

## Crown Hit by Slot-Machine Tampering Claims After China Turmoil

By **Jason Scott**

October 18, 2017, 9:19 AM GMT+8

*Updated on* October 18, 2017, 1:01 PM GMT+8

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- Former employees claim some Crown slot machines tampered with
  - Independent lawmaker Wilkie calls for parliamentary inquiry
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An Australian lawmaker is demanding parliament and police probe claims that [Crown Resorts Ltd.](https://www.bloomberg.com/quote/CWN:AU) illegally tampered with slot machines, a potential setback for the company controlled by billionaire James Packer just two months after it closed the chapter on its [legal turmoil](https://www.bloomberg.com/news/articles/2017-08-11/crown-closes-china-chapter-as-jailed-staff-are-said-to-be-freed) in China.

The activity at Crown's Melbourne casino, based on allegations by three former Crown employees, indicates "systemic breaches" relating to slot machines, federal lawmaker Andrew Wilkie said in Canberra on Wednesday. Crown denied the allegations, which the gaming regulator in Victoria state said it would "thoroughly investigate."

Crown shares fell as much as 8.1 percent and traded 4.1 percent lower at A\$11.27 at 3:56 p.m. in Sydney. The company's stock has dropped about 2.7 percent this year.

Crown "rejects the allegations" made by Wilkie concerning the manipulation of slot machines and illegal conduct at its resort in Melbourne, according to a company statement Wednesday. The company called on the lawmaker to immediately provide information relating to the allegations to the authorities.

The allegations are the latest setback for Melbourne-based Crown, which is now relying on domestic revenue to boost earnings. Its overseas strategy fell apart in the wake of a crackdown on its Chinese operations that saw some staff convicted in June of illegally promoting gambling. Packer, 50, returned to the company's board this year as it retreats from its international operations and closed most of its Asian offices to focus on profitable casinos in Australia.

## Whistleblower Allegations

A 30-minute recorded video with three whistleblowers was tabled to parliament by Wilkie through PokieLeaks.org, a campaign he helped organize last year with other lawmakers and lobby group Alliance for Gambling Reform. The identities of the three men making the allegations were heavily disguised through image pixelation and voice altering.

“These are very serious allegations,” Wilkie, who has long campaigned against casinos and the gambling industry, told reporters. He said he couldn’t verify the veracity of the allegations but said they were serious enough to be made public. “They could indicate systemic issues in the broader poker-machine industry right around the country.”

The whistleblowers allege that some Crown slot machines, commonly referred to as poker machines in Australia, were adjusted to allow buttons to remain pressed down to continuously generate bets at its Melbourne casino, against Victorian state laws. The testimony also claims that some buttons were disabled to reduce the choice of consumers as to how much they bet, prompting the state’s casino regulator to order fixes.

## Regulator to Investigate

The former employees also claim Crown didn’t act sufficiently against drug use and inebriation, and that not all violent incidents were reported to police. The whistleblowers allege that members of the Victoria regulator knew of problems with Crown’s slot machines but took no disciplinary action except to ask that they be restored to their intended condition.

The Victorian Commission for Gambling and Liquor Regulation (VCGLR) is aware of the allegations made by Wilkie and will investigate the claims, the regulator said in a statement Wednesday. The regulator maintains constant oversight of the casino, it said. “We take any claims of this type extremely seriously,” according to the statement.

Crown operates about 2,600 gaming machines at its resorts in Melbourne, and has approval to operate 2,500 slots in Perth, according to its latest annual report. Crown reported normalized earnings before interest, tax, depreciation and amortization dropped 3.3 percent to A\$828 million (\$650 million) for the year ended June 30.

Overall, slot machines contribute about 40 percent of Crown’s domestic revenue, said Ben Lee, a Macau-based managing partner at Asian gaming consultancy IGamiX.

## ‘Unhappy’ Investors

In June, 19 current and former Crown staff were convicted by a Chinese court of illegally promoting gambling in the country and were handed jail terms of as long as 10 months. They had been detained in a crackdown last October. The last of the employees were released from jail in August.

In the wake of the arrests, Crown sold <https://www.bloomberg.com/news/articles/2017-06-29/crown-s-pain-is-investors-gain-as-china-trauma-spawns-new-era> its stake in Macau casino operator Melco Crown Entertainment Ltd., halted a Las Vegas project and saw its high-roller casino revenue reduced by half.

In Singapore and Macau, home to the world's biggest gaming hub, tampering with electronic gaming machines would result in immediate suspensions, along with huge fines, said IGamiX's Lee.

"The allegations bring further concerns on Crown to investors as they are already unhappy with the impact the China incident had on share prices," said Roy Wheatley, CEO of gambling consultancy Global Consulting & Development Pty. "I would expect the government to launch a full-scale investigation on the casino operator under public pressure."

— *With assistance by Daniela Wei*

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