

ROYAL COMMISSION INTO THE CASINO OPERATOR AND LICENCE

**Submission as to whether Crown Melbourne (the casino) is a suitable person to continue to hold the casino licence under the Casino Control Act.**

*Important questions needing answers*

- 1 This paper considers the following questions:
  - 1.1 Has, and does, the casino engage in misleading and deceptive conduct when providing different variations of Baccarat and Blackjack that increases the casino's House Edge?
  - 1.2 Has, and does, the casino discriminate against patrons by providing better odds games in the VIP areas, than is available in the public area?
  - 1.3 Should the House Edge, and the actual margin of the game, be displayed on the placard which contains other information about the game, that is on each table?
  - 1.4 Has the incremental changing of the games of Blackjack, Baccarat and Roulette over the past 26 years deceived the public, and the regulators, and lead to an unacceptable increase in profitability to the casino?
  - 1.5 Is the casino entitled to call the variations of Blackjack, Blackjack? (and Baccarat, Baccarat?)
- 2 This paper only considers table games, and not the poker machines.

*Preamble*

- 3 The regulator has approved about 70 table games. Once approved, the casino can provide those games to patrons. Not all of the approved games are provided all the time. The approved games include:
  - eTG Three Card Poker
  - Mississippi Stud
  - Baccarat
  - Big Wheel
  - Blackjack
  - Caribbean Stud
  - Casino War
  - Craps
  - Fully Automated Table Games

- Pai Gow
- Poker
- Pontoon Pandemonium
- Roulette
- Sic Bo
- Three Card Poker
- WSOP Bonus Texas Holdem
- Semi-Automated Table Games

- 4 By approving the games and their rules the regulator must consider, amongst other things, what is in the public interest.
- 5 Significantly, at the start, the casino agreement required the casino to obtain the maximum gross gaming revenue. However, in a subsequent amendment this requirement was removed by the regulator.

### ***Casino House Edge***

- 6 The House Edge is the term used to describe the mathematical advantage the casino has for each bet a patron makes. In reality, the actual margin the casino makes is much higher. In addition, often a patron will play until he or she loses all their money.
- 7 Clearly, all casino games must have a House Edge. To maintain the financial viability of any game there must be a House Edge in favour of the casino.
- 8 The question then arises what is an acceptable House Edge? Another question is whether it is permissible to provide the 'same game' with a higher House Edge to the public in contrast to what is provided to the patrons in the VIP areas? This also applies to the ratio of the table minimum bet to the maximum bet between the public and VIP gaming areas.
- 9 The regulator has source documents that indicate the House Edge for each of the games. Where new games are submitted to the regulator for approval, the House Edge is independently verified by an accredited testing facility appointed under section 3.4.61(c) of the Gambling Regulation Act 2003 (Vic).
- 10 A brief summary of the progressive changes to the games over the past 26 years follows.

### ***Baccarat***

- 11 The casino now offers three variations of the game; Traditional Baccarat, Crown Baccarat and 2 to 1 Baccarat. Initially when the casino first opened, it was just traditional Baccarat.

- 12 In the traditional game of Baccarat (in the VIP Rooms), the dealer pays 95% of a winning Banker bet to the patron. Thereby taking a 5 % commission. This equates to a casino House Edge of 1.35%. This game is not provided in the main public area.
- 13 In the public area version of Baccarat, the dealer pays only 50% of a winning bet when the patron has a win on a Banker total of 6 (except for some tables in the Maple Room). This doubles the House Edge.

### ***Blackjack***

- 14 Initially, when the casino opened 26 years ago, the game of Blackjack was uniform throughout the casino. However, over the years the casino has deceptively changed the rules of the game, especially in the public area, by the implementation of subtle increment regularly over the period by providing many variations of the game which are not clearly apparent to the patron. All of the changes increased the House Edge. For example, the dealer taking an extra card on soft 17, the reduction of the betting range, a standoff if the dealer draws 22, the removal of the ability to double on any two cards, and the use of continuous shuffling machines.
- 15 The Blackjack game provided in the Mahogany Room initially had a House Edge of approximately 0.7%. Significantly, the dealer stands on a soft 17 (Ace & 6). However, progressively, the position of the cutting card has been incrementally changed over the years to increase the House Edge. A black plastic cutting card is placed in the 8 decks of cards after a shuffle by the dealer. When the cutting card is reached, the shoe of cards is then shuffled. Initially the cutting card was placed approximately 5mm from the end of the shoe, this has now been increased to approximately 55mm. This increases the House Edge. The casino deceptively maintains that the game has not changed. Other changes include the pseudo shuffling of the cards mechanically. Arguably this machine could shuffle the cards to ensure an even distribution of high and low cards in a shoe to further increase the House Edge. Initially, all cards in the casino were hand shuffled to ensure a truly random shuffle.
- 16 Actually, the casino does not provide the game of Blackjack, it provides variations of the game of Blackjack. This conduct is misleading and deceptive. A useful analogy is the difference between champagne and sparkling wine, and historically, the inducing effect of the former on patronage of the latter. The games of Blackjack at the casino should not contain the name Blackjack. Blackjack offers the following player decisions: hit, stand, double down, split, and surrender. The casino does not provide this game. Unfortunately, the majority of patrons are not able to differentiate between the casino's many versions of Blackjack from the true game of Blackjack.

### ***Roulette***

- 17 Many changes have been made to Roulette to increase the House Edge. This includes the replacement of the Huxley Wheel with other wheels that have much lower separators between the numbers, the introduction of wheels with double zero,

increasing the speed of the ball spin, reducing the time allowed for the placement of bets, and the removal of the race track. These changes are subtle, and in the result remain hidden, or at least unrealised, by the majority of the public and have been implemented for the sole purpose for deceptively increasing the House Edge, without the patron's knowledge.

### ***Conclusion***

- 18 The above casino practices, over the journey, have been and remain discriminatory, unfair, misleading, deceptive, and unconscionable. All this is in the endless pursuit of unreasonable profit, which is not in the public interest.
- 19 The world knows the game of Blackjack, but the casino provides variations of Blackjack. We contend this does not entitle the casino to call it Blackjack.
- 20 Most patrons are not aware of the variations of the game (and changes to the game) of Blackjack because of the casino's misleading and deceptive conduct. Similarly, the same applies to Baccarat.
- 21 The casino, in accordance with responsible gaming requirements should provide information to a patron about the House Edge, and the actual (real) edge achieved by the casino for each casino game.
- 22 However, the significant detrimental impact upon the fairness of each game, and the increased profitability to the Casino, gradually, and progressively achieved over decades, purposely calculated in its subtlety to deceive the regulators, demonstrates the unconscionable conduct of the casino worthy here of severe sanction.
- 23 It follows that Crown Melbourne is not a suitable 'person' to continue to hold the casino licence under the Casino Control Act.