is exhibit AF55. If I could call up INQ.100.041.0001 and go to pinpoint 0002. I will go to 0002. Could I please highlight the middle of the page where there's reference to Martin Purbrick.

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MR PACKER: Yes.

MS SHARP: And can you read that, Mr Packer; is that big enough for you to read?

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MR PACKER: Yes.

MS SHARP: And Mr Martin Purbrick is quoted – he was a former chief of security at the Hong Kong Jockey Club, and he's recorded as saying:

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*I couldn't second-guess the executives in those companies, but if they have no idea that Macau casino junkets have a background in organised crime and have allegations of money laundering surrounding their business, then they clearly haven't looked at the internet or the news for about 20 years.*

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Do you agree with that observation?

MR PACKER: No.

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MS SHARP: Since the earliest times of your involvement with Melco Crown, have you understood that a number of Macau casino junkets have links with organised crime?

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MR PACKER: I've understood that there were rumours.

MS SHARP: And you have been aware of those rumours the entire time you have had involvement in Melco Crown?

MR PACKER: Yes.

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MS SHARP: Commissioner, I should indicate I have, I would hope, less than 10 minutes left, if that's convenient.

10 COMMISSIONER: Yes, I might just take – Mr Packer, what I will do is I will take just a five-minute break. Are you comfortable to proceed if we take a five-minute break or would you like a little longer? Ms Sharp tells me that she has about 10 or 15 minutes to go.

15 MR PACKER: That's fine, Madam Commissioner. Thank you very much.

COMMISSIONER: All right. I will take a five-minute break and I will resume then.

20 **ADJOURNED** [1.04 pm]

**RESUMED** [1.09 pm]

25

COMMISSIONER: Yes, Ms Sharp.

30 MS SHARP: Mr Packer do you agree that the grant of a licence to operate a casino is a privilege?

MR PACKER: Yes, Ms Sharp.

35 MS SHARP: And do you accept that with the grant of that privilege come a number of important obligations on the part of the casino operator?

MR PACKER: Yes, Ms Sharp.

40 MS SHARP: In view of the risks that we've already discussed, and as a former executive chairman of Crown Resorts, do you agree that it is important that a casino operator ensures it only has business associations with those of good repute?

MR PACKER: Yes, Ms Sharp.

45 MS SHARP: Is that a matter of which you have been aware for the entire period that you were the executive chairman of Crown Resorts?

MR PACKER: Is what a matter?

COMMISSIONER: That you only have business associations with people of good repute?

MR PACKER: Yes, Ms Sharp. Sorry – Madam Commissioner.

5

COMMISSIONER: That’s all right, Mr Packer.

MS SHARP: How important was that matter for you? Do you think you placed sufficient importance on it?

10

MR PACKER: Not with the benefit of hindsight.

MS SHARP: Do you agree – I withdraw that. May we take it that, as the executive chairman and, later, a director of Crown Resorts, that you endeavoured to keep yourself informed of media reports about Crown Resorts, particularly those reports that reflected adversely on Crown Resorts?

15

MR PACKER: Only sometimes.

MS SHARP: Do you agree that you have long been on clear notice of the risks of links between junket operators and organised crime?

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MR PACKER: Not the junket operators that Crown Australia was dealing with. Not the junket operators Crown Resorts was dealing with.

25

MS SHARP: Do you agree that, since 2009, at least, it has been alleged in the media that Melco Crown and Crown Resorts have dealt with junket operators linked to organised crime?

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MR PACKER: No.

MS SHARP: Did you become aware, at a time when you were executive chairman of Crown Resorts, of the September 2014 Four Corners program, High Rollers High Risk?

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MR PACKER: I can’t recall.

MS SHARP: Well, given that that program made a number of very serious allegations against Crown Resorts, do you think it is most likely that they were drawn to your attention as the executive chairman of Crown Resorts at the time?

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MR PACKER: I think that that’s most likely.

MS SHARP: See, that program alleged that Melco Crown dealt with five junkets having links to organised crime, being the Amax junket, Chan Meng Kam, the Man Pou Gaming Promotion Company, the Ocean Star junket, which was linked to Neptune, and the Suncity junket. Don’t you agree that you’ve long been on notice of

45

allegations that Melco Crown and Crown Resorts were dealing with junkets associated with organised crime?

MR PACKER: Yes, that's fair.

5

MS SHARP: During the period that you were executive chairman of Crown Resorts, did you have any understanding, at all, of the due diligence that Crown Resorts undertook with respect to junket operators?

10 MR PACKER: Only at the highest level.

MS SHARP: And what does that mean?

MR PACKER: That I was assured that they were junkets of good repute.

15

MS SHARP: And beyond that, is it fair to say that you had no understanding of the due diligence that Crown Resorts undertook?

MR PACKER: Yes.

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MS SHARP: Do you agree, Mr Packer, that it is ultimately the board's responsibility to set guidance on the type of junket operators with which Crown Resorts should deal?

25 MR PACKER: Yes.

MS SHARP: And do you agree that it is for the board to set the company's risk appetite with respect to junkets?

30 MR PACKER: Yes.

MS SHARP: Is it the case that while you were the executive chairman of Crown Resorts, the board set no guidance with respect to the risk appetite for junkets?

35 MR PACKER: I saw that as Mr Craigie's job.

MS SHARP: So does that mean that, while you were a director – sorry – the executive chairman of Crown Resorts, the board did not set guidance with respect to the risk appetite for junkets?

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MR PACKER: I can't recall, Ms Sharp.

MS SHARP: Well, do you agree it's most likely you would remember that if the board had done so?

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MR PACKER: Yes.

MS SHARP: And it's not something you've turned your mind to, is it?

COMMISSIONER: Well, just pause there for a minute, Mr Packer. Do you mean generally, at all, or ever?

5

MS SHARP: While you were the executive chairman.

MR PACKER: Yes.

10 MS SHARP: But do you agree that you did not turn your mind to it?

MR PACKER: No.

15 MS SHARP: So do you agree it's most likely that the board did not set guidance, during the time you were the executive chairman, as to Crown's risk appetite with respect to junkets?

MR PACKER: Yes.

20 MS SHARP: A paper was presented to the Crown Resorts board on the 10th of August 2020 which states that:

*Crown's international VIP team has historically run on an aggressive sales culture with a higher risk appetite than the rest of the business.*

25

Based on your experience with VIP international at Crown Resorts, do you agree with that observation?

MR PACKER: Yes.

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MS SHARP: And, Mr Packer, do you accept any responsibility for that?

MR PACKER: I accept some.

35 MS SHARP: Commissioner, I have no further questions.

COMMISSIONER: Yes. Thank you, Ms Sharp. Mr Hutley, do you have any questions that you wish to ask in clarification?

40 MR HUTLEY: No. Thank you, Madam Commissioner.

COMMISSIONER: Mr Young, do you have any questions that you wish to ask in clarification?

45 MR YOUNG: No, thank you, Commissioner.

COMMISSIONER: Thank you. Mr Stoljar, do you have any questions that you wish to ask in clarification?

MR STOLJAR: No, thank you, Commissioner.

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COMMISSIONER: Thank you. Mr Packer, I am going to ask you a couple of questions in relation to a couple of matters. Mr Packer, can you hear me?

MR PACKER: Yes, Madam Commissioner.

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COMMISSIONER: I wanted to ask you about something that you discussed with Mr Bell relating to the controlling shareholder protocol and the services agreement. So that's the topic on which I would like to ask you some questions now; you understand that?

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MR PACKER: Yes, Madam Commissioner.

COMMISSIONER: When a company such as yours – CPH I'm talking about, firstly – makes an investment of the kind that you have made in Crown, it is usual in these arrangements, isn't it, to have representation on the board of the company that the investment is made in; is that right?

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MR PACKER: Yes, Madam Commissioner.

COMMISSIONER: And through that representation on the board, it provides an avenue for both advocacy for things to occur from the point of view of the company they represent on the board and also obtaining information from that company back to the original company; do you agree with that?

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MR PACKER: Yes, Madam Commissioner.

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COMMISSIONER: And you have seen that in a number of settings, I presume, have you?

MR PACKER: Yes, Madam Commissioner.

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COMMISSIONER: So when you established Crown, there was yourself, Mr Alexander and Mr Johnston as original directors with others; that's right, isn't it?

MR PACKER: Yes, I'm not sure if Mr Alexander was a CPH executive or he was a  
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COMMISSIONER: PBL?

MR PACKER: A PBL executive.

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COMMISSIONER: Yes. But those three men, that is, yourself, Mr Alexander and Mr Johnston, have remained constant through being on the board from that time to this; you being on and off the board as you've described, correct?

5 MR PACKER: Correct, Commissioner.

COMMISSIONER: And when you went off the board, as you told Mr Bell, and the controlling shareholder protocol was put in place, that arrangement seems to have been so that on one view of it, you could feel comfortable that you could feel that  
10 you could receive confidential information personally as opposed through the directors from CPH who were on the board; is that right?

MR PACKER: Yes, Madam Commissioner.

15 COMMISSIONER: And you told me during your evidence in the last couple of days that what you were doing in writing and receiving emails to the various people at Crown, you felt it was authorised. Do you remember telling me that?

MR PACKER: Yes, Madam Commissioner.

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COMMISSIONER: And so far as that is concerned, I'm not sure that you saw Mr Johnston's evidence, but Mr Johnston informed me in his evidence that he accepted that when he was dealing with the confidential information in May 2019 when the Melco deal was being negotiated, he accepted that for various reasons there could be  
25 a perception of conflict at that time. Did you see that?

MR PACKER: I believe I did see that, Madam Commissioner.

COMMISSIONER: And so albeit that it may have been well-intentioned to  
30 regularise things, on one view of it having a structure like this and letting it run the way it did, may create dangers at least as far as perceptions are concerned; would you agree with that?

MR PACKER: Yes, Madam Commissioner.

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COMMISSIONER: And also Mr Barton had responsibilities to look carefully at things before the information was given to you and to others, and that doesn't seem to have been documented at the time other than through the email chains to which you have been taken; you understand that, do you?

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MR PACKER: Yes, Madam Commissioner.

COMMISSIONER: And the services agreement that was created in 2016, that was about six months after you left the board in December '15; you understand the  
45 chronology?

MR PACKER: Yes.

COMMISSIONER: I was just trying to get a flavour for what the real reason was for the services agreement at that time. It looks as though, from what I have received in evidence, that CPH executives had already been providing services to Crown over the years in various modes for no fee. That's right, isn't it?

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MR PACKER: Yes.

COMMISSIONER: And was it really more of a financial impetus that drove the establishment of the services agreement, or was it something else?

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MR PACKER: I think it was – I think – I think it was an attempt to stop a subsidisation of Crown by CPH.

COMMISSIONER: I see. I see. And what happened over the years from the looks of things, is that Mr Johnston provided services at a managerial level whilst he was a director of Crown; you understand that?

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MR PACKER: Yes.

COMMISSIONER: And then Crown, at a board level, was expected to make judgments about the performance, including the performance of what had happened where Mr Johnston was working. You understand that?

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MR PACKER: Yes, Madam Commissioner.

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COMMISSIONER: And do you see some difficulty with that?

MR PACKER: With hindsight, I do.

COMMISSIONER: And so I do understand that you have told Mr Bell that at the times that you were doing the things you were doing it, you were doing it in the best interests, as you saw it, for Crown but these two structures seem to have created a basis for criticism, have they not?

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MR PACKER: They appear to have been a focus of the Inquiry, Madam Commissioner. So - - -

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COMMISSIONER: Yes. And - - -

MR PACKER: I accept that.

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COMMISSIONER: And looking, as one must, to try to work out a number of things, but in respect of the structures that many people have been asked about in respect of risk management and the like, these sorts of agreements are not necessary, are they, if you have representation on the board that works well. Would you agree with that?

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MR PACKER: That's correct, Madam Commissioner.

5 COMMISSIONER: And if I could just ask you about the boards. I mean you have been on a number of boards over the years, I understand, Mr Packer; that's right, isn't it?

MR PACKER: Yes, Madam Commissioner.

10 COMMISSIONER: And so the process of appointing board members in Crown Resorts over the years has been to appoint both what have been described as independent directors and directors who represent CPH interests; that's right, isn't it?

15 MR PACKER: Yes, Madam Commissioner. And if I could say CPH directors have always represented a lower percentage of the board than the CPH shareholding.

COMMISSIONER: I understand. I understand. Is there some reason for that?

20 MR PACKER: And – I think that it was an attempt at good governance, and I think Crown is very lucky to have the board it has. It has got a – I think it has got strong independent directors. There's never been an attempt to have a board that is – is a weak board. There's always been an attempt to have a strong board.

25 COMMISSIONER: And if I may intrude, how are they chosen?

MR PACKER: There's a remuneration committee.

COMMISSIONER: Yes.

30 MR PACKER: Sorry, not a – a nominations committee.

COMMISSIONER: Yes. Yes?

35 MR PACKER: And - - -

COMMISSIONER: And what happens there?

40 MR PACKER: - - - the candidates go through the nominations. Someone gets recommended as a – as a director and the directors vote on it.

COMMISSIONER: Yes. And so far as the independent directors are concerned, I've seen the board charter and the definition of independent directors that you have taken, or the company has taken from the ASX principles. That has been an ongoing development, has it not?

45 MR PACKER: When you say "ongoing development", I'm not quite sure what you mean, Madam Commissioner.

COMMISSIONER: Well, you have tried to keep abreast of the modernisation of board charters over the years, I presume, to reflect what the ASX advises?

MR PACKER: Yes, I believe so, Madam Commissioner.

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COMMISSIONER: Yes. And in terms of having what you referred to as a good governance board, to have a majority of independents is something that you see as an attractive proposition for a public company such as Crown?

10 MR PACKER: Yes, Commissioner. Even when CPH owned 53 per cent of Crown there was a majority of independent directors.

COMMISSIONER: Yes. If I may be personal for one moment. You would accept, would you not, that you have a powerful personality?

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MR PACKER: That's for others to say, Madam Commissioner.

COMMISSIONER: Do you accept it from your own point of view that as a leader of the company for all those years up to 2015, being the executive chairman, you led with a powerful personality?

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MR PACKER: I accept that, Madam Commissioner.

COMMISSIONER: And when I discussed with you in your evidence when Mr Bell was asking you questions about the managerial – people in managerial positions wanting to please you, on reflection, do you accept that that's a proposition with which you would agree?

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MR PACKER: I had never thought about it before, Madam Commissioner, until two days ago. Perhaps you are right.

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COMMISSIONER: And that, on one view, may not be a bad thing, Mr Packer, but in terms of looking at the structure of the company in the circumstances in which we all find ourselves, the processes of trying to understand why it was that failures have occurred to which I see that you have – with which you have agreed with Ms Sharp at least and Mr Bell yesterday – I would like to ask you with all your experience, although you haven't been able to tell me ultimately why it really happened, what do you suggest may be an appropriate restructure to shed what has been described as a dysfunction?

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MR PACKER: I think there certainly shouldn't be major shareholder provisions going forward. I think that the Crown board has a lot to think about in terms of who the right people are for the right jobs. I think caps on shareholdings may be something that you will think about. I think this has been a terribly painful and terribly shocking experience for the board, as it has been for me. I won't be going on the board again. I think the board will be more independent than it was in the past.

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COMMISSIONER: Thank you. Over the years, you have been regulated in a number of jurisdictions, both here and internationally, as a close associate or as a casino operator. Would you agree with the proposition that a strong regulator, appropriately funded, is both good for the community and for the casino operators?

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MR PACKER: Yes, I would, Madam Commissioner.

COMMISSIONER: When the successful bid was made by you and your company for the Barangaroo casino, the legislation that was enacted at the time was, I presume as you would understand, quite different from anything you had seen anywhere in the world. Is that right?

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MR PACKER: Yes, Madam Commissioner.

COMMISSIONER: And it could only be seen from your company's point of view as an extraordinarily successful outcome for the company; would you agree with that?

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MR PACKER: At the time, I think it's - - -

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COMMISSIONER: Yes.

MR PACKER: I think it's a different world now.

COMMISSIONER: Yes, I understand your point. And, of course, at the time one of the things that was enacted in the Casino Control Act was that any conditions of the licence for Crown Sydney Gaming Proprietary Limited could only be amended by agreement of Crown Sydney Gaming. Do you remember that happening?

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MR PACKER: Yes, Madam Commissioner.

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COMMISSIONER: And so it is that a regulator in this State, as I understand it, Mr Packer, if it saw an appropriate condition which, should it be imposed on the licence, it, on one view of it, could not impose it without the agreement of Crown Sydney Gaming; you would agree with that?

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MR PACKER: When it comes to tax rates and levies to the government, I agree that's the way the contract is written. I'm aware of some disputes about some proposals. I think, at the end of the day, they'll be resolved commercially without it becoming - - -

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COMMISSIONER: I see.

MR PACKER: I don't know. I'm - I'm not a director. But I believe they'll - I would guess, that they will be resolved commercially.

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COMMISSIONER: Yes. I'm not sure to what you are referring, but can I just indicate that the legislation that was enacted at the time that you were the successful applicant or bidder, in fact, imposed a restriction on the regulator, which was the regulator, effectively, being a party to the agreement, the licence, could not amend  
5 the licence without the agreement of the licensee. You understand that?

MR PACKER: Yes, Madam Commissioner.

COMMISSIONER: Have you ever experienced such a legislative provision  
10 anywhere else in the world?

MR PACKER: In Victoria, we've got regulatory certainty as well, where it's – it's designed because, historically, when times were tough, as they are now - - -

15 COMMISSIONER: Yes.

MR PACKER: - - - one of the first things that governments would do would be to raise tax rates on – on casinos.

20 COMMISSIONER: Yes.

MR PACKER: I think – I think the casino business is very different to the pub and club business, with no disrespect to the pub and club business, in the sense that the capital investments involved have become bigger and bigger as one tries to compete  
25 in the Asia-Pacific world. And if you don't have surety about your income streams, it becomes very difficult to make long-term investments.

COMMISSIONER: And so that was the purpose of that, as you saw it, at the time that that deal was negotiated?  
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MR PACKER: Yes, Madam Commissioner.

COMMISSIONER: You made an observation a short time ago about seeing it as a great success at the time. I presume that that is a reflection on the difficult  
35 circumstances for everyone in the world at the moment, but, in particular, for casino operators; is that right?

MR PACKER: Well, the VIP business which was, I think, I mentioned before, budgeted to be, call it 30 per cent of the EBITDA.  
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COMMISSIONER: Yes.

MR PACKER: The international VIP business, not the domestic VIP business.

45 COMMISSIONER: Yes.

MR PACKER: It's highly – it's highly doubtful that we are going to go anywhere near hitting our original figures, our original budgets for – for that segment of the business.

5 COMMISSIONER: And that's the matter to which you were referring a little earlier, is it?

MR PACKER: Yes, Madam Commissioner.

10 COMMISSIONER: Yes. And there's been a great deal of discussion about junkets throughout the hearing so far. And one of the representatives of Crown indicated that they would have more comfort about a junket if it had been operating in Queensland, because Queensland has a licensing, or quasi licensing arrangement for junkets. You will recall previously that there was some regulatory involvement in  
15 approval of junkets in various States other than Queensland, Mr Packer?

MR PACKER: Yes, Madam Commissioner.

20 COMMISSIONER: And in 2016 and '17, when various reports were obtained by regulators and governments, there's been a new – what was then a new regime which has been referred to – and I'm not quite sure of the true meaning of it, though – as a risk-based model. You're aware of that?

25 MR PACKER: Sorry. Could you repeat that, Madam Commissioner?

30 COMMISSIONER: There has been a review conducted, both here and elsewhere, which has converted what was previously a more regulated environment for casinos into what's now been referred to as a risk-based model. Have you been made aware of that?

MR PACKER: Not really, Madam Commissioner.

35 COMMISSIONER: I see. And one of the matters that has been referred to is the possible prospect of licensing of junkets. You've worked in an environment where junkets are licensed, have you not?

MR PACKER: I believe so.

40 COMMISSIONER: And do you have any observations to make about whether the licensing of junkets helps the operators of casinos in respect of the relationships that they may forge with those junket operators?

45 MR PACKER: I don't see how it could hurt in terms of – I think casino operators and the government regulators, AUSTRAC, all need to be working more closely together, so it's not just the casino operator having to make the probity decision with only half the information.

COMMISSIONER: Yes, I see. And you've been through a number of inquiries over the years and you're aware that recommendations have been made that there should be more information sharing over the years; have you not?

5 MR PACKER: When you say "more information sharing" - - -

COMMISSIONER: As between casino operators, law enforcement agencies.

MR PACKER: Yes. Yes. Yes.

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COMMISSIONER: And notwithstanding that it's been happening for the last 30 years or so, it hasn't happened, has it?

MR PACKER: No, it hasn't, Madam Commissioner.

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COMMISSIONER: So if I assume that it will not happen, as recommended as long ago as 1992, in a way that's effective, then you are driven back, aren't you, to the relationship between the casino operator and the regulator being open and transparent and cooperative, from the casino operator's point of view. Do you agree with that?

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MR PACKER: Madam Commissioner, not wanting to be flippant, I think you are underselling yourself.

COMMISSIONER: I've not been known for that, Mr Packer.

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MR PACKER: I think your recommendations – I think your recommendations are going to be listened to very, very, very carefully.

COMMISSIONER: Well, thank you. But in circumstances where this industry, at least in this State – and I know you haven't operated in this State, a casino as yet, although I understand that's to happen at some stage – you had an entitlement, or your company did, to start operating the Barangaroo casino in November 2019 under the licence agreement; you agree with that?

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35 MR PACKER: Yes.

COMMISSIONER: That licence has remained in force since 2014, hasn't it?

MR PACKER: I believe so, Madam Commissioner.

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COMMISSIONER: And in respect of the questions for this inquiry – there are two questions relevant to it: one is whether the casino operator and the close associates, etcetera, are suitable – you understand that?

45 MR PACKER: Yes.

COMMISSIONER: And the second question posed for this inquiry is, if a finding is made or a recommendation is made to ILGA, and it finds unsuitability, the next question is how does one make Crown and its operations suitable? You understand that?

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MR PACKER: Yes, Madam Commissioner.

COMMISSIONER: And so the questions I have asked you about the regulator and the structure of the board and the company relate to the second of those questions; you understand that?

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MR PACKER: Yes, Madam Commissioner.

COMMISSIONER: On an assumption. I would just like to ask you another couple of questions in relation to a topic which has reared its head and that is something about which you haven't given detailed evidence but it's quite clear that there were two companies within Crown that had real problems in its accounts, companies known as Riverbank Investments Proprietary Limited and Southbank Investments Proprietary Limited. You're aware of those?

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MR PACKER: I'm aware of those through the commission.

COMMISSIONER: Yes. And as I understand the evidence that you have given, even as executive chairman and as a director, you were not made aware of the structure of those two companies; is that right – to your recollection?

25

MR PACKER: That's correct. That's correct.

COMMISSIONER: And I have been informed that the companies are to be deregistered and the bank accounts are to be closed; you understand that?

30

MR PACKER: Yes.

COMMISSIONER: Now, if, during the period of the operations of Riverbank and Southbank, there had been a requirement for any concerns about the content of those bank accounts to be, irrespective of what happened with AUSTRAC, reported to the regulator. The regulator would have then at least had the capacity to discuss those concerns with Crown. You agree with that?

35

MR PACKER: That sounds correct, Madam Commissioner.

40

COMMISSIONER: I know that Crown Resorts is audited by external auditors, obviously; you agree with that?

MR PACKER: Yes.

45

COMMISSIONER: But there doesn't seem to be any process, and there hasn't, as I apprehend it, been a formal process, of a declaratory statement to the regulator in relation to auditing in respect of anti-money laundering processes within the company; is that right?

5

MR PACKER: I believe that's right, Madam Commissioner, but I'm not 100 per cent sure.

COMMISSIONER: And some of the things that I have been informed about, once again keeps the information inside Crown but Crown, as it has said, has reported – I withdraw that. I have assumed that Crown has reported to AUSTRAC as it should, but that doesn't mean that the regulator is immediately in the loop; you understand that?

15 MR PACKER: Yes.

COMMISSIONER: And I have seen correspondence and the like that suggests that you would be, as a director and former chairman, sensitive to ensuring that Crown would comply to ensure that money laundering, as best it can, does not occur in its operations; you agree with that?

20

MR PACKER: Yes, Madam Commissioner.

COMMISSIONER: And so whatever assistance can be gleaned from having a transparent relationship with the regulator, I presume you would embrace if you were a director of Crown?

25

MR PACKER: In all probability - - -

30 COMMISSIONER: Yes.

MR PACKER: It depends, obviously, on how far and how much the regulator wants. But there needs to be a conversation and there needs to be a landing where people are sensible and we get the right outcome.

35

COMMISSIONER: Yes.

MR PACKER: For everyone.

COMMISSIONER: I understand the level of directors' obligations and need not to be micro-managing, Mr Packer and I also understand the regulator being a regulator rather than a partner, if you will pardon the expression, but in terms of trying to open up what has happened here, I think at least you would accept that some serious, very serious, changes need to be made; do you agree?

45

MR PACKER: Absolutely.

5 COMMISSIONER: Could I just ask you one other thing, because I have reviewed the licence that you have been able to negotiate with the government, that your company negotiated with the government. There seems to be a provision in relation to allowing smoking in your casino – in the company’s casino. Is that still the intention?

MR PACKER: Yes, Madam Commissioner. I believe so.

10 COMMISSIONER: Yes. Does that have something to do with the nature of what happens in the casino? What is the basis for having smoking in a modern building like Barangaroo?

15 MR PACKER: Some – some people enjoy smoking and the air filtration systems are going to be the most sophisticated, as I’m told, that have ever been developed or built in Australia. So it’s not going to be a smoky room when people go in there and there will only be part of the floor that is available to smokers and the other part of the floor will be smoke-free.

20 COMMISSIONER: And so far as the smoking room is concerned, no staff would be in there; is that right?

MR PACKER: Sorry, no staff?

25 COMMISSIONER: No staff would be in there, would they?

MR PACKER: Well, there would be dealers and - - -

30 COMMISSIONER: I see. It’s just that this was negotiated seven years ago, and things have changed in New South Wales and that’s why I asked, because of the change in the way in which such things are dealt with and there have been more modernised approaches to this. Do you know whether other casinos have such a provision?

35 MR PACKER: Yes.

COMMISSIONER: And that’s throughout the country, is it?

MR PACKER: Yes, it is.

40 COMMISSIONER: Yes. And it must have something to do with the nature of the conduct that occurs, that is, the gambling process, is it?

45 MR PACKER: I guess so, Madam Commissioner. There’s – smoking has been – smoking has been synonymous for at least many people with casinos for a long time.

COMMISSIONER: I see. And has the company been approached by the, for instance, the Cancer Institute or one of the others, in respect of it?

MR PACKER: I'm not sure, Madam Commissioner.

5 COMMISSIONER: I see. Yes. All right. Thank you. And when you said that there has to be a conversation between the regulator and the company and there has to be – it will depend upon the extent of what is to be done, in respect of the anti-money laundering, or money laundering problems, I presume that you would agree with the process by which the anti-money laundering compliance section of the company would be separate from the profit-driving or profit-making aspects of the company?

10 MR PACKER: I think that's clearly been a failure that we haven't had that in place, so I agree with you, Madam Commissioner.

15 COMMISSIONER: Yes. Just pardon me for a moment. Can I just ask you about your conversation with Mr Rankin that you told Mr Bell about, about in April or May this year, six months ago; why did he call you?

20 MR PACKER: I think I messaged him to congratulate him, because an investment that he champions with Paul Bassat from Square Peg had done very well. And I sent him a – I sent him a note to – to say that. And he gave me a call. And we didn't talk about the commission.

COMMISSIONER: Yes.

25 MR PACKER: And it wasn't a long call.

COMMISSIONER: When had you spoken to him previously to that?

30 MR PACKER: Probably a year before that.

COMMISSIONER: So when he left the board, when – he resigned in January 2017 as chairman, but stayed on the board until June 2017; that's right, isn't it?

35 MR PACKER: I thought that – yes. He resigned in January 2017.

COMMISSIONER: Yes. And you were asked some questions about attributing blame, and the like, and I'm just asking you about Mr Rankin's position of remaining on the board for that six-month period. Did you part as friends?

40 MR PACKER: I'd say as associates, not as friends.

45 COMMISSIONER: I see. And when you told me that you and he discussed the company being on alert after the Korean arrests, and that you asked Mr Craigie to, as you put it, drill down, I think, did you ever have a discussion about informing your colleagues on the board about that work stream?

MR PACKER: I don't believe we did. And the three of us are all guilty for that.

COMMISSIONER: Do you mean yourself, Mr Rankin and Mr Craigie?

MR PACKER: Mr Craigie, as the CEO.

5 COMMISSIONER: Yes. But that gave me the impression that, perhaps wrongly – and that’s why I’m putting it to you – that there was an understanding that if people reported to you – if people informed you – it was enough, because you were the head of things. Do you understand that?

10 MR PACKER: Madam Commissioner, I do, but it was never my intention to stop information from getting to the board.

COMMISSIONER: It doesn’t appear that it did in the way that you think. I think Mr Johnston well knew of things, didn’t he?

15 MR PACKER: I presume so.

COMMISSIONER: The problem for Mr Johnston was that he indicated that he didn’t tell you about the young man who was questioned in Wuhan by the police. Is that still your recollection, that he didn’t tell you?

MR PACKER: Yes, Madam Commissioner.

25 COMMISSIONER: And nobody else told you?

MR PACKER: No, Madam Commissioner.

30 COMMISSIONER: And so the board, if one looks at the board being at least one chairman and one director and another director and Mr Rankin as the CEO and a director, did have knowledge, but it wasn’t spread more widely to the whole board. That’s how I would characterise it; is that fair?

MR PACKER: That would be fair, Madam Commissioner.

35 COMMISSIONER: Yes. Thank you, Mr Packer. Mr Packer, I know that you are not presently an office bearer of the company. And I thank you for the observations that you have made in response to my questions. Thank you. I will ask Mr Hutley if there’s anything arising.

40 MR HUTLEY: No. Thank you, Madam Commissioner.

COMMISSIONER: Mr Young, anything arising?

45 MR YOUNG: No, thank you, Commissioner.

COMMISSIONER: And Mr Stoljar?

MR STOLJAR: Nothing from me. Thank you, Commissioner.

COMMISSIONER: And, of course, Ms Sharp?

5 MS SHARP: Nothing from me. Thank you, Commissioner.

COMMISSIONER: All right. Now, Mr Brazil is the next witness, I think, who's waiting.

10 MS SHARP: That is so.

COMMISSIONER: I will take a short luncheon adjournment, if that doesn't inconvenience too much. And I'll resume at half past 2.

15 MS SHARP: Thank you, Commissioner.

COMMISSIONER: Yes.

20 <THE WITNESS WITHDREW

**ADJOURNED** [2.06 pm]

25 **RESUMED** [2.33 pm]

30 COMMISSIONER: Yes. Yes, Mr Aspinall.

MR ASPINALL: Thank you, Commissioner. The next witness is Mr Brazil, who appears from London. But before we move to Mr Brazil, I would propose to tender some more documents which are in a list entitled Proposed Exhibit AG for George and comprise exhibits AG1 to AG51.

35 COMMISSIONER: Yes. Thank you. That will become - - -

MR ASPINALL: I understand Mr Owens appears for Mr Brazil.

40 COMMISSIONER: Yes, I will come to that in a moment. AG1 to AG51; I'll mark those.

45 **EXHIBIT #AG1 TO AG51 DOCUMENTS IN PROPOSED EXHIBIT AG LIST**

COMMISSIONER: Mr Owens, you appear for Mr Brazil; is that right?

MR OWENS: I do, Commissioner. And Mr Brazil appears to give evidence to the Inquiry under compulsion.

5 COMMISSIONER: Yes. Yes, Mr Brazil has been served with a summons; that is right?

MR OWENS: That's right, Commissioner. Yes.

10 COMMISSIONER: Mr Brazil is in London, is he?

MR OWENS: He is, Commissioner, yes.

15 COMMISSIONER: And he has accepted service of a summons, albeit that he is in London.

MR OWENS: Yes, Commissioner.

20 COMMISSIONER: Yes. Now, Mr Brazil, would you – I think it's very early in the morning over there, is it Mr Brazil?

MR BRAZIL: Yes, it is. Just checking, yes, it is.

25 COMMISSIONER: Yes, thank you very much for making yourself available at such a time. I understand that you wish to take an affirmation to give your evidence, Mr Brazil; is that correct?

MR BRAZIL: That's correct.

30 COMMISSIONER: Yes.

**<BENJAMIN ALEXANDER BRAZIL, AFFIRMED** [2.35 pm]

35 **<EXAMINATION BY MR ASPINALL**

COMMISSIONER: Yes, thank you, Mr Brazil. Yes, Mr Aspinall.

40 MR ASPINALL: Thank you. Would you be able to give us your full name, sir.

MR BRAZIL: Benjamin Alexander Brazil.

45 MR ASPINALL: And are you able to give us your professional address, if it's not confidential?

MR BRAZIL: 21 Bruton Street, London.

MR ASPINALL: What is your occupation, Mr Brazil?

MR BRAZIL: Investor.

5 MR ASPINALL: Mr Brazil, are you able to give us a precis of your work or professional history in terms of the dates you were engaged in various jobs?

MR BRAZIL: Yes. I commenced employment with Macquarie in early 1994. I left Macquarie in March 2000. I worked at CPH for about one year. I established an  
10 entrepreneurial start-up and ran that for two years.

MR ASPINALL: What was the name of that?

MR BRAZIL: It was called Utility One. I then returned to Macquarie in 2003. At  
15 the end of 2007, I left Macquarie and established a joint venture with CPH, with ambitions to establish an investment firm. Through the course of 2008, that fell victim to the financial crisis, and by January 2009, I returned to Macquarie. I was an employee of Macquarie until I resigned from Macquarie in – the end of June 2019.

20 MR ASPINALL: And throughout the time, were you based in Sydney?

MR BRAZIL: I was based in London between 2006 to '08. Otherwise, largely in Sydney, a brief period in New York.

25 MR ASPINALL: Yes, and the joint venture that you were proposing to set up was called Ellerston Capital; is that correct?

MR BRAZIL: It was not. I think that's some reporting in the media that wasn't  
30 quite right.

MR ASPINALL: What is the correct position?

MR BRAZIL: Park Street Partners.

35 MR ASPINALL: I see.

MR BRAZIL: Park Street Partners, yes.

MR ASPINALL: Yes. And that is a reference to where CPH's headquarters was in  
40 Park Street; is that right?

MR BRAZIL: Correct.

MR ASPINALL: Well, it was; I think it's a hole in the ground at the moment. Can  
45 you tell me, if you wouldn't mind, how you came to be on the board – I'll firstly confirm the dates we have that you were a director of Crown Limited which became

Crown Resorts Limited from June 2009 to April 2017; does that accord with your memory?

MR BRAZIL: I think that's correct.

5

MR ASPINALL: Would you mind telling the Commissioner how it came to be that you joined the board of Crown Limited at that time?

MR BRAZIL: I think I offered my services to Mr Packer.

10

MR ASPINALL: Mr James Packer or Mr Kerry Packer?

MR BRAZIL: To James Packer. Probably the first half, I guess, of 2009, after I had returned to Macquarie. And he expressed interest and we worked through the appointment process.

15

MR ASPINALL: I see. And so what did the appointment process involve, as you recall?

20

MR BRAZIL: I don't recall exactly. There would have been assorted nomination committees, probity, etcetera. And I will also – I – I – I don't recall the specifics.

MR ASPINALL: In terms of the involvement of the nomination committee, can you give us any more recollection as to what its role was in regards to your appointment?

25

MR BRAZIL: I can't, I'm sorry.

MR ASPINALL: But as you understood, Mr Packer had approved your appointment, is that how it came to be that you were appointed?

30

MR BRAZIL: I – I – I won't be able to recall, other than knowing that I offered my services to Mr Packer, and – and they were taken up.

MR ASPINALL: At that time of joining, did you have any experience or knowledge about the casino industry?

35

MR BRAZIL: Not zero, but I was not at all a specialist. I think there had been investments contemplated in my world in the past but I really – it was a – just one of many things that I knew a little bit about.

40

MR ASPINALL: I see. And in the course of your work as a banker, had you come into contact or had any training in respect of money laundering or anti-money laundering?

45

MR BRAZIL: AML training is something we did, yes. I won't be able to recall exactly when, if you will forgive me - - -

MR ASPINALL: No, of course.

MR BRAZIL: - - - ..... program.

5 MR ASPINALL: But your recollection is you would have done that before you joined the board so that was something you knew about?

10 MR BRAZIL: I would have done AML training at Macquarie. I think it's highly likely that I did it in the middle of – you know, somewhere between 2003 and 2008, for example. I won't be able to recall the specifics about it.

15 MR ASPINALL: In terms of the joining of the board, were you given any induction training or other training in respect of preparing you for the role of director of the companies?

MR BRAZIL: Not that I recall.

20 MR ASPINALL: I saw that you are a member of the audit and corporate governance committee from May 2011 to April 2017. Do you recall that?

MR BRAZIL: Yes.

25 MR ASPINALL: One of the things that the Inquiry has been looking at is the ASX governance principles. Are you familiar with those?

MR BRAZIL: In – in general, yes.

30 MR ASPINALL: Yes. I just wanted to ask you at a high level – you can go to the document if you want to – but are you familiar with the recommendation by the ASX that there should be some induction training for new directors?

MR BRAZIL: I'm not familiar with that specific detail.

35 MR ASPINALL: I see. And as far as you remember during the whole time that you were on that board and a member of the governance committee, there was no induction training organised for people?

MR BRAZIL: I don't - - -

40 MR ASPINALL: .....

MR BRAZIL: Every chance there was not.

45 MR ASPINALL: All right. Do you think that would have been a useful exercise for yourself to have some induction training in respect of how casinos operate and how they're regulated?

MR BRAZIL: I – I think it couldn't have hurt. I was hesitating and going to reference the limited understanding I had previously, but I think – I think it must be true that it wouldn't have hurt.

5 MR ASPINALL: One of the earlier recommendations in the ASX governance principles was simply that training be given or induction be given in the general field in which the company operates but more recently an updated version has been issued after you left the board and the governance committee, which refers to training or education in respect of the statutes that regulate the particular corporate entity. Do  
10 you understand what I am driving at?

MR BRAZIL: I will say yes for now but if you will forgive me if it turns out I didn't have a perfect understanding of what you just said.

15 MR ASPINALL: We'll push on and see if you do. What I wanted to ask you is when you were on the board – and obviously you didn't receive any induction training – what understanding did you have of the regulatory – legislation that regulated the operation of the casino? Or later – or the casinos later

20 MR BRAZIL: Yes. Absolutely. More than zero, though, I would say in thrust and broad brush rather than, certainly, I didn't know of any of the specific language and provisions. I think I had an appreciation of the – where probity drives at, for example. You know, the concept of being licensed, etcetera. So I'd say I had some sense of where regulation was directed, but I wouldn't have known specifics.

25 MR ASPINALL: I wanted to ask you a little bit more specific. Were you aware that there was an Act, which was called the Casino Control Act, that regulated the industry or the entity?

30 MR BRAZIL: I wouldn't have known that there – that there was an Act of that name. I would have expected that there was an Act of that type. I have some familiarity with the Act at the moment, and so I think I would have expected that there was legislation of that kind. I probably would not have known the name.

35 MR ASPINALL: No. But in terms of the general tenor of the casino business, did you understand it to be something that was of particular sensitivity in regards to regulation, a special industry, in effect?

40 MR BRAZIL: Yes. I mean, the probity process is – is very clearly, you know, casinos are not unique. But it's not every industry that – that includes such a – a rigorous probity process. And so I was conscious of the – of the role that was intended to play and did play.

45 MR ASPINALL: And were you aware or have any understanding, during your time on the board, of the concept of suitability?

MR BRAZIL: I – I – I knew of the term. I – I – I think I had a more than trivial grasp of the term or at least an appreciation that it's a very general – it's a very substance-over-form matter. That's what I think I appreciated, is that – and – and you'll forgive me if this is imprecise – but I – I suspect an attempt to reduce  
5 suitability into something – component parts doesn't – suitability is a general concept.

MR ASPINALL: But you weren't aware that, within the various Acts, well, the Victorian Act, I suppose at that time when you joined, there was certain provisions  
10 relating to integrity and honesty and good repute, that sort of thing; were you aware of that?

MR BRAZIL: Nothing specific, but I would have assumed all of the above.

15 MR ASPINALL: Right. And in terms of your work on the board, were those sort of considerations the consideration that this was a regulated industry and suitability was important, something that was mentioned at board meetings or was present in your thinking as to how the board .....

20 MR BRAZIL: The social licence, I think, was – was very present from time to time, absolutely front of mind from time to time. You know, an essential feature of the backdrop. So I think social licence was, you know, given this industry, present at all times.

25 MR ASPINALL: Were you aware that, periodically, the regulator – and I think it would - - -

MR BRAZIL: Yes.

30 MR ASPINALL: - - - have been the regulator in Victoria when you were there – did suitability reviews of casino industry?

MR BRAZIL: Yes. I was aware of that. Yes.

35 MR ASPINALL: Did you have any involvement in that process as a director?

MR BRAZIL: I did not.

40 MR ASPINALL: And when the suitability review was published, did you peruse that and see what was happening?

MR BRAZIL: I think there was, certainly, a reference to it in the board papers and board discussions. I don't recall – I'd need to go back and check the papers – whether the entire reviews were included in that. I – I was aware of the reviews and  
45 aware of their outcomes.

MR ASPINALL: Yes.

MR BRAZIL: So I was broadly aware of what had occurred.

MR ASPINALL: I see. And you were aware, I suppose, that it was important for the casino licensee to be suitable at all times, otherwise the licence was at risk?

5

MR BRAZIL: Yes. I was aware of that.

MR ASPINALL: Yes. And, to your understanding, that was something that the rest of the board was aware of too?

10

MR BRAZIL: Yes.

MR ASPINALL: Was it anything – other than the words “social licence”, was that something that was discussed in the terms of decisions?

15

MR BRAZIL: Yes. Sorry. The rest of the board, I am sure, was aware of the need for ongoing suitability.

MR ASPINALL: And in terms of, as I understand it, you were in London, but you were also in Sydney, but were you sitting on the board of Crown with its casino in Melbourne, later Perth. Were you travelling to board meetings or how were you interacting with the rest of the board?

20

MR BRAZIL: I was, in large part – sorry. I think I was in Sydney as a resident for the whole time I was on the Crown board. And I attended almost all board meetings in person – it won't be 100 per cent.

25

MR ASPINALL: Yes. And you were working, at the same time, at Macquarie for some of that period; is that right?

30

MR BRAZIL: I was a full-time employee of Macquarie during the period of my Crown directorship.

MR ASPINALL: Can you give us some indication of how you split your time between the duties of director of Crown Resorts and your other work? How much time was it taking from your week or month to fulfil those duties as director?

35

MR BRAZIL: I mean, one was an executive role. One was a non-executive role. So they had very different time commitments. I – I won't be precise about this, but I would have said a day or two a month.

40

MR ASPINALL: I see. That included attending the meeting?

MR BRAZIL: Yes. And maybe not counting travel time, but - - -

45

MR ASPINALL: I see. And this was reading the board papers, and so on?

MR BRAZIL: Yes.

MR ASPINALL: What about the duties that you had on the audit and corporate  
governance committee? And I think you were also on the finance committee; is that  
5 right?

MR BRAZIL: I think I was only on the audit and corporate governance committee.

MR ASPINALL: How much extra time did that take or add? I have you as the  
10 chair of the audit and corporate governance committee - - -

MR BRAZIL: That's - - -

MR ASPINALL: - - - but, perhaps, you weren't for that entire time, were you?  
15

MR BRAZIL: I think I was.

MR ASPINALL: I see. And what was – what were the time commitments in  
respect of that role?  
20

MR BRAZIL: Less, let's say - - -

COMMISSIONER: Could you just explain that to me, Mr Brazil.

25 MR BRAZIL: The less part?

COMMISSIONER: Yes. What does it mean?

MR BRAZIL: Sorry. The audit and corporate governance committee took up less  
30 time than the full board.

COMMISSIONER: So we have one to two days a month, which takes into account  
the board meeting and preparation, reading papers, I presume, and the like, for the  
board. And less than one, or what is it in respect to the audit and compliance – is it –  
35 audit and corporate governance committee.

MR BRAZIL: Audit and corporate governance. Sorry. I'm just trying to count  
meeting schedules, and so on. I don't think it would have been more than a day a  
40 month.

COMMISSIONER: So did you.

MR BRAZIL: The meetings were irregular.

45 COMMISSIONER: Did you have the audit and corporate governance committee  
meetings in person?

MR BRAZIL: We did, yes.

COMMISSIONER: So you travelled to Melbourne for that? Or did you have that in Sydney?

5

MR BRAZIL: I did. I did, yes. We, in large part, did them in Melbourne.

COMMISSIONER: And were they meetings on the same day as the board meeting or were they separate?

10

MR BRAZIL: They were separate.

COMMISSIONER: I see. Yes, thank you, Mr Aspinall.

15 MR ASPINALL: Thank you, Commissioner. So your recollection is that you weren't a member of the finance committee at any time during your membership of the board?

MR BRAZIL: That's not my recollection. I – I could be wrong.

20

MR ASPINALL: Could we have a look at this document, which is INQ.010.001.0401. Do you have that, Mr Brazil on the confidential link – it doesn't need to be on the confidential – it's the annual report from 2011.

25 COMMISSIONER: Will that come up on Mr Brazil's screen?

MR ASPINALL: I'm not sure but I hope so.

MR BRAZIL: Yes, I have it.

30

COMMISSIONER: Yes, thank you.

MR ASPINALL: Could we go to pinpoint 0436. Are you able to blow up the top half of the page please, operator? Do you see there's a finance committee listed there and you are listed as being on it but in fairness to you it is listed as having zero meetings.

35

MR BRAZIL: Right.

40 MR ASPINALL: Does that assist you to give me any further information on what your role in that regard was?

MR BRAZIL: It does seem I was on the finance committee. It may explain why my recollection was – was not perfect.

45

MR ASPINALL: But as your recollection goes, if you were on that committee, you didn't do anything; is that right?

MR BRAZIL: That would seem to be the – what the annual report says.

COMMISSIONER: Do you have any recollection of the purpose of the finance committee?

5

MR BRAZIL: It was to enter into financing arrangements of one kind or another.

COMMISSIONER: For Crown Resorts Limited?

10 MR BRAZIL: I won't know specifically. I would have imagined for the Consolidated Group, but I couldn't comment specifically.

MR ASPINALL: And in terms of that year, which is 2011, you see it's listed as having three meetings.

15

MR BRAZIL: The corporate governance - - -

COMMISSIONER: For the audit and corporate governance - - -

20 MR ASPINALL: The audit and corporate governance team.

MR BRAZIL: Yes.

25 MR ASPINALL: Does that accord with your recollection of how often it met, generally?

MR BRAZIL: Yes, it does.

30 MR ASPINALL: There would have been, I presume, one meeting with the auditors themselves each year; is that right?

MR BRAZIL: I think two.

35 MR ASPINALL: Yes.

MR BRAZIL: At least two. I – I don't recall whether the third had the auditors but there was at least the auditors at the full and half year.

40 MR ASPINALL: Right. And in terms of the corporate governance side of that committee, can you tell me what was happening there?

MR BRAZIL: So the - - -

45 MR ASPINALL: What - - -

MR BRAZIL: Yes. So the committee approved the annual corporate governance statement that goes into the board – sorry, into the annual report. It is otherwise

charged with assisting the board in relation to corporate governance generally, or that's its purpose.

COMMISSIONER: How does it do that?

5

MR BRAZIL: I think the primary function it serves is to go through the corporate governance statement, which is a substantial part of the annual report.

COMMISSIONER: Yes.

10

MR ASPINALL: Can I show you this document, which is the charter of the audit and corporate governance committee, which is CRL.717.001.0007 on the confidential link, please. It does not yet have an exhibit number, Commissioner.

15 COMMISSIONER: Thank you.

MR ASPINALL: Mr Brazil, that is a – if we go to the final page to 0012, you see that's dated February 2014. The reason I haven't exhibited it yet, we only received it over the lunch break. But if we go back to page 0011, the page before, there's a section at the bottom called 5.7 Good Corporate Governance.

20

MR BRAZIL: Yes.

MR ASPINALL: Could we blow that up please operator.

25

MR BRAZIL: Yes.

MR ASPINALL: It says:

30

*The committee will review the corporate governance practices at Crown as against the ASX corporate governance principles and recommendations as amended from time to time.*

Do you see?

35

MR BRAZIL: I do.

MR ASPINALL: And:

40

*The committee shall review and develop corporate governance policies for recommendation to the board.*

45

What I was wanting to ask you is as you understood the first sentence, the review of the practices, you didn't regard it as your role on this committee to actually do any review of actual practices. You interpreted that to mean to see whether the policies of Crown Resorts married up with the ASX corporate governance principles; is that right?

MR BRAZIL: That's what we did in the corporate governance statement and I think that accords with clause 5.7.

5 MR ASPINALL: And in terms of – well, it says the practices - - -

MR BRAZIL: We did that ..... yes. Yes.

10 MR ASPINALL: It says the practices; in terms of any organ of the board or other entity within the corporation, were you aware of anyone who was monitoring whether the policies that you – the governance policies that you recommended to the board were actually being followed?

15 MR BRAZIL: If I can just clarify your question; you're asking about the following of - - -

MR ASPINALL: Yes.

MR BRAZIL: - - - corporate governance practices - - -

20 MR ASPINALL: Yes.

MR BRAZIL: - - - that were - - -

25 MR ASPINALL: Perhaps I can explain it a little better. As I understand what you have told me, you understood the role of this committee to have a look at the ASX corporate governance principles and to translate them by review and development into corporate governance policies for Crown, is that right; then they went into the annual report?

30 MR BRAZIL: Yes. If I can – I think you might be asking me were we – who was checking or was it us who were checking that the - - -

35 MR ASPINALL: As I understand your answer, you say it wasn't you, but I was wondering if you had any idea whether there was anybody checking whether the policies which were ultimately accepted by the board were being followed?

MR BRAZIL: Not specifically. I think I would have regarded it as a general board role, as opposed to anything specific.

40 MR ASPINALL: I don't know if you have followed the evidence that has been given to the Inquiry so far?

MR BRAZIL: In part more in recent weeks than earlier.

45 MR ASPINALL: Yes. Well, I can tell you that, in effect, there have been certain areas in which it might be said deficiencies have arisen in the following of corporate governance policies. Do you understand that?

MR BRAZIL: I – I appreciate your point in general, yes.

MR ASPINALL: Yes. And what I wanted to get was the benefit of your insights, if you have any, into why that might have occurred.

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MR BRAZIL: Yes.

MR ASPINALL: And one thing I was wanting to ask you was whether, when you were on the corporate governance policy, there might have been somebody who could have checked or maybe that committee itself could have undertaken that sort of stuff.

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MR BRAZIL: Yes, I would have actually answered that – sorry. Mr Owens.

MR OWENS: Commissioner, I object to the question. It was framed generally in terms of unspecified deficiencies that have been revealed in the evidence - - -

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COMMISSIONER: Yes.

MR OWENS: - - - and the witness was being asked to comment. I think that's an unfair question, with respect.

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COMMISSIONER: All right. Well, we can go, unfortunately to the problem seriatim, Mr Aspinall, if you wish.

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MR ASPINALL: We might but before we do that I might be able to - - -

MR BRAZIL: .....

COMMISSIONER: Mr Brazil can answer you.

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MR ASPINALL: Yes.

COMMISSIONER: Yes, Mr Brazil.

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MR BRAZIL: I wasn't unhappy to have a stab at the question - - -

COMMISSIONER: All right.

MR BRAZIL: - - - if I appreciate where you might have been going. I think the first and last role of all board members is corporate governance, and I think it's, you know, not an accident that the purpose of the corporate governance audit and corporate governance committee is described as assisting as opposed to being delegated to. So I think the answer as to where, I'm not sure if monitoring is the right word to describe where you're getting to, but where oversight of corporate governance generally, should occur - - -

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MR ASPINALL: Yes.

MR BRAZIL: - - - and I would have said that that's the first and last duty of all board members.

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MR ASPINALL: I see. But in terms of the structure of the organisation, I think you told me that you thought it was everybody's role to see that the policies were followed. Is that a fair characterisation of what you told me?

10 MR BRAZIL: I would have said good corporate governance, in all its dimensions, was the first and last role of all board members. And, you know, in a substantive manner and, sort of – yes.

15 MR ASPINALL: You might be aware from the Terms of Reference that one of the things the Commission has been asked to do, in the event that issues are found within the company, is to make recommendations as to what could be done to ameliorate those problems.

MR BRAZIL: Yes.

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MR ASPINALL: And what I wanted to ask you is, as a longstanding member of this committee, whether or not taking responsibility for seeing that the practices follow the policy is something that a committee, a subcommittee, of the board like this one could undertake and, if it was going to do that, how it might go about it?

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MR BRAZIL: I mean, I agree with you that it's perhaps something it could. I – I'm not sure that it's, you know, appropriately delegated the need for the full board level.

MR ASPINALL: Right.

30

MR BRAZIL: I think you might be driving at a monitoring matter as opposed to a high-level oversight and responsibility. So that's why I – I've got a suspicion that what you are driving at, perhaps, would suit a committee structure.

35 COMMISSIONER: Just see if I can understand, Mr Brazil.

MR BRAZIL: Yes.

COMMISSIONER: When you have a corporate governance committee - - -

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MR BRAZIL: Yes.

COMMISSIONER: - - - and you also have a risk committee - - -

45 MR BRAZIL: Yes.

COMMISSIONER: - - - it's not all that clear, but it would seem that if there are problems within the operations of the company, that is, in particular, the operation of the casino, the governance of the company – that's the whole thing, including the casino – needs to be monitored by someone, doesn't it?

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MR BRAZIL: So I would guess that in many organisations that that's regarded as the responsibility of the full board. I'm not going to disagree with you that, perhaps, if I understand where you're driving at with the word "monitoring" - - -

10 COMMISSIONER: I am just saying you've got to look at it and work out if there's a problem and, if there is one, fix it or propose a fix. It's simple language, I know, but what I'm trying to understand is if you have a corporate governance committee, why do you have it?

15 MR BRAZIL: There's an important function called taking a bunch of the burden so that the – the – the basics, if you like, of corporate governance - - -

COMMISSIONER: Yes.

20 MR BRAZIL: - - - at least, the committee that I was chairman of, the basics are done and put together and organised so that the full board is – is – is assisted.

COMMISSIONER: When you – did you say taking a "bunch of the burden"?

25 MR BRAZIL: I believe I did, Commissioner.

COMMISSIONER: What does that mean?

MR BRAZIL: It means, for example, the corporate governance statement is a - - -

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COMMISSIONER: Yes.

MR BRAZIL: - - - significant and substantive document. If the full board was judged directly with that, it would be – it would be, I imagine, logistically more difficult than if the committee is charged with its preparation in the first instance.

35

COMMISSIONER: Yes. And - - -

MR BRAZIL: Is that answering the question? I'm sorry.

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COMMISSIONER: And for the purposes of understanding the role of the corporate governance committee, there was the steps that the committee would take to assess the audit – the external audit – was appropriately satisfying whatever the company wanted of its audit; correct?

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MR BRAZIL: That's correct. That's correct. Did I lose you?

COMMISSIONER: I hope not. I hope not. Are you still there, Mr Brazil?

MR BRAZIL: I am, yes.

5 COMMISSIONER: Yes. And so, as I understand your brief on the committee, corporate governance had, as part of its core, looking at the external audit and ensuring the processes of that from the company's point of view so that you could be in a position to report to the board - - -

10 MR BRAZIL: Yes.

COMMISSIONER: - - - in respect of what you found in dealing with the external auditors; is that right?

15 MR BRAZIL: That's correct.

COMMISSIONER: And was that the main focus of your work on the corporate governance side of the audit and corporate governance committee?

20 MR BRAZIL: I think that was the audit piece of the audit and corporate governance committee, albeit corporate governance and audit are not necessarily perfectly separable.

25 COMMISSIONER: No, I understand. And so the other side, or the other piece, as you put it, would be what?

MR BRAZIL: Corporate governance, in particular, the annual corporate governance statement.

30 COMMISSIONER: Yes. Yes, Mr Aspinall.

MR ASPINALL: I just want to circle back to the finance committee, Mr Brazil.

35 MR BRAZIL: Yes.

MR ASPINALL: If we go to exhibit AC14, which is INQ.010.002.0293. That can go on the public feed, I think. It's a public document. That's the - - -

40 COMMISSIONER: Yes. It will be coming up on the screen shortly, I hope, Mr Brazil. Yes. There it is.

MR ASPINALL: Do you see that's the annual report for Crown Resorts in 2017?

45 MR BRAZIL: Yes, Mr Aspinall.

MR ASPINALL: If we go to pinpoint 0339, at the bottom of the page there's a table. It lists you as, commendably, having attended 10 of the 12 meetings, but it

does, in the third or fourth column across, indicate that you attended two meetings of the finance committee. Would that be erroneous?

5 MR BRAZIL: I would expect not, Mr Aspinall. I imagine they have escaped my recollection.

MR ASPINALL: I should ask, when pursuing the annual report, I noticed that your qualifications were a law degree and a commerce degree; is that right?

10 MR BRAZIL: That's correct, Mr Aspinall.

MR ASPINALL: But you never practised as a lawyer; is that correct?

15 MR BRAZIL: That's correct.

MR ASPINALL: Now, the audit committee function, I wanted to ask you about two companies that have come to prominence in this Inquiry, which are called Southbank Investments Pty Limited, and Riverbank Investments Pty Limited. Have you read anything about those companies?

20 MR BRAZIL: I have, yes.

MR ASPINALL: Are you aware, generally, that those companies operated through a long period as a kind of a conduit through which money was deposited by various people came through to the casino?

25 MR BRAZIL: I will have seen that in the evidence to this Inquiry. I won't know the specifics, but I think I have the gist of it.

30 MR ASPINALL: Yes. I was wondering, during your tenure on the audit committee or the board, you were aware there were companies of that nature performing that function?

35 MR BRAZIL: I was not aware of specific companies of that kind, no.

MR ASPINALL: I see. And the reason that has been given to us – and as we understand it from Ms Manos, they weren't audited because they were small proprietary companies or not large proprietary companies; do you understand that?

40 MR BRAZIL: I won't know the specifics about that; I will need to take it from you, I guess.

45 MR ASPINALL: Yes. And I was wondering, in terms of the general processes of the audit committee, did it extend beyond looking at things such as the statutory audit into things like whether or not bank accounts held by companies within the corporate group were being operated properly, or was it confined to the statutory audit?

MR BRAZIL: It was confined to the statutory audit, albeit obviously one of the roles of a statutory audit is a consolidated true and fair view, and systems and processes. So in that sense, from a financial reporting standpoint, it has a wholistic responsibility for compliance with accounting standards, true and fair view and so on.

MR ASPINALL: But it seems to be the case that the auditors didn't look at that because of the way in which it was structured meant that it didn't fall within the category of a company that needed to be audited under the Corporations Act. You can take that from me; make that assumption.

MR BRAZIL: Yes, I understand.

MR ASPINALL: What I'm asking is, in terms of the function of the audit committee, audit and corporate governance committee, do you think that that should extend beyond the statutory audit to auditing things which are not strictly auditable under the Corporations Act?

MR BRAZIL: I think – these entities are part of the consolidated group, I presume.

MR ASPINALL: They are.

MR BRAZIL: They're 100 per cent owned by one of the - - -

MR ASPINALL: Correct.

MR BRAZIL: I would have expected an entity like that to have its financial position, P&L and so on incorporated up until the consolidated financial accounts. We might be talking at cross-purposes, that perhaps they were and you're asking me whether there's another specific audit function down at a subsidiary level, you know, perhaps it wasn't audited – yes, we might be talking at cross-purposes.

MR ASPINALL: Well, I asked Ms Manos whether these companies were audited – subject to external audit, and she told me that they weren't because they did not meet the – they were proprietary companies but didn't meet the definition of large proprietary company on various tests which are the Corps Act including the revenue test, I assume. Do you follow?

MR BRAZIL: Yes. I mean, I would have said that consolidated groups in entirety are incorporated into a consolidated group audit. And so the balance sheets and P&Ls would have ended up in the group audit – group financial statements and the group audit.

MR ASPINALL: The issue in this case was that maybe they didn't make a profit because all they did was receive money into bank accounts and then transfer it on into the casino account.

MR BRAZIL: Yes, but audits are supposed to – I mean, financial systems for consolidated accounting capture balance sheets, P&Ls if there isn't – even if there isn't – there needs to be a system by which everything is brought together. But it may be for a different purpose to the one that you are referencing.

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MR ASPINALL: Well, what I am getting at is it seems it would have been a useful thing to have auditors look at these companies and perhaps even the transactions through the bank accounts, but that that doesn't seem to have occurred. And what I'm wondering is how that could be rectified such that if there are companies like that in future, they would be caught.

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MR BRAZIL: I will stand surprised that from a financial statement reporting perspective they were not part of the group P&L and balance sheet. I will take it from you, if that's definitely true. I fear it's a different topic.

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MR ASPINALL: It could be a different topic.

MR BRAZIL: Yes. I would be surprised if it was a subsidiary of a Crown Group entity, that it wasn't ultimately captured. It may be that it's not specifically audited for some specific purpose.

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MR ASPINALL: Well, I suppose on one view of it, it might be disturbing that you, as a longstanding chair of the audit committee, didn't know that these companies were operating in that fashion and didn't know what their names were. Would that tend to indicate to you that they hadn't been raised with you by the auditors over that period?

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MR BRAZIL: I would imagine there are a significant number of companies within the Crown Resorts Group and that they are regularly and systematically consolidated and brought together such that the blip between individual entities is not material in the scheme of the financial statements.

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COMMISSIONER: So by that, do I understand you to have not known about these companies at the time that you were a director for those eight years or so?

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MR BRAZIL: That's correct, Commissioner.

COMMISSIONER: And as you were the chairman of the audit committee, you not knowing about them when they were, for instance, in one year I've seen, passing through \$500 million worth of payments, is a little odd, isn't it?

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MR BRAZIL: The audit - - -

COMMISSIONER: Is it odd or not?

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MR BRAZIL: I'm not sure it is odd, Commissioner.

COMMISSIONER: All right. All right.

MR BRAZIL: Yes - - -

5 COMMISSIONER: So just coming back to these companies and you not knowing about them, I presume that there would be other companies about which you would not be aware either within the group?

10 MR BRAZIL: Not – not specific companies, no; I would be conscious of the systems and processes and audits – audit processes by which they are grouped together and their financial statements are prepared according to controls and so on.

COMMISSIONER: Yes, I understand. Thank you. Yes, Mr Aspinall.

15 MR ASPINALL: Just before we leave the governance aspect of the committee, one of the principles in the ASX governance committee you may recall relates to recognising and managing risk. I could show you it to you if you would like me to, but I could read it to you and you can take it from me that this is what it says. Would you like to see it or - - -

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MR BRAZIL: Yes, please, but please read it - - -

25 MR ASPINALL: It's INQ.100.001.0309, exhibit O for orange, number 5. That is on the confidential link, I'm told. If we go to page 0337, please. I'm sorry, you may have the wrong number.

COMMISSIONER: Yes, principle 7.

30 MR ASPINALL: If you scroll down, you could read that for me, under the commentary and the chapeau there, Mr Brazil.

MR BRAZIL: I fear I may need more direction, I apologise.

35 MR ASPINALL: Yes, the part I was wanting to draw your attention to is the chapeau there:

*A listed entity should establish a sound risk management framework and periodically review the effectiveness of that framework.*

40 Do you see in the commentary, it discusses that and then in the final paragraph, if you scroll down a little bit, operator. It speaks about the role of the board in setting the risk appetite and ensuring that the entity operates within the risk appetite set by the board.

45 MR BRAZIL: Yes.

MR ASPINALL: Now, I can tell you that the evidence that has been given to the Inquiry is that until quite recently, the board had not set a risk appetite and that was one of the deficiencies that had been identified in a review by a person who is now in charge of risk. I was wondering, given that you were on the corporate governance committee, if you could explain what you understood the board to have done in that regard?

MR BRAZIL: I think the whole board was responsible for considering and being conscious of risk. I'm not sure the audit and corporate governance committee had a particular role in it, other than within the scope of the audit and corporate governance matters. However, I think the overall board clearly has risk as one of its responsibilities.

MR ASPINALL: But do you recall a risk appetite ever having been set by the board?

MR BRAZIL: I do not.

MR ASPINALL: Can you explain why that hadn't happened, when it's in the ASX principles?

MR BRAZIL: I can't. I can't. I would have imagined that it was something that board members in general were regarded as having to be collectively responsible for.

MR ASPINALL: Do you remember turning your mind, as the chair of the audit and corporate governance committee, to the need to do that or is it just something that escaped your notice?

MR BRAZIL: I'm not sure that the chairmanship of the audit and corporate governance committee – I'll just answer the question "no".

MR ASPINALL: Yes. Well, I was interested in that, because, as you explained it, the role of the governance committee in that context was to read through these principles and then translate them into policies for the company. So I was wondering whether you recall noticing this principle or this commentary when you did that. I presume you did it each year; is that right?

MR BRAZIL: That's correct. We did do that each year.

MR ASPINALL: But you didn't make a conscious decision not to do that, is that right? You just - - -

MR BRAZIL: Yes. I - - -

MR ASPINALL: You didn't make a conscious decision not to set a risk appetite; it just seems to have escaped somebody's notice?

MR BRAZIL: I think that's fair, Mr Aspinall.

MR ASPINALL: Now, in terms of what happened, you were obviously there when the China arrests happened?

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MR BRAZIL: Yes, that's correct.

MR ASPINALL: I think you left the board slightly before some of the employees were released from prison; is that right.

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MR BRAZIL: I think that's correct, Mr Aspinall. Yes.

MR ASPINALL: At that time, did you turn your mind to the reasons the arrests may have happened, from a - - -

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MR BRAZIL: I - - -

MR ASPINALL: - - - corporate governance perspective?

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MR BRAZIL: Yes. I – I – I did. I asked, in the first in-person meeting that occurred after the arrests, after the discussion on the China arrests had gone on for a little while and then sort of petered out, I asked whether we had worked out whether we are culpable here. I was asked by Mr Rankin, who was the chairman what I meant by “culpable”. I responded that it was a pretty specific word. Discussion

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ensued. There was – I'd obviously asked the question, “Are we getting to the bottom of this?” A discussion ensued about whether it was in, if you like, good taste to be going through and interrogating the past practices, past conduct, of the employees who were, at that point, paying a very high price themselves.

30

I, of course, was not asking, at that point, about the limited subset of people who'd been detained. I was asking about potential culpability of a much broader set of people. I was, indeed, asked by a board member whether I, in asking that question, was, you know, “Surely you don't mean the board?” And I responded that, at this early stage, it was – the idea was that you treated all those things as one and the same

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until you knew better. I asked whether everyone's emails were being gone through, because that was standard operating procedure in a situation like this.

It became clear that, no, no emails were being gone through. And, obviously, by this point, it was also clear that, no, we had not established – we had not worked out whether we are culpable here. The discussion went on for a little while until the point at which the chairman committed that there will be a post-mortem. He repeated there has to be a post-mortem. And I was happy to take that commitment. There was no disagreement with that commitment as something which had, appropriately, put on the agenda and prioritised a post-mortem.

45

MR ASPINALL: And it was your view all along, or in the immediate aftermath, that that was a good idea, was it?

MR BRAZIL: I was calling for it.

MR ASPINALL: Yes. And do you remember who informed you that that would have been in bad taste?

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MR BRAZIL: Look, I don't recall, specifically, and also I'm paraphrasing. There was discussion about whether it was appropriate to be conducting an interrogation into whether Crown employees might be in some way, shape or form, to blame here. We, obviously, had no information either way. But, in my mind, it was very important that we get to the bottom of it and, in particular, work out whether some of us had caused this tragic event. I assumed that it would be the case. You know, there wouldn't be no explanation here. It's always the case that there is - - -

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MR ASPINALL: Yes.

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MR BRAZIL: - - - some failing in the system. So there was push back on the basis that, you know, is that really the right thing to do in a situation. But, of course, I was casting a much broader net than the people in the - in China and it also, of course, does no service to someone in prison to put them on a pedestal of assumed innocence, if you like.

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MR ASPINALL: Yes. And I appreciate what you have said. And is it right to say that, in terms of your idea of what should be reviewed, that the corporate governance structure and any failings or deficiencies within it that had contributed to what it happened, was something that needed to be reviewed?

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MR BRAZIL: Well, at that point, I was mostly focused on how on earth there were this people in a jail in China and, kind of, there was no explanation on the surface. But I was pretty confident that there would be an explanation beneath the surface. So, at that point, I'm not sure I was particularly focused on corporate governance. I was focused on what had gone wrong.

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MR ASPINALL: Right. And in terms of what happened in regard to that, you said there was push-back. By the time you had left the board, had anything occurred in respect of moving that forward or not?

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MR BRAZIL: So I left it, at that first meeting, that I had a clear commitment from the chairman and that the board had all agreed with that. Over the following months, I pushed for updates on the status of this post-mortem. I was informed that MinterEllison had been hired to conduct such a post-mortem, along with other matters. But I understood that MinterEllison was performing that - performing that post-mortem. The last board meeting I attended was February 2017. I was - I was anticipating that there would be the provision of this post-mortem or some work in progress, and - the representative of MinterEllison, Mr Richard Murphy, actually led the discussion on the entire China matter.

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MR YOUNG: Commissioner - - -

MR BRAZIL: Mr Aspinall - - -

MR YOUNG: Commissioner – just a moment, Mr Brazil, please. Commissioner, can I raise something?

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COMMISSIONER: Yes, of course, Mr Young.

MR YOUNG: You will recall that legal professional privilege has been maintained and upheld in the Federal Court - - -

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COMMISSIONER: Yes.

MR YOUNG: - - - in relation to legal advice given after October of 2016.

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COMMISSIONER: Yes.

MR YOUNG: I apprehend that Mr Brazil may refer to matters that qualify as privileged matters.

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COMMISSIONER: All right, then. I will deal with it. Thank you, Mr Young.

Just pause there for a moment, Mr Brazil. This takes us back to things that have happened at the Inquiry before you have given evidence, and the communications between Crown's lawyers and Crown in respect of advice relating to the case and the China arrests after October 2016 are subject to a claim of privilege which must not be compromised because the case is extant before the Federal Court at the moment. If there are things that you are going to speak about that qualify as Mr Murphy or someone giving you advice in that regard, then I would have to hear from you in a confidential session. So I think I will ask Mr Aspinall to just pause the evidence and to proceed, please, Mr Aspinall, with that caution. Thank you.

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MR ASPINALL: I will ask you this question and perhaps you could wait until Mr Young has a chance to digest whether he wants to object to it before you answer, Mr Brazil. Do you understand?

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COMMISSIONER: Well, just don't ask about legal advice after '16 for the moment and we will be fine.

MR ASPINALL: Yes, I wanted to ask whether or not the pushback that you got with regard to investigating these matters contributed to the reason that you left the board in April 2017?

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MR BRAZIL: No, it did not. By the middle of 2016, my responsibilities at Macquarie had elevated. I had been there since 2009 and the business climate in general had turned its mind by and large against people with my executive responsibilities also having non-executive responsibilities. In 2009 that was probably neutral and 10 years earlier it was probably positive. And so by the middle

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of 2016, I had concluded that really the time had come when I needed to resign from the Macquarie board – sorry, from the Crown board. Macquarie, for example, had – had expressed the view as well that – that the time had come for me to resign, and I absolutely held that view. So I was, if you like, selecting an opportune moment.

5

It was also the case that I had been on the board at that point for seven years and so I felt it was, you know, a creditable contribution in terms of time. The China arrests happened. However, I believed that I needed to follow through on resigning from the board and so around – just before the 10<sup>th</sup> of January I – around the 10<sup>th</sup> of

10 January I, effectively, or by and large, turned in notice, firstly, flagging it as coming with Mr Packer and then giving – and then explaining to – to – I think it was Mr Alexander who had become chairman by then, that I was – that I was planning to resign from the board. When I did, it was simply the – if you like, those wheels having been set in motion, completing.

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MR ASPINALL: Just in regards to your relation to Mr Packer, are you aware that there is a book published called The Price of Fortune?

MR BRAZIL: I am, yes, Mr Aspinall.

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MR ASPINALL: And in that book at page 140, there's this phrase which relates to you:

25 *I thought and think the world of Ben. He is still a good friend today, and by 2009, in an act of true friendship, Ben had come on to the board of Crown to help me.*

Do you agree that that's what you were doing when you joined the board?

30 MR BRAZIL: I'm not sure if it was an act of true friendship. That may have been Mr Packer's perception. I'm not sure – I joined the Crown board and hoped to be able to assist it do the – do the things that – that Crown does.

35 MR ASPINALL: So I just wanted to ask you about this idea of helping Mr Packer. Is that what you understood you were doing by going on to the board?

MR BRAZIL: No, it is not.

40 MR ASPINALL: Just in terms of your resignation or departure from the board, I just wanted to show you an email which is CPH.001.653.0029, which is AG49 on the confidential link, please. You see that's an email from you to Mr Packer?

MR BRAZIL: I – I see it. I have a –

45 MR ASPINALL: We will need to enlarge it for you.

MR BRAZIL: Yes.

MR ASPINALL: If you could enlarge the top part, operator. The top half of the page please, operator. You have a hard copy, do you, Mr Brazil?

MR BRAZIL: I do. I'm fine.

5

MR ASPINALL: It might be easier to use that; the operator seems to be having some difficulty. You see it's at tab 21 of your bundle, I think.

MR BRAZIL: I have it.

10

MR ASPINALL: Now, this is an email dated March 2017.

MR BRAZIL: Yes.

15 MR ASPINALL: And you seem to be discussing some sort of transaction, do you see there?

MR BRAZIL: It's a - - -

20 MR ASPINALL: .....

MR BRAZIL: - - - hypothetical scenario. I think it's a long way from a transaction, Mr Aspinall, but it's - it's a set of various versions of - of, you know, theoretical transactions, yes.

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MR ASPINALL: They're scenarios, are they?

MR BRAZIL: They're - they're barely scenarios. They're - - -

30 MR ASPINALL: What do they relate to?

MR BRAZIL: Different ways of - mostly, they take private transaction for Crown happening, mostly. It's not - not exclusively, but mostly yes.

35 MR ASPINALL: And you're doing this in your role as a banker at Macquarie; is that right?

MR BRAZIL: Not at all. This wasn't my - - -

40 MR ASPINALL: What role are you doing this?

MR BRAZIL: Sorry?

45 MR ASPINALL: I just saw your email was the Macquarie email. What role are you assisting Mr Packer here with these ideas?

MR BRAZIL: I think, you know, it's clearly not a board meeting so this is not a formal, you know, board discussion, if you like, and Mr Packer at this point, I think, was not a board member.

5 MR ASPINALL: Yes.

MR BRAZIL: I was exchanging thoughts with someone else who is, you know, very interested in Crown, and answering questions about a way – about ways that, take private or other M and A transactions and what you might observe coming  
10 through here, could be of assistance to the resolution of the China detention problem.

MR ASPINALL: Right.

MR BRAZIL: So the – the proximate matter here was the China detentions and we,  
15 of course – as, you know, we were just discussing – were debating the implementation and – and effectuation of a post-mortem. So there was a, on the ground, or a direct endeavour in relation to that. This was, I think, answering a question that Mr Packer had, which is whether there might be a transaction version bringing in an investment partner version that might provide assistance. And that's  
20 the reference to the sanitisation, which you see comes through those – those scenarios.

MR ASPINALL: I see. So was this something that was being discussed at the Crown board as well or was this just a private communication between you and Mr  
25 Packer?

MR BRAZIL: This was not all a Crown board discussion. It would be, I think – the – this was flying-a-kite version of high level. There's nothing here that – there's – to call it a transaction, you see, these are just thoughts. They weren't even – yes.  
30

MR ASPINALL: The final paragraph there before your name is at the bottom.

MR BRAZIL: Yes.

35 MR ASPINALL: If you could scroll down, operator. You see the final paragraph is:

40 *Also, we should catch up on the phone briefly. I think I need to pull the trigger on the board thing with all the assurances that I want to be helpful in whatever direct context I can, just that the board format was heavily diluted actual-help to time-and-effort-required ratio.*

Do you see that?

45 MR BRAZIL: Yes.

MR ASPINALL: What did you mean by that?

MR BRAZIL: I think – so we had discussed and it had been largely agreed, early January, that I would be leaving the board. I clearly hadn't left the board - - -

MR ASPINALL: That was with Mr Packer, do you mean?

5

MR BRAZIL: And Mr Alexander. Yes.

MR ASPINALL: And when you say:

10           ...with all the assurances I want to be helpful.

Who were you referring to, Mr Packer?

MR BRAZIL: Mr Packer in – I think the distinction I'm making is a direct context  
15 versus being on the board. I think I'm explaining that I need to leave the board and, in particular, because the time and effort, particularly in the aftermath of the Chinese detentions, was simply too great.

MR ASPINALL: So is what you are saying there is you think you can be helpful to  
20 Mr Packer in more efficient ways than serving on the board of Crown Resorts?

MR BRAZIL: No. I think I was expressing a courteous and goodwill interest in  
25 being helpful, if I could be. I think the point about the – the bottom sentence is just that boards are very time and effort consuming. And I'd already had the discussion with him about – and with Mr Alexander – about how the time had come. And so, obviously, with the China arrests, that – that had become more amplified rather than less amplified.

MR ASPINALL: I just want to show you another email, which is  
30 CPH.001.323.4272, which is exhibit AG48. If that could be brought up on the screen, please.

MR BRAZIL: Yes.

35 MR ASPINALL: It should be in the same tab, I'm told, Mr Brazil.

MR BRAZIL: I think I have it. Yes.

COMMISSIONER: Yes. Is that a two-page document?  
40

MR BRAZIL: Yes.

COMMISSIONER: Yes, please, operator.

45 MR ASPINALL: The email chain starts on the second page, Mr Brazil, which is an email from Mr Packer to you.

MR BRAZIL: Yes.

MR ASPINALL: I presume this is a confidential email, but are you able to disclose  
5 what is happening here, what you are doing, what Mr Packer is asking you to do in  
respect of the shares referred there?

MR BRAZIL: He's asked me whether there is an alternative to sell his shares in a  
10 company in which he had a shareholding which is not Crown. And he's saying that  
he can't – he can't sell them through the channel he was usually taking.

MR ASPINALL: Yes.

MR BRAZIL: He was asking can Macquarie do something better. I – I – I checked  
15 and, unsurprisingly, the answer was no; there was no point connecting them. So I  
think he was asking me to connect me to the people who do that to the extent that  
they could be helpful.

MR ASPINALL: When he says in the last – sorry, the second last - - -

20 COMMISSIONER: Sentence.

MR ASPINALL: - - - sentence or paragraph:

25 *I am a seller of Crown too.*

Do you see that?

MR BRAZIL: Yes, I see that.

30 MR ASPINALL: Did you give him any advice or assistance in relation to that  
issue?

MR BRAZIL: No. I think I actually – I think I actually clearly either ignored the  
35 question or – or sort of side-stepped it. It wasn't - - -

MR ASPINALL: I see.

MR BRAZIL: - - - of any particular materiality. It was just - - -

40 MR ASPINALL: Well, when we go back to the first page - - -

MR BRAZIL: Yes.

45 MR ASPINALL: - - - which is your response, at 759, you see - - -

MR BRAZIL: Yes.

MR ASPINALL: - - - it seems that you are discussing the Crown question, as it were.

5 MR BRAZIL: I think that's in relation to the emails we just discussed. So I – I checked these emails and I believe:

*I haven't mentioned the scenarios around Crown to anyone since we spoke and I won't unless –*

10 etcetera. I think that's consistent with the email response I gave a second ago, or that we discussed a few minutes ago. The – the sophistication of the phrasing about scenarios around Crown:

*I won't, unless I come up with a swing that won't be a swing and a miss.*

15 I not consistent with the bald statement previously; they .....

MR ASPINALL: So you – I'm sorry. And so you – the question I wanted to ask is, because this email is the 21st of February, you see, 2017?

20 MR BRAZIL: Yes, yes.

MR ASPINALL: And the last email we looked at is the 1st of March.

25 MR BRAZIL: That's correct.

MR ASPINALL: So the scenarios, in effect, postdate this email. Was there some other set of scenarios?

30 MR BRAZIL: No. I think I'm – my emails, you can see they're reasonably considered. The – I think it's document 0029. I think, at 21 February, I was responding that I was still noodling on that question, and the output of that was the 1 March email.

35 MR ASPINALL: But this was a take private issue for Crown, is it?

MR BRAZIL: No. I think the essence of it was he was asking me is there a solution to this China problem that includes a transaction of some kind? Is there a, you know, an investor way of assisting with this China problem? And that's the versions that I laid out there.

40 MR ASPINALL: And were you keeping it from people at Crown for a particular reason?

45 MR BRAZIL: No. I don't think there was - - -

MR ASPINALL: Not mentioned it, you say?

MR BRAZIL: - - - there was anything to discuss. This – this – these were just shooting-the-breeze thoughts. If you look at them, they’re just entirely theoretical. They’re entirely theoretical. There’s nothing to – there’s – there’s nothing to be regarding as of the remotest tangibility.

5

MR ASPINALL: Just excuse me for a moment.

COMMISSIONER: You said that Mr Packer was not a director at this time. You are quite right. He was attending the board meetings, though, as an invitee from 10 January; you understand that.

MR BRAZIL: That’s correct. I remember him being at the February meeting.

COMMISSIONER: Yes, so he had been promoted to go on to the board but it was 15 subject to the regulatory approvals again, wasn’t it?

MR BRAZIL: That’s as I recall it.

COMMISSIONER: Yes. And so in this document which ends in 0029, the 1 March 20 email, do I apprehend that you’re responding to a request to try to purify what had happened so that Crown’s – what might be seen as reputational damage, could be lessened?

MR BRAZIL: No, I think the use of the word “sanitise” is so that whatever 25 problems had caused the China problems would be, if you like, disinfected and fixed. So it was not a matter of reputation. It was a matter of actual fixing of the problem, a returning to health. That’s what sanitise - - -

COMMISSIONER: Yes. And the returning to health that I just mentioned would 30 need to have regard to the post-mortem, would it not?

MR BRAZIL: That’s 100 per cent right, and I was halfway through describing how far we had got on the post-mortem at the February board meeting.

COMMISSIONER: Yes. And so far as that is concerned, these thoughts that you 35 have referred to in this email are concurrent thoughts with the processes through which you were going on the board, as I understand it, are they?

MR BRAZIL: They’re not inconsistent in the sense that the Chinese detentions 40 were a matter of public record. They were also a real problem for Crown. All of these scenarios were favourable to Crown. None of this was in conflict with Crown in any way and in truth was oriented around Crown in the sense that it was – its real aim, if you see, was to assist the process of fixing the problem.

COMMISSIONER: But can I just explore with you, because if you have a problem 45 - - -

MR BRAZIL: Yes.

COMMISSIONER: - - - and you need obviously to fix it, having someone else come in to a problem that has not been exposed properly - - -

5

MR BRAZIL: Yes.

COMMISSIONER: - - - would not obviate the need for the post-mortem, would it?

10 MR BRAZIL: I was about to come to that. I was absolutely stridently insisting on the performance of the post-mortem. I was - - -

COMMISSIONER: Yes.

15 MR BRAZIL: This was an irrelevant rounding error in comparison to the prosecution of and delivery of a fulsome post-mortem.

20 COMMISSIONER: Yes. From the sounds of things, I think that you would agree that where you have problems such as this, you must assess why they happened to ensure that in future you could avoid them.

25 MR BRAZIL: I had been thumping the table in the October meeting four days after the arrests saying exactly that. I extracted a commitment from the chairman that there would be a post-mortem. How things transpired by the February '17 meeting is, I think, one way of answering your question because I can tell you where the post-mortem had got to by that point and what it was telling us.

30 COMMISSIONER: Yes, I understand. And so far as the email to which Mr Aspinall has taken your attention is concerned - - -

MR BRAZIL: Yes.

35 COMMISSIONER: - - - those suggestions could only really come to fruition in reality once the post-mortem had been concluded?

40 MR BRAZIL: If – not just a post-mortem but a fixing. In truth, if what's described in this email were to actually come to pass, it would all be in nine to 12 months, and the job of Crown first and foremost at this point was to get to the bottom of what had gone on itself.

COMMISSIONER: Yes, I understand. Yes, I'm sorry to interrupt. Yes, Mr Aspinall.

45 MR ASPINALL: Very well, Commissioner. I want to show you a newspaper article, which you may not have, which can be shown on the confidential screen; it's INQ.550.001.0646. It's exhibit AG39.

COMMISSIONER: Thank you.

MR ASPINALL: If we bring that up, operator. This is an article about you; your  
nickname is “Brains”, I take it?

5

MR BRAZIL: It’s something that other people used quite a while ago.

MR ASPINALL: Yes, you were a young gun banker at this point, 11 years ago, at  
17 March. What I wanted to ask you about was the final paragraph of this, which is  
10 on the next page, which says:

*Mr Brazil is a confidant of James Packer. He left Macquarie to join the Packer  
hedge fund Ellerston - - -*

15 Which I think you have told me is erroneous because it was Park Street Capital; is  
that right.

MR BRAZIL: Effectively, yes.

20 MR ASPINALL: “But has since joined the investment bank”. That was true, I take  
it?

MR BRAZIL: That’s correct.

25 MR ASPINALL: I wanted to ask you if that is a fair description of you being a  
confidant of Mr James Packer at this time.

MR BRAZIL: It depends on the definition of confidant, but as – you know, I don’t  
think it means he was telling me confidential information that I wasn’t entitled to, for  
30 example. I think he was someone that – that had some regard for my thoughts and  
exchanged them with me.

MR ASPINALL: In the sort of way that we have seen for the take private  
suggestions; is that right? He asked you for advice and regarded you as a friend. Is  
35 that a fair description?

MR BRAZIL: I think it’s – on the record he said he regards me as a friend. I think  
some of the dialogue we have had in relation to all sorts of things is not inconsistent  
with this email.

40

MR ASPINALL: Just one more email, which is at CPH.001.323.4272, which is  
AG48, exhibit, and that could be put on the confidential screen, please. Sorry, that’s  
the wrong – I was wanting CRL.673.001.3497, which is AG45, please.

45 MR D’ARVILLE: Madam Commissioner, if I might interrupt just for a moment –  
it’s Mr d’Arville - - -

COMMISSIONER: Yes, Mr d'Arville.

MR D'ARVILLE: This is a document where we have not yet had a chance to take instructions about two small matters in it and whether they are confidential. Might I  
5 inquire whether this document is provisionally tendered as confidential?

COMMISSIONER: Yes, of course. Thank you, Mr d'Arville. Yes, Mr Aspinall.

MR ASPINALL: Do you see, Mr Brazil, that in the email from Mr Packer to you,  
10 there's something being discussed in terms of telling truths and being aligned for shareholders and directors?

MR BRAZIL: Yes.

15 MR ASPINALL: Do you see that? If the answer you think is confidential, let me know but I was wondering what you understood Mr Packer was referring to there?

MR BRAZIL: It's not easy to follow this email, if you understand my point, Mr  
Aspinall. I have read it and, you know, it's – it's not easy to follow. I've tried to  
20 piece it together a bit. My best analysis is that there was a board meeting in the previous week at which the potential Hellman & Friedman discussion took place – potential Hellman & Friedman transaction was discussed and so that's what I'm guessing he is referring to. The sentences themselves, I would not be sure I really grasp the essence of.

25 MR ASPINALL: Would that be consistent with the last sentence about transforming CPH?

MR BRAZIL: Yes. I mean, I think the whole thing has – statements that are not  
30 easy to be sure what they mean.

MR ASPINALL: Yes. And I think you've responded in the blue there.

MR BRAZIL: That's correct.  
35

MR ASPINALL: Then I see that mister – this is an article about – an email which has something to do with Mariah.

MR BRAZIL: That's correct.  
40

MR ASPINALL: And then Mr Packer is saying:

*You are with me, best seats. Ish –*

45 which is Mr Ratnam –

*make sure Ben has as many tickets as he wants and needs and the best available rooms. James.*

Do you see?

5

MR BRAZIL: Yes.

MR ASPINALL: My taking you through that series of correspondence is leading to this issue, which was, at all times, as I understood it, you were regarded as an independent director on the board of Crown Resorts; correct?

10

MR BRAZIL: That's correct.

MR ASPINALL: And I wanted to just run by you the board charter at that time, which is CRL.622.001.0035, which is AG2. That's behind your tab 21, I'm told.

15

MR BRAZIL: Yes, I'm just. Yes, please. I have it now.

MR ASPINALL: Do you see the criteria for independence is set out there. This is your policy - - -

20

MR BRAZIL: Yes.

MR ASPINALL: - - - which I presume that your corporate governance committee approved, the one of which you were a chair; would that be right?

25

MR BRAZIL: I suspect that's right, Mr Aspinall.

MR ASPINALL: And then, in terms of the definition or the instruction that's given:

30

*A director will be considered independent if they have a non-director role –*

and that was you –

35

*who is not a member of management and is free of any business or other relationship that could materially interfere with or could be reasonably be perceived to materially interfere with the independent exercise of their judgment.*

40

MR BRAZIL: Yes.

MR ASPINALL: Just having regard to your history with Mr Packer, and your friendship with him, the fact that you had worked at CPH earlier in your career and you wanted to start Park Street Capital with him, the friendship with him and the fact that you referred, in parting, to your wish to be helpful for him, would you not agree that a reasonable person might perceive that you might be aligned with the interests of Mr Packer rather than independent?

45

MR BRAZIL: I don't agree with that. In the board, I had spoken stridently against and opposed and, in a number of instances successfully opposed, investment and divestment proposals which had obtained some enthusiasm from CPH. I have had no business dealings with CPH or – sorry – CPH or Crown, other than my director's  
5 fees during the period of my directorship and, indeed, until the end of my employment with Macquarie. So the – the – the – the – the indicia of independence, I believe, are not compromised.

MR ASPINALL: But do you accept – you do not accept, then, that a reasonable  
10 person might perceive that it could materially interfere with you, given your relationship with Mr Packer?

MR BRAZIL: I – I don't believe so. There's been nothing that – that would skew  
15 me to act in the interests of anyone except Crown.

MR ASPINALL: But isn't the fact that Mr Packer said that you went on the board to help him and the fact that when, on departing, you said that you wanted to be helpful, indicative of an affiliation with Mr Packer which a reasonable bystander might think could materially interfere with your exercise of your independent  
20 judgment?

MR BRAZIL: I don't think having an interest in helping someone is, necessarily going to compromise independence. No.

25 COMMISSIONER: Those emails that Mr Aspinall took you to a moment ago.

MR BRAZIL: Yes.

COMMISSIONER: The ones that you described as a little difficult to understand;  
30 do you remember that series of emails?

MR BRAZIL: I do.

COMMISSIONER: One of them was the one that you described that way, I think, is  
35 dated the 21st of December 2015.

MR BRAZIL: That's correct.

COMMISSIONER: Do you remember that?  
40

MR BRAZIL: I do.

COMMISSIONER: That was a date when an announcement was made that Mr Packer was leaving the board. Do you remember that, Mr Brazil?  
45

MR BRAZIL: I – I won't remember the specific date. I remember the broad time of the announcement.

COMMISSIONER: And did Mr Packer tell you why he was leaving the board?

MR BRAZIL: He did not.

5 COMMISSIONER: And so far as you, as a board member are concerned, did you know the reason stated as to why he was leaving the board?

MR BRAZIL: I mean, I knew the reason that – that was in the press release. And I actually saw the evidence a few days ago. So I – I – I think I understand the point or  
10 the question.

COMMISSIONER: Did anyone suggest to you that Mr Packer was unwell?

MR BRAZIL: No, they didn't.  
15

COMMISSIONER: On the board, I mean?

MR BRAZIL: Yes. They did not.

20 COMMISSIONER: They did?

MR BRAZIL: They did not.

COMMISSIONER: I see. And Mr Packer did not suggest to you that he was  
25 unwell; is that right?

MR BRAZIL: That's correct.

COMMISSIONER: And, so far as the reinstatement of Mr Packer, albeit that he  
30 wasn't really on the board, but only as an invitee, at any stage between the time that he'd retired or resigned from the board on the 21st of December 2015 and came back as an invitee from the 10th of January 2017, had you discussed with any member of the board whether Mr Packer was unwell?

35 MR BRAZIL: No, I had not.

COMMISSIONER: And no one had discussed it with you?

MR BRAZIL: No one had. No.  
40

COMMISSIONER: Yes. Thank you, Mr Brazil. I'm sorry to interrupt, Mr Aspinall.

MR ASPINALL: Just while we have that board charter open. I see, if we go to the  
45 end – you can take it from me that it's from 2011 – I just wanted to take you to the next paragraph under the first one of Independence, it says:

*A director will be considered independent if he or she.*

And then gives several criteria.

5 MR BRAZIL: Yes.

MR ASPINALL: I just wanted to take you to the corporate governance principles, the third edition, which is INQ.100.001.0308, which is exhibit O for orange, 5. And if then we could go to pinpoint 0325. Blow up the top part of the page. You see the  
10 commentary is:

*To describe a director as “independent” ... carries a particular connotation, not aligned with the interests of management, a substantial security-holder or other relevant stakeholder.*

15

Do you see?

MR BRAZIL: Yes.

20 MR ASPINALL:

*And will bring independent judgment to bear –*

and then if we look at the box underneath, that’s box 2.3, it says:  
25

*Examples of interest positions and associations that might cause doubts.*

MR BRAZIL: Yes.

30 MR ASPINALL: Then if we flick back to the board charter – I don’t know if the operator can put them side by side.

COMMISSIONER: Yes.

35 MR ASPINALL: Do you see those examples have largely been transferred over to the criteria which, under the board charter, means you are independent. Do you see that?

MR BRAZIL: ..... - - -  
40

MR ASPINALL: ..... not being employed in an executive position, etcetera.

MR BRAZIL: I think I follow. I’m just not translating perfectly in real-time but I think I follow that.

45

MR ASPINALL: Yes. What I was wondering is as the chair of the board that is supposed to translate these ASX policies into - - -

COMMISSIONER: Chair of the committee.

MR ASPINALL: Yes, chair of the committee that is charged with translating these ASX policies into the policies that Crown will follow, I was wondering if you can  
5 cast any light on why the examples here – which factors relevant had been converted into, effectively, a definitive test of independence? Because, if you – just to finish that question; as I understand it, if you satisfy the criteria underneath 2.2, you are considered to be independent.

10 MR BRAZIL: I don't think I can offer much guidance on the question of whether relevance moving to definition is – is a material one.

MR ASPINALL: I was just wondering, looking at it now, that the framing of it in that way seems to undercut the general nature of the first paragraph under  
15 independence, which I read to you.

MR BRAZIL: I – I think I understand the point you are making. The – I think the question you were asking me is whether I can add to how the translation occurred. Is that - - -

20 MR ASPINALL: Yes, I mean if you could give me any insight into why it might have been done that way?

MR BRAZIL: I don't think I can give you material insight into that. I certainly  
25 won't recall how that might have happened in 2011.

MR ASPINALL: In terms of the way in these policies were in practice ..... what would have happened: would a lawyer within Crown have given you a draft and then you looked at it and the ASX guidelines?

30 MR BRAZIL: I think we reviewed the - - -

MR ASPINALL: .....

35 MR BRAZIL: I think we reviewed the corporate governance statement each year and it contained references to these things.

MR ASPINALL: And in assessing your own independence, is it correct to say that you would have measured yourself against the factors that are in the board charter?

40 MR OWENS: Commissioner, I must object.

MR ASPINALL: Mr Owens has an objection.

45 COMMISSIONER: I'm sorry, Mr Owens; we didn't hear you.

MR OWENS: No, I'm terribly sorry, Commissioner.

COMMISSIONER: That's all right.

5 MR OWENS: Just in relation to this line of questioning, can I just point out to my learned friend, Mr Aspinall, the date of the document that appears on page 0311 in relation to the questioning of how a document in 2011 was created?

MR ASPINALL: Correct. And, Mr - - -

10 COMMISSIONER: 2011, I think it is.

MR ASPINALL: Mr Brazil, I should tell you this: the document that I am showing you here, the board charter is from 2011.

15 MR BRAZIL: Yes.

MR ASPINALL: And that, as we understand, is the charter that remained in effect for beyond the period that I'm showing you the ASX guidelines. You can assume that to be correct.

20 MR BRAZIL: I will take that.

MR ASPINALL: Yes. And I was going to ask you the question, if you don't remember it: would you have assessed your own independence against these criteria?

25 MR BRAZIL: Not in a narrow sense. I'm - I - I obviously consider myself independent according to those criteria, but I wouldn't have been regarded - regarding myself as relying upon strict interpretations of black letter rules.

30 MR ASPINALL: And just to complete that issue, Commissioner, I have now got the document from 2014 which is CRL.622.001.0039.

COMMISSIONER: Would you like that brought up?

35 MR ASPINALL: If you could, on the confidential link and Mr Owens as well. If we go to the final page of that document. You see that's August 2014; you might not be able to see it.

40 MR BRAZIL: Yes.

MR ASPINALL: Then if we go to pinpoint 0041.

COMMISSIONER: There we are.

45 MR ASPINALL: You see it's the same form of words? You might not be able to - we could blow it up for you.

MR BRAZIL: I have them.

MR ASPINALL: Now, moving to another topic.

5 COMMISSIONER: Are you moving away from the China arrests?

MR ASPINALL: I'm moving on to the China arrests.

COMMISSIONER: Thank you.

10

MR ASPINALL: Moving now to the China arrests, Mr Brazil. I just wanted to ascertain when you joined the board what your understanding was as to what Crown was doing in China, if anything?

15 MR BRAZIL: In terms of whether we had, for example, staff in China, I won't have known. I think that might be the question you are asking, yes.

MR ASPINALL: I'm interested in – because as I understand it, the China operations might have commenced a little before you arrived on the scene. Is that  
20 your understanding?

MR BRAZIL: I don't recall - - -

MR ASPINALL: I see.  
25

MR BRAZIL: - - - in that specific terms.

MR ASPINALL: I see. So is it your recollection that the China operations were commenced during your tenure on the board?  
30

MR BRAZIL: I don't recall knowing when China operations commenced.

MR ASPINALL: And you don't recall approving or examining what was going to happen in China; is that right?  
35

MR BRAZIL: No, I don't.

MR ASPINALL: And so when did the operations in China actually come to your attention; can you remember when that first was?  
40

MR BRAZIL: I think it was actually in a presentation by the VIP business that I had requested that took place in December 2012.

MR ASPINALL: So you had requested it?  
45

MR BRAZIL: I – I had requested it. I went back to the document because I won't recall the specifics of it – I won't have recalled the specifics of it but once I went

back to the papers, I saw that that VIP presentation included in it the depiction of some – of staff members in China.

5 MR ASPINALL: All right. And do you remember why you would have – how you would have become aware of it in order to request that sort of briefing?

10 MR BRAZIL: I requested the briefing because there was ordinary cycle VIP reporting, but I asked that we have a specific briefing on – on VIP, I think, because it was described as an area where – I will just need to get the words right. They're in the minutes. But the – where – it was a risk of not achieving profits – profit targets.

MR ASPINALL: I see. And - - -

15 COMMISSIONER: And that alerted you to the need to have a briefing, did it?

MR BRAZIL: I don't recall. I – I recall asking for a specific briefing outside the ordinary course that – that occurred. Yes.

20 MR ASPINALL: Are you able to recall now what your understanding of the China operations and what was happening there was after that briefing?

MR BRAZIL: I don't think I have a good recollection or took away anything specific about the operations in China, no.

25 MR ASPINALL: All right. Now, coming up to the China arrests, obviously, you became at the time of the China arrests that things had been happening in China.

MR BRAZIL: Yes.

30 MR ASPINALL: But just prior to that, what was your level of knowledge of what was occurring in China?

MR BRAZIL: Very limited, or probably – I probably didn't know - - -

35 MR ASPINALL: Can you give us the full extent of your understanding.

MR BRAZIL: I probably didn't – I wouldn't have known whether there was staff operating in China or not.

40 COMMISSIONER: Did you know what they were doing, if they were there? First of all, let's assume you must have known somebody was there, if you were told the truth. Did you have any idea of what they were doing?

45 MR BRAZIL: So I'm describing, if you like, a presentation that happened in December '12. I suspect the period Mr Aspinall is referencing, I was not aware whether there were staff members in China or not.

COMMISSIONER: I see.

MR ASPINALL: So when the news that Crown employees had been arrested in  
China came through, you must have been surprised that you even had employees in  
5 China; is that right?

MR BRAZIL: Well, I was shocked that – that the employees had been detained.  
I'm not sure I was surprised that there were staff in – in China but I don't think I – I  
knew either way at that point in time. I obviously learnt there – at that point and  
10 rapidly thereafter.

MR ASPINALL: All right. In terms of the China arrests, all the other directors so  
far have been asked about certain particular items of knowledge and - - -

15 MR BRAZIL: Yes.

MR ASPINALL: - - - what they were aware of. One of the things was that prior to  
the Crown employees being arrested, there was the arrests of some 13 or 14  
employees of a South Korean casino. Did that come to your attention at any time  
20 prior to the arrests?

MR BRAZIL: It – it did not come to my attention or certainly not that I recall. It  
may – I understand there's evidence that it did come to a board meeting and perhaps  
I did learn it there, but I didn't recall – I didn't recall learning then.  
25

MR ASPINALL: Now, there is some evidence that has been given to the Inquiry  
that in the wake of that, Mr Rankin informed Mr Craigie that the organisation should  
be on high alert in relation to this type of thing. Did that ever come to your attention  
30 prior to the arrests?

MR BRAZIL: It did not.

MR ASPINALL: What was your working relationship with Mr Rankin like?

35 MR BRAZIL: Not extensive. I think, you know, Mr Rankin was the chairman of  
the board. I was a non-executive director. We would have encountered each other at  
board meetings and not a lot elsewhere.

MR ASPINALL: You were both bankers, though?  
40

MR BRAZIL: That's correct.

MR ASPINALL: You hadn't come across him professionally?

45 MR BRAZIL: No. No.

MR ASPINALL: And I think he is in London now. Have you spoken to him?  
When was the last time you spoke to him?

5 MR BRAZIL: I don't think I've seen him since probably the last Crown board  
meeting that I attended.

MR ASPINALL: Just for completion and I'm sure the answer is no, but I just  
wanted to check with you that you weren't aware that there was a Chinese – an  
10 announcement made by a Chinese Government spokesperson that there would be a  
crackdown on foreign casinos luring Chinese nationals to gamble at foreign casinos.  
You weren't aware of that?

MR BRAZIL: I was not aware of that. I think there's a crackdown on corruption,  
15 which I probably knew but I won't have known about a crackdown on foreign  
casinos, no.

MR ASPINALL: I presume that you are not aware either that police in China had  
invited one of Crown's employees in - - -

20 COMMISSIONER: A nice way of putting it.

MR ASPINALL: - - - to be questioned in relation to his activities in China?

MR BRAZIL: Yes. I was not aware of that.  
25

MR ASPINALL: You weren't aware that Crown was operating at any time an  
office or an unregistered office in China; correct?

MR BRAZIL: No, I was not, no.  
30

MR ASPINALL: I was going to move on from that topic now.

COMMISSIONER: Did Mr Felstead ever give you a briefing on the VIP business at  
35 board level?

MR BRAZIL: The only – the only dedicated briefing that occurred was in  
December 2012, to my knowledge. I think there was a regular briefing on the VIP  
business as part of regular board reporting.

40 COMMISSIONER: I see.

MR ASPINALL: The regular reporting, Mr Brazil, was that in relation to the  
revenue or the profit – financial information or what was actually happening?

45 MR BRAZIL: I think – I would need to check but I think it was the business as a  
whole. I don't think it was limited to financials, no.

MR ASPINALL: Now, in terms of the things that this Inquiry has been looking at, another one is junkets; are you aware of that?

MR BRAZIL: I understand.

5

MR ASPINALL: In terms of your understanding of junkets, while you were on the board, are you able to give me some idea of what that was?

MR BRAZIL: I appreciated that the VIP business was conducted, in part, through junkets. I wouldn't have known, for example, about any of the specific junkets.

10

MR ASPINALL: You didn't know the names of any of them?

MR BRAZIL: I did not.

15

MR ASPINALL: But you were aware of the concept of a junket; is that right?

MR BRAZIL: I was aware of that. Yes.

MR ASPINALL: Were you aware of any allegations or other material that might indicate to you that there was something nefarious or unsavoury about junkets?

20

MR BRAZIL: I am aware that junkets are an exposure point to infiltration by criminal elements. Yes.

25

MR ASPINALL: When did you become aware of that?

MR BRAZIL: I would have said a long time ago; the first time I learnt about the casino business. It will be a long time ago.

30

MR ASPINALL: And had you watched the ABC Four Corners program called High Rollers High Risk in 2014?

MR BRAZIL: I don't think I watched it. I was aware of it happening and aware, in general, of its contents and aware that Crown responded to it.

35

MR ASPINALL: I see. And what did you – what did you understand that Crown did in response to that program?

MR BRAZIL: I don't recall. I don't recall other than it was responded to.

40

MR ASPINALL: Okay.

MR BRAZIL: But I don't recall a specific – a specific action taken in response to it.

45

MR ASPINALL: And, as you understood it, what was Crown doing in respect of the threat that junkets might pose in terms of exposure to organised crime during your tenure on the board?

5 MR BRAZIL: I expected that management was taking the necessary steps to ensure that the standards expected that there would not be criminal infiltration of – there would not be infiltration by criminal elements were being undertaken.

COMMISSIONER: That would be a very big ask, wouldn't it?

10

MR BRAZIL: I think it's the sort of thing that management is – was capable of. Could be reasonably regarded as being capable of. It's an operational level matter.

MR ASPINALL: Just in terms of the corporate governance side of the question, I want to take you to one email, which is at CRL.579.018.0041, please. It's on the confidential link, which might be at tab 9 of your bundle. It's an email and it's from Roland Theiler to Michael Chen.

15

MR BRAZIL: Yes, yes.

20

MR ASPINALL: Have you seen this email in the context of preparing for your evidence?

MR BRAZIL: Only in the last sort of 24 hours.

25

MR ASPINALL: That's fine. I might give you some background to it. If the operator could blow up the email at the bottom of the page. Do you know who Theiler is, and Mr Chen?

MR BRAZIL: I don't know what Mr Theiler is. I have some awareness of who Mr Chen is, but I'm not sure – I'm not sure I've met him personally.

30

MR ASPINALL: Well, EMP1 who was an operative of Crown in China, an employee, and he is writing to Mr Chen and Mr Theiler, who is his superior, in respect of asking to get an extension on banking a personal cheque of the two people who are listed at the top of the email, a man called Ng Chi Un and a man called Pun Chi Man. Do you accept that.

35

MR BRAZIL: I will accept that. Yes.

40

MR ASPINALL: And you see, in the third paragraph, EMP1 is saying to his superiors.

*For background, these two, particularly, Ng, are very influential characters in Macau, particularly the underground network.*

45

Do you see?

MR BRAZIL: Yes.

MR ASPINALL: And the evidence that's been given to the Inquiry is that that meant if anyone had asked EMP1 that they were associated with unsavoury  
5 characters and, on further investigation, EMP1 would have told Mr Theiler and Mr Chen that they were associated with what might be called standover men, and that if Mr Ari decided to bank the cheque and it didn't – it wasn't honoured, he might be in physical danger. Can you take that from me as true?

10 MR BRAZIL: I will take that. Yes.

MR ASPINALL: If we scroll up the page now. You see the responses of EMP1's superiors are:

15 *I'm supportive as long as –*

well, if you recall, EMP1 had been asking for further time to bank the cheque and Mr Theiler saying:

20 *I'm supportive so long we have a discussion with them this week or next.*

Mr Theiler replied:

25 *Okay. But we need a definitive repayment plan in place next week.*

And you see Mr Theiler is the senior vice president of international business in Crown Melbourne. Mr Chen is the president of international marketing.

30 MR BRAZIL: I think I understand.

MR ASPINALL: I presume you weren't aware of any of this during your tenure?

MR BRAZIL: No. Absolutely not.

35 MR ASPINALL: What it might be thought is that this represents a failure of information regarding a connection of Crown to an organised crime group which is known to an employee of the company in China and which is passed up to his superiors, but that no action is taken. Do you agree with that? There's no mention of the fact that EMP1 has said that. And also it shows that if that had been – well, the  
40 evidence that's been given to the inquiry is if, anyone had asked EMP1, he would have informed them that he was potentially in danger – physical danger.

MR BRAZIL: Yes.

45 MR ASPINALL: And so what we have posited at the Inquiry is this represents a failure of escalation of information within the organisation; do you agree with that?

MR BRAZIL: I would agree with that.

MR ASPINALL: Because various witnesses have given evidence that this sort of information should have been passed, at least, to the risk committee but, probably,  
5 further up, some people say right to the board; would you agree with that?

MR BRAZIL: Probably, to the risk committee first and, if they considered it appropriate, further escalation.

10 MR ASPINALL: Now, in terms of your understanding of the organisation, and being a member of the corporate governance committee, are you able to give us any insights as to why you think this may have occurred in systemic terms?

MR BRAZIL: I think it's, as you say, it's a breakdown in risk and escalation  
15 processes. I'm obviously not familiar whether this is an isolated incident or part of a more recurring and systematic failing. That would, obviously, you know, help to understand whether there's individual corrective action required in relation to individuals or whether there's something more wholesale that needs to change. But there, clearly, for example, Mr Chen, needs to be corrected as to whether, when he is  
20 told something very problematic, he regards it as something he can not do more than what he did. So he needs corrective action.

COMMISSIONER: Yes. Can I just suggest to you that it's something a little deeper, possibly. You told me a little earlier that management – this was an  
25 operational level matter, but this is what we are looking at here: operational level. And it's been referred to as a systems problem, but doesn't it go deeper to the individual tolerance of leaving staff in fear?

MR BRAZIL: I was referencing operational only in the sense that I meant  
30 management as opposed to board.

COMMISSIONER: Yes, I understand that. This is management.

MR BRAZIL: Yes. Yes, Commissioner.  
35

COMMISSIONER: Yes.

MR BRAZIL: So if it is – Mr Chen needs to understand that he needs to escalate something of this gravity higher. All the way to the CEO needs to be clear that we  
40 cannot be engaged in activities such as this and, anywhere that that is happening, corrective action needs to be taken.

COMMISSIONER: So it goes to the individual's lack of understanding of the corporate approach of the company; is that right? He doesn't understand that this is  
45 something that Crown will not tolerate; is that it?

MR BRAZIL: To the extent it happens once, it may be an aberration by that individual. To the extent that it happens three to four times, you may well have a situation where expectations are not being communicated clearly enough or where they are breached; people are not suffering the consequences that will tend to have them act differently in future.

COMMISSIONER: Yes, I see. And so in terms of your suggestion that the failing is to escalate it, it looks like, to me, at least, there was no chance of that happening whilst the push for profits was on for Crown to make the money in China whilst the environment was hot to make it. But it does appear that you didn't know any of that; is that right.

MR BRAZIL: I am not aware that there was a push for profits which was inconsistent with – with appropriate compliance and risk management and probity matters. I heard guidance from the top quite to the contrary. But it seems that is not – not filtered through in this scenario.

COMMISSIONER: When you say you “heard guidance from the top quite to the contrary”, what do you mean?

MR BRAZIL: I recall, in the context of responsible gaming, probably around about 2012, that Mr Packer stated that I think the words were, “This business is good enough without taking money from people where we shouldn't be.” Now, that was in the context of responsible gaming, but it was on the balance between the two. But I'll agree that – and I obviously saw Mr Barton's evidence that it had got out of balance in the – in the VIP business.

COMMISSIONER: And so far as the VIP business is concerned, one of the problems seems to be, at the time that you were on the board, that nobody asked questions about the nature of the junkets. The “rumours”, in inverted commas, or the Four Corners analysis that Crown was dealing with people with connections with organised crime. It looks that way to me. Is that right; no one asks those questions on the board?

MR BRAZIL: I think the board's expectations about no criminal infiltration were clear enough. I'll agree that we weren't asking the CEO for a report of situations where there was tension on that question.

COMMISSIONER: It's not so much tension. It's just the reality that, here, you have what might be by some reasonably described as a very respectable program, known as the Four Corners on the ABC, I believe, alleging publicly that Crown is connected to people who have organised crime connections. Now, it doesn't need a structure, one would think. The next meeting you go to you say, “What on earth is happening? Are we connected to them?” And that doesn't seem to have happened.

MR BRAZIL: I was aware that Crown had considered the matter and responded. Perhaps more should have been done.

COMMISSIONER: Yes, Mr Aspinall.

MR ASPINALL: Just as another example, I wonder if you'd become aware, in the  
5 media, of the story of Riverbank Investments and Southbank Investments that we  
discussed before.

COMMISSIONER: I think that's a bit vague, even for me - - -

MR BRAZIL: Could you just rephrase the - - -  
10

COMMISSIONER: Thank you.

MR ASPINALL: Yes.

15 COMMISSIONER: Yes. Can we have it more precise?

MR ASPINALL: I can ask you in this way. Have you read the media reports about  
what is alleged to have occurred through Southbank and Riverbank?

20 MR YOUNG: Commissioner - - -

MR BRAZIL: I may not - - -

COMMISSIONER: Yes. That's in August 2019.  
25

MR ASPINALL: Yes. Have you read those, Mr Brazil?

MR BRAZIL: I – I don't think I have. I'm not unfamiliar with them but I don't  
30 think I've – I don't think I have.

MR ASPINALL: Well, you obviously weren't aware of it, but I can give you this as  
an assumption: that the evidence which has been given to the Inquiry is to the effect  
that Southbank and Riverbank operated accounts with various banks over time – over  
many years, that over that time the banks closed those accounts, and it can be  
35 strongly inferred that they did so on the basis of concerns regarding money  
laundering through those accounts. Can you assume that?

MR BRAZIL: I can assume that.

40 MR ASPINALL: And can you also assume that despite at least in one instance  
being told by ANZ Bank about transactions, a series of transactions which were  
highly suspicious to be money laundering, employees of Crown persisted in opening  
accounts with different banks. Can you accept that?

45 MR BRAZIL: I can accept that.

MR ASPINALL: Can you also accept that the fact that this was being done was known to at least Mr Barton and also to a member of the AML compliance team, Ms Lane. And can you also assume that that fact was not elevated to the risk committee or to any other committee for that matter or to the board. Can you assume those things?  
5

MR BRAZIL: I can.

MR ASPINALL: Now, contrasting that with the EMP1 email, do you see a similarity here of escalation of what might be potentially very important information to the board and to the organisation itself not being elevated up?  
10

MR BRAZIL: I can see the – I can see the consistency.

MR ASPINALL: And making the assumptions that I've asked you to make, I wonder if now you can give me any further insights as to why this sort of thing was happening at Crown. You were on the board there for a long time.  
15

MR BRAZIL: I will agree that their failure of risk management processes; I believe that it has probably arisen through a failure of repeated corrective action where small failures in escalation have taken place. So provided the expectations are clear, escalation will occur or not occur according to whether the expectations are reinforced. And so if, as I think I am taking from you, they've happened on a – a less than isolated basis, I would imagine that it's a failure to drive home expectations about escalation.  
20  
25

COMMISSIONER: Can I just explore just one matter with you, Mr Brazil. When you told me a little earlier that you raised the China arrests - - -

MR BRAZIL: Yes.  
30

COMMISSIONER: - - - at the board meeting and you asked the questions - - -

MR BRAZIL: Yes.  
35

COMMISSIONER: - - - "whether we are culpable". Do you remember telling me about that?

MR BRAZIL: Yes, I do.  
40

COMMISSIONER: And I got the impression from you that you were given a response that suggested that it may be rather infra dig to discuss it at the board at that time; is that right?

MR BRAZIL: I'm not sure I quite understand the word you have used but I suspect I appreciate the point you are trying to make.  
45

COMMISSIONER: Well, just inappropriate to discuss it at that time, perhaps.

MR BRAZIL: I don't think there was a suggestion that it was inappropriate. I was very insistent the post-mortem take place, that we establish whether in any way,  
5 shape or form, we are – we are culpable. I think the questioning was whether – perhaps your word about inappropriate is correct. Actually, your expression about inappropriate I think is – is not incorrect. That I think the challenge – or the questioning of my stance was in relation to whether in a scenario where individuals were in detention, it would be in good taste to – to – to go through their emails, for  
10 example. I was insistent that we must do exactly that.

COMMISSIONER: Yes. And what I am really exploring with you is the – I suppose it's board culture, in a way, Mr Brazil, where one should feel comfortable whether you are an independent director or not, in raising things at a board level.  
15 You obviously have the capacity to do so and you would agree that at a board level, one has to feel very free to be able to speak one's mind. You would agree with that?

MR BRAZIL: The job is to stand up and be counted; that where divergent views need to be taken, where challenge needs to be engaged in, that people actually do  
20 that.

COMMISSIONER: Yes. And you referred a little while ago – I'm not sure that it was metaphoric but it might have been – when you said you were thumping the table in October, do you remember telling me that?  
25

MR BRAZIL: I do recall it, Commissioner.

COMMISSIONER: Was it metaphoric?

MR BRAZIL: I think – I think it was metaphoric, Commissioner.  
30

COMMISSIONER: Yes. All right. And so I get the impression that what you were trying to do is to drag them along with you?

MR BRAZIL: I think that's correct, Commissioner.  
35

COMMISSIONER: Yes. And so you felt, with your personality and your background and capacity, confident that you could do as you did – whether you achieved it or not is another matter – but you were feeling quite free in that  
40 environment to do the things you did and do the things you have described; correct?

MR BRAZIL: I regarded it as the only way I could discharge my duties as a director. If we have somewhere between 15 and 20 people in a jail in China, that we must know – the only acceptable action is to establish, as soon as possible, how that  
45 happened. And I – I had no fear in doing so and I also absolutely felt it was the only way to discharge my job.

COMMISSIONER: Yes, thank you. Yes, Mr Aspinall.

MR ASPINALL: Mr Brazil, I wanted to ask you about the length of time that the board meetings went for, for Crown Resorts and how often they were held, if you  
5 wouldn't mind. We have done a random sample, I presume, between February 2016  
and October 2016. It seems, just at a very high level, that the meetings weren't very  
long. Some of them were three hours and then two hours and they seemed to be  
happening sometimes two months apart, sometimes one month apart. Does that  
accord with your recollection of the sort of time you were spending at board  
10 meetings?

MR BRAZIL: That accords with my recollection, yes.

MR ASPINALL: A question that arises is, this is a very complicated organisation  
15 by 2016, would you agree? It has been said to the Inquiry on repeated occasions that  
it's the largest single employer in Victoria and I think it might be the largest  
employer in Perth.

COMMISSIONER: Single site.  
20

MR ASPINALL: Single site employer. It had operations in other countries. The  
question I was going to ask you is could one of the problems be that the board wasn't  
inquisitive enough and wasn't asking enough questions. That's the reason why the  
board meetings were so short.  
25

COMMISSIONER: Or were of that length.

MR BRAZIL: Sorry, Commissioner, what was that?

COMMISSIONER: I said that's why the board meetings were of that length rather  
30 than "so short".

MR BRAZIL: Yes. My own view is that where I think has been described, so much  
of the job is about challenge and the asking of difficult questions. I believe the board  
35 – the board discharge of their duties is probably better measured in, if you like, stand  
up and be countedness, rather than by the hour. But I think stand up and be  
countedness is – is pivotal.

MR ASPINALL: And in terms of the failure of escalation, another theory that  
40 might be possible is what has been described as a good news culture which, in effect,  
as I understand it, means that the board gives out the impression that it doesn't want  
to hear bad news. It likes to hear good news, and that results in senior management  
and others being reluctant to pass on bad news to the board. Did you get any inkling  
of that sort of culture during your tenure on the board?  
45

MR BRAZIL: No, I didn't and certainly I was – you know, a bit as we just described in the post-mortem topic, there was bad news. There was no mystery about that. It was just a matter of being willing to – to look for it. So - - -

5 MR ASPINALL: Do you mean – I'm sorry, do you mean in respect to the China arrests or do you mean at all times when you were on the board?

MR BRAZIL: Sorry, at all times I was referencing that as an instance to evidence that particular behavioural pattern.

10

COMMISSIONER: What has been established on one view of it is that it wasn't good news or bad news, it was no news that you were made aware of in respect of the China operations that you should have been made aware of; correct?

15 MR BRAZIL: I was thumping the table – forgive the expression - - -

COMMISSIONER: This is prior to thumping the table.

MR BRAZIL: Sorry, prior to the arrests, we'd been – we were in the dark. That's – we had none of the background to appreciate the topic.

20

COMMISSIONER: Whether it was an element of not giving you bad news, whatever it might have been, you just got no news according to what you have said?

25 MR BRAZIL: And that's my appreciation of the evidence, yes.

COMMISSIONER: Yes, thank you.

MR ASPINALL: Could I show you one document called CRL.527.001.1826, which is exhibit M109, please. I'll show you the next page of that, please; you can see it's a VIP marketing kick-off workshop and if we go to pinpoint 1832, this is a Crown document - - -

30

MR OWENS: I'm sorry, Mr Aspinall – Mr Aspinall, I'm sorry; I'm not sure whether Brazil can see the document, but I can't. It's just coming up now.

35

MR BRAZIL: I have it now.

COMMISSIONER: Thank you.

40

MR ASPINALL: Have you seen this before, Mr Brazil?

MR BRAZIL: I am not sure I have. I don't recall it.

45 MR ASPINALL: Do you see it refers – in the right-hand box, it refers to key meetings and being a CPH VIP working group?

MR BRAZIL: I see that.

MR ASPINALL: Were you ever aware of such a group?

5 MR BRAZIL: I was not aware of such a group.

MR ASPINALL: Were you aware of any arrangement such as displayed in this corporate – this tree diagram in relation to these stakeholders with an interest in VIP?

10 MR BRAZIL: Forgive me, Mr Aspinall, could you just ask that again.

MR ASPINALL: Yes. Were you aware of any organisation such as shown in this tree in relation to key stakeholders with active involvement or interest in VIP?

15 MR BRAZIL: Any organisation such as this tree?

MR ASPINALL: Yes, any arrangement or grouping of people.

MR BRAZIL: No - - -

20

COMMISSIONER: The reporting structure such as this where everything went to either - - -

MR BRAZIL: I see, yes. No, I've never seen it.

25

COMMISSIONER: Yes, thank you.

MR BRAZIL: I have never seen this, no; that's quite correct.

30 COMMISSIONER: Yes.

MR ASPINALL: And you weren't informed by Mr Johnston, for example, that he was active in any group like this, with respect to VIP?

35 MR BRAZIL: I was not informed by Mr Johnston of any – of that, no.

MR ASPINALL: Were you aware, at the time you were on the board, that Crown entered into what's called a services agreement with CPH for the provision of services to Crown Resorts?

40

MR BRAZIL: I – I am aware. Yes.

MR ASPINALL: Were you aware at the time?

45 MR BRAZIL: I was aware at the time. Yes. I think the full board approved it as being - - -

MR ASPINALL: And what did you – and what did you see as the benefit – were you supportive of the entry into that arrangement?

MR BRAZIL: I approved it, I believe.

5

MR ASPINALL: What did you see as the benefits to Crown Resorts of entering into that sort of arrangement?

MR BRAZIL: I think some of these services had been provided over a period of time and had been seen to be a valuable contribution to Crown. And – and the fact that that was formalised and compensated was, if you like, sensible. But – but a fair balance, given I think these services had been provided at no cost, historically.

10

MR ASPINALL: Yes. And did it concern you,, as an independent director, that a substantial shareholder – perhaps a major shareholder – in Crown, executives of that entity were providing services to Crown?

15

MR BRAZIL: It – it didn't. I would perhaps preface by saying that, for listed entities with large shareholders, the interrelationships between that shareholder and the listed entity observed in Crown is sort of lesser than – and, certainly, from a cost perspective or other related parties dealing – lesser than is usually observed. So I would describe Crown as having been on the very good end of the spectrum in relation to the extent of these topics. I had historically seen the executives contributing services; the valuable – valuable people that Crown wouldn't have been able to access directly themselves on a part-time basis.

20

25

MR ASPINALL: And why would that be?

MR BRAZIL: Key members of the calibre that CPH was able to retain don't generally make themselves available on a part-time basis. They want, you know, the CEO job or the CFO job or something like that.

30

MR ASPINALL: I see. But did you think there was something unique about the CPH executives that made them irreplaceable in terms of - - -

35

MR BRAZIL: No. Not – not irreplaceable, but – but valuable and you can't hire a temp company and get people of this calibre.

MR ASPINALL: Did it not concern you that the services agreement provided that confidential information could be accessed by those CPH employees?

40

MR BRAZIL: In the context of providing services, it doesn't seem inappropriate.

MR ASPINALL: Were you aware that the – or you probably were aware that the agreement provided that, subject to some restriction, CPH could use that information for its own purposes? Were you aware of that?

45

MR BRAZIL: I don't recall specifics about that, no. No.

MR ASPINALL: You can take that from me as being the case, for the purpose of the questions that I'm asking you. Now, did you turn your mind to whether or not  
5 that might put CPH executives in a position which was advantageous in regards to knowledge around the company that the board itself didn't have?

MR BRAZIL: I think I'll answer your question that it did not occur to me - - -

10 MR ASPINALL: .....

MR BRAZIL: - - - and certainly not at the time of entry into this agreement, and I think one reason is because that which you've asked me to assume I didn't know. So I can agree that it didn't occur to me.

15

MR ASPINALL: We have on the screen still, I hope, the active stakeholders diagram. Do you still have that?

MR BRAZIL: I do, yes.

20

MR ASPINALL: You see that Mr Johnston is there listed as a finance director of CPH.

MR BRAZIL: Yes.

25

MR ASPINALL: And that you were aware that, under the services agreement, Mr Johnston provided services to Crown for a fee?

MR BRAZIL: Yes.

30

MR ASPINALL: From a corporate governance perspective, did it concern you that that might place Mr Johnston in a position which was undesirable, giving him, in effect, a conflict of interest?

MR BRAZIL: Not – not as a matter of course. I can imagine scenarios where that might arise. But I don't think it was essential that that would happen.

35

MR ASPINALL: But you've said that it had – there was the potential for it?

MR BRAZIL: In some scenarios, I can imagine that. Yes.

40

MR ASPINALL: And you – but, as I understand it, you thought the risk was small and worth taking because you could get the services of Mr Johnston on a part-time basis; is that right?

45

MR BRAZIL: Or the conflict could be managed if and when they arose.

COMMISSIONER: I don't understand why it's necessary for directors of a public company to become part of management, which this is, obviously, particularly where there's a licence involved with the recognised danger of infiltration from criminal elements.

5

MR BRAZIL: Yes.

COMMISSIONER: And I would like to understand why you think that that's not a reasonable proposition?

10

MR BRAZIL: I think it's not totally uncommon for board members to do what might be described as deep dives, for example. I think – I suspect that, in this case, what's occurred is something beyond that which is healthy. And so I think what you're describing is a scenario where someone turns into something approximating de facto management and, in that scenario, I agree with you.

15

COMMISSIONER: And, obviously, if the directors are to be paid as executives, from what I've seen of the fees that were paid, it would be quite easy to get them on the market, if you needed consultants, to assist the board; you agree with that?

20

MR BRAZIL: I agree with that just subject to the quality of the people and their alignment, so – yes.

COMMISSIONER: Well they tell me there are a lot of good quality people in the marketplace, Mr Brazil.

25

MR BRAZIL: I appreciate – the alignment is not so commonplace.

COMMISSIONER: And when you say “the alignment”, what do you mean by that in this circumstance?

30

MR BRAZIL: The deep interest and care on the basis that you'll still be involved next year, and that your employer has a lot at stake, etcetera. There's a – there's a level of care that will be brought that a temporary consultant, you know, may bring, but is not as likely to bring.

35

COMMISSIONER: Now, that creates yet another question, I suppose. If what you are wanting is specialty to provide assistance to a board that doesn't want to become involved in management, surely, the level of care will depend upon the person that you choose to assist; correct?

40

MR BRAZIL: It will – it will depend on the person that you choose, but also upon their own incentives and accountabilities. So the ideal person – you're quite correct – is immune to those matters, but many people, to the extent that their incentives are shorter term than those of a company like Crown, many people, with the best will in the world, will find themselves not as aligned.

45

COMMISSIONER: And being aligned, you don't have objectivity?

MR BRAZIL: I don't think that's - - -

5 COMMISSIONER: Is that fair?

MR BRAZIL: I don't think that's inevitably the case. It's clearly the way that alignment can become an unhealthy matter.

10 COMMISSIONER: But, in any event, the company doesn't need it. It can keep its directors free from the burden of having to become managers, surely.

MR BRAZIL: I agree with that as a statement of principle, yes, Commissioner.

15 COMMISSIONER: All right. Yes. Sorry, Mr Aspinall.

MR ASPINALL: Mr Brazil, just as a final question, as a member of the audit board, can you recall whether the rates which CPH charged for these executives, how those were set?

20

MR BRAZIL: I think they were set by the nomination and remuneration committee and the setting up of the services agreement.

25 MR ASPINALL: And so your committee had no role in auditing whether the services had been provided or whether they were provided at a reasonable rate?

30 MR BRAZIL: Not in the assessment of whether it was reasonable. If – if there had been, you know, for example, billing without services being provided or – auditing is supposed to check that everything happened as recorded and as reported in the accounts. It doesn't seek to opine upon the appropriateness of the number being X or Y.

35 MR ASPINALL: Correct. But can you see how that might be a problem in circumstances where one of the substantial shareholders is, in effect, hiring out their executives to a company that they have a substantial shareholding in at a rate?

MR BRAZIL: You're asking me about whether the rate is going to be right or not?

40 MR ASPINALL: Exactly. Whether or not that might create a conflict itself where one shareholder might be seen to be preferred because they are able to hire out their executives at a profit to a company that they are in effect a majority shareholder of.

45 MR BRAZIL: It would need careful arriving at the appropriate arm's length rate. I don't disagree that there's risk there, but there are mechanisms by which the right numbers can be arrived at.

MR ASPINALL: But you don't recall any consideration being given by you to that issue while you were on the board.

5 MR BRAZIL: I regarded that as having been considered by the nomination and remuneration committee. I think I cast my eye over them briefly and it didn't stand out as something that I needed to correct.

MR ASPINALL: Yes, thank you. I have nothing further.

10 COMMISSIONER: Yes, thank you. Yes. Any questions to be asked by any of those who have been granted leave to – Mr Owens, anything you would like to clarify?

15 MR OWENS: Just a few questions, Commissioner, if I may.

COMMISSIONER: Yes, of course.

20 <EXAMINATION BY MR OWENS [5.12 pm]

MR OWENS: Mr Brazil, do you remember you gave some evidence of a commitment given at the first board meeting after the China arrests for a full post-mortem to be performed; do you remember that?

25 MR BRAZIL: I do remember that.

MR OWENS: And after giving that evidence, you were asked a question, my note of which is as follows:

30 *By the time you left the board, had anything occurred to move that, ie, the post-mortem forward?*

35 Do you remember being asked that question?

MR BRAZIL: I do remember, yes.

40 MR OWENS: And you were answering that question and, in the course of doing so, you stated that in the February 2017 board meeting, Mr Murphy at MinterEllison gave a presentation and at that point, your evidence was – or your answer was stopped because an issue of privilege arose. Do you remember that?

MR BRAZIL: I do remember that.

45 MR OWENS: Now, please don't say anything about what Mr Murphy said, but had you given a complete answer to the question asked of you, ie, whether by the time you left the board, had anything occurred to move the full post-mortem forward.

Had you given a complete answer to that question at the time your evidence was stopped?

5 MR BRAZIL: I had not given a full answer to that question at the time my evidence was stopped.

MR OWENS: Can you give a complete answer to that question without referring to whatever it was that Mr Murphy said?

10 MR BRAZIL: I don't believe I can.

COMMISSIONER: Well, let me ask you this: by the time you left the board, in your view, had the post-mortem been concluded?

15 MR BRAZIL: The post-mortem, in my belief, was on track and committed to be concluded.

COMMISSIONER: Thank you. Yes, Mr Owens.

20 MR OWENS: Do you now regard yourself as having given a complete answer to the question you were asked? Let me put it another way: is there anything else that you would wish to say in answer to that question? Please don't say what Mr Murphy said, but simply indicate whether there is anything more you wish to say?

25 MR BRAZIL: No, only that – that there was more thumping of the table required, to use an expression that I've – I've used before, in the February 2017 board meeting to ensure that the post-mortem remained on track.

MR OWENS: Nothing further from me, Commissioner.

30 COMMISSIONER: Yes, thank you.

MR BRAZIL: Sorry, can I ask – sorry, I don't know if I can - - -

35 COMMISSIONER: Yes, yes. You go ahead, Mr Brazil.

MR BRAZIL: Sorry, Mr Owens, would you mind touching on the concert ticket email?

40 MR OWENS: I should have asked whether there was any other aspect of your evidence. But I take it you are referring to an email that you were referred to, which is behind tab 22 of your bundle, which is CRL.673.001.3497. You were asked some questions about this email shortly before you were asked some questions about your independence from Mr Packer. Do you remember that line of questions and  
45 answers?

MR BRAZIL: I do.

MR OWENS: Is there any comment you wish to make in relation to this email exchange relevant to the question of your independence from Mr Packer?

5 MR BRAZIL: Yes. I would like to clarify that I did not take any tickets as was expressed by, I believe, Mr Aspinall. And I would also like to draw the Inquiry's attention to my previous email in which my initiation and explanation of my own orientation was to say I am organising to be in the crowd, which is the email below.

10 COMMISSIONER: Yes.

MR OWENS: Is there any other aspect of your evidence, Mr Brazil that you regard as incomplete or unclear?

15 MR BRAZIL: No, there is not. Thank you, Mr Owens.

COMMISSIONER: Mr Young, anything?

MR YOUNG: No, thank you, Commissioner.

20 COMMISSIONER: Thank you, Mr Young. Mr d'Arville?

MR D'ARVILLE: No, thank you, Commissioner.

25 COMMISSIONER: And Mr Stoljar?

MR STOLJAR: No, nothing from me. Thank you, Commissioner.

COMMISSIONER: Thank you, Mr Stoljar. Mr Aspinall, anything arising?

30 MR ASPINALL: No, Commissioner.

COMMISSIONER: Mr Brazil, thank you very much for making yourself available at a very early hour in London and so your evidence is now concluded. It is not anticipated that you will be called back to give any further evidence but if that happens, then no doubt solicitors will make contact with you but thank you very much, Mr Brazil.

MR BRAZIL: Thank you.

40 COMMISSIONER: Yes, I will terminate the link to Mr Brazil. Thank you.

<THE WITNESS WITHDREW

[5.18 pm]

45 COMMISSIONER: Yes, Mr Aspinall. Tomorrow?

MR ASPINALL: Commissioner, the next witness is scheduled to be Mr Mitchell at 10 am tomorrow, however - - -

5 COMMISSIONER: Just pardon me. We seem to have lost counsel. No, they're still there. Thank you. Yes.

MR ASPINALL: However, in the course of the day the solicitors assisting the Inquiry have received a communication - - -

10 COMMISSIONER: Just tell me who the next witness is.

MR ASPINALL: Mr Mitchell, who we expected to be at 10 but we've received a communication asking for it to be a bit later, so I assume that communications will occur with regard to that.

15 COMMISSIONER: So are we starting at 10 tomorrow in respect of any other witness?

MR ASPINALL: It would depend whether we could put Mr Demetriou first.

20 COMMISSIONER: All right, then. So arrangements will be made with either Mr Demetriou or Mr Mitchell for timing but it's anticipated that both of those witnesses will be available tomorrow at some stage.

25 MR ASPINALL: Those are the next two witnesses.

30 COMMISSIONER: All right. What I will do in the circumstances then is to adjourn until 10 am tomorrow. Can I say to counsel, thank you very much for the tolerance for the late and longish sitting hours today but it enabled us to get through the evidence that was planned. Anything further from anyone? All right. Then I will adjourn until 10 am tomorrow.

**MATTER ADJOURNED at 5.20 pm UNTIL FRIDAY, 9 OCTOBER 2020**

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