



📷 This is the story of how an Australian Crown executive was arrested and left in a Shanghai jail.
Picture: iStock

Companies

Inside Crown's China bust and how Australian Jason O'Connor was arrested

Paul Toohey and Michael Sainsbury, News Corp Australia

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WHEN Crown Resorts wants to call in a debt, it doesn't use men with ponytails and baseball bats. They're more likely to turn to someone reasonable and unthreatening, such as their specialist on Asian high-rollers Jason O'Connor, a mild Melbourne man now being held in a bleak Shanghai prison.

O'Connor and 17 other Crown employees were detained in raids in mid-October across four cities in mainland China on suspicion of what Beijing has labelled as unspecified "gambling crimes". Formally arrested more than a month later, 15 Crown staff remain

behind bars without charge as Chinese authorities conduct an investigation.

Crown Resorts, majority owned by James Packer, has said little, fearful of further aggravating Beijing.

But, experts have painted a picture on how they believe Crown was operating in China, and what might have led to the arrest of O'Connor, two Australian-Chinese Crown employees, Jerry Xuan and Pan Dan, and 12 others, so far mostly unnamed, who were either local administration staff or sales executives.



 Jason O'Connor, the Melbourne man who has been detained while working for Crown.
Picture: Supplied


David Green, a former Australian gaming regulator who has advised Macau and Singapore governments, says he believes it most likely that O'Connor was in China to negotiate a debt. "I think he was probably sent there at the request of Crown's credit

committee,” says Green. “He’s there to see someone who has lost and hasn’t paid.”

Macau-based Australian gaming expert Andrew W. Scott, the CEO of industry magazine Inside Asian Gambling, agrees that this is the most likely scenario.

“It’s widely being said he was there to collect a line of credit,” he says. “I don’t know whether it’s true, but it’s what I hear over and over. You don’t send a senior executive unless there’s a real reason for him to be there.”



 The Shanghai City Detention House, where members of staff from Crown Resorts have been detained. Picture: Supplied

“Sometimes you have to ‘give face’.” China, in the midst of a series of wide-ranging crackdowns whose targets include gambling, sent clear warnings it would not tolerate any casino trying to lure gamblers from within its borders.

The arrest of Korean casino operators in 2015 saw other nervous foreign casinos pull

out of mainland China — but not Crown, which continued to entice gamblers to its “resorts” in Melbourne and Perth.

Macau-based Ben Lee, who has worked for Star and Crown in Australia, and now consults to international companies on Asian gambling strategies, asks: “What other hotel groups have that many offices all across China? International companies like Hilton and Hyatt? No. Yet this is one company, Crown, that believed they had insulated themselves with the myth they are marketing a resort. This was the height of folly.”



📷 Consultant Ben Lee has worked for Star and Crown in Australia. Picture: Andrew Tauber

Mr Lee said the job of the China-based sales teams, who work on commission, was to locate high-rollers, or whales, and “invite the player to dinner, or karaoke, and say to them ‘bring some friends’.

“You host dinners and karaoke in each city. You ask ‘would you like to come to

Melbourne?’ It’s very direct,” he said

“You say ‘I can arrange your visa, I can arrange a private jet, depending on how much money you have’.”

Crown’s sales people worked on targets in places such as Beijing’s Capital Club, 50 floors up and with 360-degree views of the city, and just one of many clubs that have sprung up to cater for China’s new rich. China gets angry because wealth held by individuals is viewed as money they have made only because of government connections. With cash bleeding overseas, the authorities’ most obvious target is money moving to offshore casinos.



📷 Capital Mansion in Beijing which houses The Capital Club. Picture: Alamy

China's Operation Chain Break was initially chasing money heading to casinos in the autonomous territory of Macau, but the investigation has widened.

James Packer last year began selling down Crown's interest in Macau and Crown has

been concentrating on bringing Asian money to his Australian casinos, which did not go unnoticed.

To get the full VIP treatment on one of Crown's three Bombardier Global Express XRS jets, a player would need to commit to gambling a minimum of \$500,000 to \$1 million, Lee says.

But because Chinese citizens can take only RMB50,000 (\$9500) out of the country in any one year, casinos need to give them a way to access their money overseas.



📷 Macau is the capital of gambling with many casinos including Crown. Photo: iStock

One way is to take out cash on corporate jets, which is high-risk. Another way is for the sales executive to arrange with a money remitter in China to hold, on behalf of the casino, the gambler's money.

The casino makes the funds available in equivalent local currency once the gambler lands. But this means the gambler has to pay foreign exchange rates.

Another method is for the casino's sales executive to take the gambler's money, hold it in China, issue a receipt, then provide equivalent funds, with no foreign exchange fees, once the gambler arrives.



📷 James Packer, who has been silent since the Crown employees were detained. Picture: Jonathan Ng

However, and here's the rub. Once a player has established himself as a good customer at Crown's Melbourne or Perth casino — which means he's a reliable loser — the casino will offer a line of credit, meaning it takes no cash deposit in China. This is the preferred method, but it's also where Crown's problems are believed to have started.

If the gambler uses up his credit, he goes home on the promise he'll settle his debt.

But what happens if he ignores requests to pay in a country where it is near impossible for foreigners to recover debt through the courts?



📷 Christina O'Connor, wife of jailed businessman Jason O'Connor, in Melbourne. Picture: Stuart McEvoy

A more senior person, such as Crown's VIP International executive vice-president Jason O'Connor, could step in to try to propose a "haircut" arrangement, perhaps settling the debt at 80c in the dollar, or offering to let the gambler return to Melbourne if he can stump up more cash. O'Connor flew to Shanghai on October 16 on one of Crown's - corporate jets.

The authorities were expecting him, likely based on a bad debtor's tip-off, and two days later they swooped.

His world, that of his wife Chris-tina and their two children in Melbourne, as well as the

lives of the other Crown employees and their families, were thrown into turmoil.

As Crown shares slumped, so did its long-term strategy of filling the tables at Barangaroo, Packer's under-construction VIP casino in Sydney, with Chinese high-rollers.



 The O'Connor family (from left to right) Kasey, Christina, Jason and Chloe O'Connor.
Picture: Supplied

Previously, Crown had been content to let Chinese mainland-based “junket operators” take the risk by recruiting gamblers and bring them to Australia in tour groups.

Crown would provide luxury accommodation, a private gambling room and take commission.

But then Crown moved to directly recruit the whales.

“It’s a greed issue about cutting out the middleman,” Mr Scott said.

“The responsibility for this lies with Crown. (It) sanctioned this activity and it was quite reckless.

“I’ve met Jason O’Connor and would not describe him in any malicious way ... He’s just doing what he’s been told to do and look what’s happened to him.”

Wealthy Chinese gamblers are likely to have close connections to the party machine.

If one decided he did not want to pay a debt, all he would need to do is tip off authorities.

It is believed authorities seized Crown computers that are said to hold the names and transaction records of thousands of mainland Chinese gamblers, with more than 100 pulled in for questioning.



📷 An example of a Crown High Roller room where privileged clients go to gamble. Picture:

Crown has given Chinese authorities what one called “a treasure trove”, including the names of those who organised the standard junket trips. Crown, now cut out of China and refusing to respond to questions from News Corp for fear it will further imperil its staff, has no insight into what cases Chinese authorities are formulating against its employees.

Likewise, the Australian government can do little but offer basic consular assistance to the three Australians. A Chinese government source said the Crown arrests reflected its anti-corruption campaign but was also “so Australia will tone down its rhetoric about the South China Sea”.

An alternative view is that China has no malice to Crown and it is simply making good on its broadcast promise to act against all casino operators. DFAT is currently giving - assistance to 81 Australians in detention or jails in mainland China.

Packer has moved to restructure the senior management of Crown since the incident. A source close to Crown said it is working daily to free its employees, while co-operating with Chinese authorities.