
The Star Gold Coast
Special Manager's Report to the Office of Liquor and Gaming Regulation

14 November 2024

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1 Introduction

This report provides an overview of:

- the background and status of my appointments;
- the status of the remediation of the management and operations of The Star Entertainment Group Limited (**The Star**) and in particular The Star Gold Coast;
- my observations on the current status of The Star's and The Star Gold Coast's casino operations; and
- my advice in relation to the deferred suspension of the licence for The Star Gold Coast casino.

2 Background

In 2022 an external review was conducted into The Star's operations in Queensland, following serious allegations about The Star and investigations by regulators into casino operators in other Australian jurisdictions.

On 9 December 2022 disciplinary action was taken by the then Queensland Attorney-General in response to this external review which included, in respect of the Treasury Brisbane and The Star Gold Coast casinos, my appointment as Special Manager¹ for 12 months and the suspension of those casino licences for 90 days, the commencement of which was deferred until 1 December 2023.

In late 2023, the Special Manager appointments were extended for another 12 months to 8 December 2024 and the licence suspensions were further deferred until 31 May 2024. In May 2024, the licence suspensions were deferred again to 20 December 2024.

In August 2024 the casino licence for Treasury Brisbane was surrendered. My appointment as Special Manager in respect of Treasury Brisbane casino and the deferred suspension of its licence both ceased at that time. In the same month, The Star Brisbane opened under a different casino licence in the Queen's Wharf precinct and I was appointed External Adviser² in respect of The Star Brisbane casino until 31 March 2025.

In October 2022 I was also appointed as Manager of The Star Sydney casino by the NSW Independent Casino Commission (**NICC**). That appointment initially was for 90 days but has been extended such that it is now scheduled to end on 31 March 2025. Before that deadline, the NICC may extend my appointment or take some other action to allow the Sydney casino to continue to operate.

In summary, I am currently appointed as Special Manager of The Star Gold Coast casino until 8 December 2024, External Adviser in respect of The Star Brisbane casino until 31 March 2025, and Manager of The Star Sydney casino until 31 March 2025. The deferred suspension of the casino licence for The Star Gold Coast is also scheduled to commence on 20 December 2024 unless alternative action is taken.

3 Previous reports

On 3 October 2023, in my capacity as Special Manager of Treasury Brisbane and The Star Gold Coast casinos, I submitted a report to the Office of Liquor and Gaming Regulation (**OLGR**). I have prepared

¹ Division 3 of Part 9 of the Casino Control Act 1982 (Qld) contains provisions in relation to the appointment, functions, powers and other matters relevant to a Special Manager.

² Section 91AA of the *Casino Control Act 1982 (Qld)* contains provisions in relation to the appointment, functions, powers and other matters relevant to an External Adviser.

updates to that report on 20 March 2024, 8 April 2024 and 18 April 2024. Each of those documents are available to the public.

The 3 October 2023 report detailed a range of matters including the conduct of my appointments, my advice in relation to a remediation plan submitted by The Star for approval³, and my observations in relation to matters including the deferred suspension of the casino licences and key risks facing The Star's Queensland casinos. In that report I noted my view that if implemented, the remediation plan was likely to achieve the remediation of the management and operations of The Star, but that there were a range of risks facing the implementation of the remediation plan that required monitoring.

The subsequent updates provided information in relation to The Star's delivery of the remediation plan (that was approved in October 2023), and regulatory and other developments since the 3 October 2023 report, which included the commencement of an inquiry initiated by the NICC in relation to The Star Sydney. Those updates provided further advice in relation to the deferred suspensions of the casino licences.

On 18 September 2024 I provided a report in relation to an amended remediation plan submitted by The Star for approval. More information is provided below in relation to The Star's remediation program. In that report I noted my view that the amended remediation plan was a material improvement from the approved remediation plan, but that information gaps and imperfections remained that should be addressed. Those matters are now the subject of a Ministerial Direction issued under section 88 of the *Casino Control Act 1982 (Qld) (the Act)*.

4 Recent developments

4.1 NSW inquiry

The inquiry into The Star Sydney has concluded and the inquiry report was released to the public on 30 August 2024. The NICC has responded by taking disciplinary action in the form of a \$15 million pecuniary penalty and directions under the *Casino Control Act 1992 (NSW)*, as well as proposing new conditions on The Star Sydney's suspended casino licence. A range of requirements in relation to management, governance and other matters have been mandated through the NICC's response to the inquiry.

4.2 Remediation plan

As noted above, a remediation plan was approved for The Star Gold Coast and Treasury Brisbane in October 2023 under the Act. The Star was not able to comply with this remediation plan as required by the Act. In September 2024, following a six-month process, The Star made a submission to amend the remediation plan and to have it also apply to the operator of The Star Brisbane. The amended remediation plan was approved in October 2024 subject to several conditions imposed by OLGR. The Star is addressing to those conditions and is working to execute the amended remediation plan.

4.3 Staff, operating model and organisational structure

There has been a large number of board, executive and senior staff departures and changes in 2024. The Star's executive team remains unstable with several positions vacant or filled on an interim basis. It is likely that there will be further changes with additional senior departures anticipated over the coming months. The Star is also in the midst of making changes to its operating model and organisational structure with the objective of achieving a more decentralised operating model, where individual

³ Section 91AC of the Casino Control Act 1982 (Qld) is relevant to the preparation, approval and implementation of a remediation plan by a casino entity.

properties have greater accountability for their operations. Implementation of the decentralised operating model has commenced but is ongoing.

4.4 Financial matters

The Star's financial situation has deteriorated in recent months. Revenue and earnings have been declining for several years consistent with domestic industry trends. The Star is also facing significant near-term liquidity challenges. The Star has been in discussions with a range of financial, government and other stakeholders in relation to these matters. Some agreements have been reached, however the situation is unresolved and fragile.

One component of The Star's response to its financial position is to implement a range of cost reduction initiatives. This includes a plan to remove approximately \$100 million of annualised costs by a range of measures including reducing employee headcount, primarily within the corporate function, by up to a third. The Star has communicated publicly that work is being undertaken to identify further cost reductions. I anticipate this may include reducing staff headcount in each of The Star's properties.

4.5 Implementation of mandatory carded and cash-limited gambling in Sydney

In August 2024, legislative requirements came into effect in NSW to introduce mandatory carded gambling and cash limits of \$1,000 per day in the Sydney casino. The Star was unable to meet these requirements so negotiated a delayed implementation timetable with NSW regulators, such that full compliance with all legislative obligations is required by August 2025.

5 Deferred suspension of casino licence for The Star Gold Coast

5.1 Key considerations

Unless alternative action is taken the deferred 90-day suspension of the casino licence for The Star Gold Coast will take effect on 20 December 2024, resulting in the casino being required to close. Prior to that date, the term of the Special Manager expires on 8 December 2024. Consideration should be given to both matters. In considering these matters it is relevant to reflect on the progress of The Star Gold Coast and the broader group in implementing essential elements of the reform program.

- *Operational performance and compliance with regulatory obligations, including Internal Control Manuals (ICMs):* The Star Gold Coast has made progress in this area. Uplifted ICMs have been developed and implemented and casino operations are conducted with a greater focus on compliance than was the case at the commencement of my appointment as Special Manager. While that is the case, as evidenced through the recent NSW inquiry, The Star has displayed weaknesses in important areas including its financial crime, customer probity, and safer gambling functions. These weaknesses manifested in material breaches of The Star's regulatory obligations and require rapid and material uplift.
- *Executive capability, including support from The Star's group-level executive:* The Star Gold Coast has evolved its management team. A new Gold Coast CEO with industry experience has been recently appointed but does not yet have regulatory approval so his involvement with the operations of the Gold Coast property has been necessarily limited. While The Star Gold Coast is moving to a more decentralised operating model it continues to rely on The Star's group operations which, in some areas, require material improvement. The Star and The Star Gold Coast need to rapidly address those areas of weakness such that regulators can be confident that The Star Gold Coast is capable of operating compliantly without additional supervision.

- *Governance framework:* Governance at The Star Gold Coast has improved with the establishment of a Gold Coast compliance committee. A property-specific board is also in place, but more work is required to enable these structures to exercise close and direct supervision of the operations of the Gold Coast casino. Following the recent NSW inquiry the NICC has signalled its intention to amend the casino licence for The Star Sydney to mandate changes to its board composition to require the appointment of directors who are independent of The Star's executive and group board. In my view there is merit in considering similar requirements for The Star Gold Coast to enhance the rigour of board oversight at that property.
- *Implementing the approved remediation plan:* The status of The Star's remediation program is outlined above. While The Star has not yet demonstrated the capability to consistently and compliantly deliver the remediation plan, the amended remediation plan was recently approved which should improve the prospects that the program will be successful. Further time is needed to assess The Star's capacity to consistently execute against the remediation plan.
- *Transparent and constructive relationships with regulators:* I have observed staff at The Star Gold Coast engaging in a professional and cooperative manner with me and my team.
- *Positive momentum in and commitment to cultural uplift:* Evidence presented to the recent NSW inquiry established that The Star remained at the early stages of its cultural transformation, and that full cultural transformation will require a further three to five years. Although reform in this area is in its preliminary stages, I have observed a commitment to cultural uplift among staff at The Star Gold Coast.

5.2 Deferred suspension of The Star Gold Coast casino licence

I understand that the Attorney-General and Minister for Justice and Minister for Integrity (the **Attorney-General**) is considering the recommendation she will make to the Governor in Council in relation to the deferred suspension of the casino licence for The Star Gold Coast. In developing that recommendation, I anticipate that the Attorney-General may consider advice and information from a range of sources, including from me in my capacity as Special Manager of The Star Gold Coast.

In my view there are three principal options available with respect to the deferred suspension:

- the suspension could be allowed to take effect;
- the suspension could be rescinded; or
- consideration of the suspension could be deferred to a later date.

On balance, and reflecting on important elements of The Star Gold Coast's reform program summarised above, I consider there is merit in deferring consideration of the suspension until a later date. An extension of this nature will enable a more accurate assessment of The Star's reform progress under the amended remediation plan. In my assessment, an appropriate time to consider the suspension may be around 30 June 2025 by which time The Star Gold Coast will have been delivering the amended remediation plan for approximately nine months. It will also give time for the company to address other matters that have been identified in the NSW inquiry amongst other sources, including in relation to governance, executive capability, regulatory compliance and cultural reform.

5.3 Regulatory oversight

Unless alternative action is taken the term of the Special Manager for The Star Gold Coast is scheduled to end on 8 December 2024.

If the Attorney-General recommends an extension of time to consider the deferred suspension, there may also be merit in extending the term of this role to the same date. This will allow continued monitoring of The Star Gold Coast's operations and reform progress during this period.
