

# Will ownership questions scupper Crown's casino deal? Don't bet on it.

There are more than a few questions surrounding blacklisted casino magnate Stanley Ho's relationship to Sydney's incoming Crown Casino.

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CROWN CASINO AT SYDNEY'S BARANGAROO PRECINCT (IMAGE: AAP/JEREMY PIPER)

Watching the Crown casino rise from the alienated public foreshore of Sydney's Barangaroo and form into what looks like a monstrous mussel shell shoved point-first into a glass toilet bowl, one can only marvel at this simple eternal truth: in Sydney, Packers get exactly what they want.

In this case, what James Packer desired was that the New South Wales government break its promise that one casino for Sydney would be enough, and that it comply with his unsolicited demand to occupy what might have been open public space on the Darling Harbour edge of the most historically interesting part of Sydney's CBD with an over-sized tower of concrete and high rollers.

The Coalition government said “yes” when James came calling, but only on some very strict conditions. The Labor opposition concurred.

The conditions, we were told, were two-fold: the casino would be for big gamblers only, not another pit of despair for poor addicts bussed in from the outer suburbs; and its ownership and management would be crystal clean. Specifically, Packer’s fellow casino magnate [Stanley Ho](#), the man who built Macau and has been alleged to have close ties to organised crime, would never get near this.

Last week, Packer announced the sale of almost half his stake in Crown Resorts for \$1.76 billion, to Stanley’s son Lawrence Ho. Lawrence owns Melco, which runs casinos in Macau (one of which was for a while a joint venture with Crown). The deal gives Melco 20% of Crown and the new casino, and it has indicated it will be keen for a bigger stake and wants a seat on the Crown board. Lawrence maintains that he and Melco have nothing to do with Stanley.

The immediately obvious question is this: since we were solemnly promised that the one thing that wouldn’t happen was that the new casino would ever be part-owned by Stanley Ho, how is it that the new casino is now going to be part-owned by his son Lawrence, who, [according to the AFR](#), has almost half of his casino empire shareholding tied up in a discretionary trust established by his dad?

Two answers are given: first, the deal is subject to regulatory approval, so it may not go through. And, of course, Lawrence Ho is not necessarily the same man as his father.

The deal with the government was done in 2014, by a document between the Independent Liquor and Gaming Authority (ILGA) and Crown called the VIP Gaming Management Agreement. A redacted form of this document was made public at the time. Interestingly, the version that today sits on the government’s public register is even more heavily redacted, so that is impossible to identify what if any ownership restrictions apply to the Ho family.

However, the earlier, less-redacted version still exists online and it does give some clues. The agreement sets out the terms on which the ILGA gave Crown its gaming licence; critically, the entities and individuals who had been cleared for involvement in the casino’s management and operation. These people are named in the agreement and don’t include a Ho.

The clauses in the agreement dealing with restrictions on acquisitions and share issues by Crown are redacted. We don’t know what they say.

The critical provisions are in schedules one and two of the agreement. Schedule one contains an undertaking by Crown Resorts that it will prevent, among other things, Stanley Ho or a “Stanley Ho Associate” from acquiring any interest in it or power over it.

What is a “Stanley Ho Associate”? It’s defined as “those entities listed” in schedule two, entities “controlled” by Stanley Ho and any other entities the ILGA decides should be considered as associates of him. Schedule two, described in the contents as

“Entities and Individuals Deemed Associates of Stanley Ho”, is three pages long and entirely redacted. We can infer that it contains a long list of people and companies who, by their association with Stanley Ho, are banned from owning a stake in Crown.

We can also infer that, since Crown would know who’s on the banned list, there are one of two possibilities in relation to Lawrence Ho: either he isn’t on the list, or Crown and Packer don’t care. The former is more likely.

Now, that’s OK isn’t it, because any purchaser of a stake in Crown still has to be approved by the ILGA, right? Well, no. The agreement imposes this restriction on the sale of shares in Crown Resorts’ subsidiary companies, including the companies that will hold the gaming licence and own the building, but not on Crown Resorts itself. As to who can be a shareholder in that company, the agreement says nothing at all (unless there’s a restriction in the redacted parts that we’re not allowed to see).

So far as can be worked out on the limited information available to the public, it’s most likely the case that Lawrence Ho and his companies are not associates of his dad Stanley, and it seems that there’s nothing to stop Lawrence from taking up a stake in the ultimate holding company, Crown Resorts. Therefore, we should question the government’s promise that our new Packer-built casino will be free from Stanley Ho’s influence.

I may be wrong; maybe the deal will still fall over a regulatory hurdle. I’d say two things about that: first, Packers don’t fall over regulatory hurdles as a rule. Secondly, the compelling conclusion is that the promises made were a gamble, not a guarantee.

The house always wins, didn’t you know?