

## China's Crackdown on Crown Resorts Shakes Casino Industry

Written by Administrator

Tuesday, 18 October 2016 15:38 -

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Photo



The City of Dreams complex, run by Melco Crown Entertainment in Macau, the only place gambling is still legal in China. The government has taken aim at the industry in the past several years. Credit Xaume Olleros/Bloomberg

BEIJING — They chased after wealthy clients with promises of rides aboard private jets. They boasted of their ability to secure visas on a moment's notice. They catered to the whims of their most valuable customers, even providing chefs who could recreate obscure Chinese dishes.

The China-based employees of Crown Resorts, one of Australia's largest hotel and casino operators, faced a delicate task: building a devoted customer base in a country with a decades-long ban on gambling that has gained renewed focus during the government's recent [anti-corruption campaign](#).

For a while, Crown seemed to find its footing in China.

Like several other major casino operators, it opened an office on the mainland to help with marketing and arranging trips. It sent executives to woo prospective clients and avoided mentioning gambling in much of its advertising. Chinese tourists flocked to Crown's resorts in Australia, and the company made plans for a casino in Sydney aimed largely at Chinese customers.

But now Crown is in crisis.

Over the last few days, Chinese authorities have detained 18 employees — three of them Australian citizens — on suspicion of committing "gambling crimes." Among those being held is Jason O'Connor, who oversees the company's efforts to attract wealthy players.

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The episode is reminiscent of a crackdown on South Korean casino chains last year. Authorities arrested more than a dozen low-level employees accused of luring Chinese tourists with free accommodations and prostitutes.

But the detention of Mr. O'Connor, a high-level executive, is raising fears that the Chinese government is seeking harsh punishments against overseas operators and ratcheting up pressure on the industry.

Under President Xi Jinping, China has led a far-reaching campaign against corruption, and it has sought to restrict gambling severely, especially among Communist Party officials. Gambling has been prohibited since the party came to power in 1949, and it is illegal to directly promote gambling activities in mainland China.

Over the last several years, the government has taken aim at the casino industry in Macau, the semiautonomous former Portuguese colony that is the only place where gambling is still legal in China. In the mainland, the authorities routinely target underground casinos and illegal lottery operations.

Now the campaign appears to have shifted to casinos outside China's borders, a potential concern for the gambling industry in countries like the Philippines and South Korea, which have grown dependent on wealthy Chinese clients.

"In the past, it was rare for foreigners to be ensnared in such crackdowns," said Xu Yaotong, a professor at the Chinese Academy of Governance, an institution that trains Communist Party officials. "China is treating its own citizens and foreign citizens the same. If foreigners break laws in China, we can't just do nothing and let them go."

The Chinese government has not provided details about the accusations involving Crown. But it appears that an inquiry is focused on Crown's efforts to encourage Chinese businessmen to visit its casinos in Australia.

The crackdown has prompted unease in Australia, where fears about the nation's economic [de](#)

[pendence on China are growing](#)

“No Australian business is ever really secure in China,” said an opinion article in The Australian newspaper.

Photo



James Packer, an Australian billionaire who is a major shareholder of Crown, said in a statement on Tuesday that he was “deeply concerned for the welfare” of the 18 detained employees. Credit Ted Aljibe/Agence France-Presse — Getty Images

Prime Minister Malcolm Turnbull said he was concerned by the incident.

“When Australians get into trouble overseas, we always provide consular support, and that is precisely what is happening there now,” he said on a radio program on Tuesday.

The Australian foreign affairs minister said that officials had been permitted to meet with two of the detained Australian employees of Crown and that they were seeking to meet with a third.

Despite the Chinese restrictions on gambling, casino operators have long used creative methods to attract clients. Ads often focus on private villas and high-end dining, while forgoing mentions of invitation-only gambling rooms and high-stakes games of baccarat and roulette.

In private meetings with clients, Crown offered perks like free accommodations and lines of credit. At Crown and other companies, senior executives also commonly made trips to China, often at the demand of wealthy clients.

Sudhir Kale, a professor at Bond University who has consulted for Crown, said high-spending Chinese customers expect visits from top-ranking officials, not just their Chinese representatives. “They want to see someone who has an important title,” he said. “That has a

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greater impact, and it boosts their ego.”

Mr. Kale said that the vast majority of the 200 top players at Crown's casino in Melbourne are now from mainland China. Crown's revenue totaled \$2.8 billion in the fiscal year that ended in June, according to company filings. Nearly a third of the money came from its V.I.P. program, which is largely driven by mainland Chinese clients.

As details of the crackdown surfaced on Monday, shares of Crown sank, though they recovered somewhat on Tuesday. Compared with its rivals like The Star casino in Sydney, Crown has a greater exposure to China and the lucrative V.I.P. market.

James Packer, an Australian billionaire who is a major shareholder of Crown, said in a statement on Tuesday that he was “deeply concerned for the welfare” of the detained employees.

Relatives of the employees said they were frustrated by the Chinese government's lack of transparency in handling the case. The Chinese foreign affairs ministry confirmed on Monday that Australian citizens had been detained by police in Shanghai but provided no other details.

Jeff Sikkema, who works at a logistics company in Shanghai, said his wife, Jiang Ling, was one of the Crown employees detained on Friday. Ms. Jiang is an administrative manager at Crown's Shanghai office who helps arrange visas for clients.

Mr. Sikkema said a group of six police officers arrived at the couple's home early Friday and questioned Ms. Jiang for three hours about her work at Crown. Ms. Jiang, who is in her mid-30s, was then taken to a police station.

“If she worked for the Medellín Cartel, it might be understandable, but she works for Crown, a legitimate business,” he said. “She has done nothing wrong, committed no criminal act and is now being held incommunicado in a holding cell.”

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Mr. Sikkema said he had not been allowed to speak with his wife since her detention. The only information he received has been through his lawyer. He last heard that his wife had been crying while in detention.

"I am livid and powerless," he said.

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