



**Royal Commission
into the Casino Operator and Licence**

In the hearing of the Commission on 7 June 2021, Mark Cameron Mackay informed the Commission that he wished to make the following corrections to his statement dated 5 May 2021:

Transcript of Proceedings – 7 June 2021 (COM.0004.0018.0129)	Corrections to Statement of Mark Mackay dated 5 May 2021 (CRW.998.001.0287)
P-1600, lines 10 to 12.	Page 6, paragraph 18: Replace “Over 2,300 registered organisations” with “2,100 organisations”
P-1600, lines 14 to 26.	Page 9, paragraph 25: Replace “3.2.2(1)” with “3.2.3(1)”. Replace “62AB(2) or 62AC(2)” with “62AB(4), 62AC(2) or “81.AAB(2)”.

Following the hearing of the Commission on 7 June 2021, Mark Mackay also provided a letter to respond to certain matters requested by Counsel Assisting at that hearing. This letter was tendered as an exhibit at the hearing of the Commission on 21 June 2021:

Transcript of Proceedings – 21 June 2021 (COM.0004.0023.0125)	Corrections to Statement of Mark Mackay dated 5 May 2021 (CRW.998.001.0287)
P-2117, line 23 to P-2118, line 11.	Mark Mackay’s letter dated 11 June 2021 (CRW.512.131.0329) was tendered as part of his statement or part of the record (Exhibit #RC0200).

Royal Commission into the Casino Operator and Licence**STATEMENT OF MARK MACKAY**

Name: Mark Mackay
Address: Crown Towers, Level 3, 8 Whiteman Street, SOUTHBANK VIC 3006
Occupation: Executive General Manager, Gaming Machines, Crown Melbourne
Date: 5 May 2021

1. I make this statement in response to the Royal Commission's Request for Statement with reference RFS-Crown-011.
2. I have held the position of Executive General Manager Gaming Machines since July 2017. Prior to this, I was with the Star Entertainment Group in various gaming roles since April 2006. My last role with the Star Entertainment Group was Chief Operating Officer of Star Gold Coast (formerly Jupiters Hotel and Casino). My qualifications include being a member of the Institute of Chartered Accountants ANZ and a Bachelor of Commerce.

6. In the last five years, how has Crown Melbourne encouraged, enticed or marketed to people to attend the Casino to gamble? In addressing this question, please specify all methods of reaching potential customers, from advertising campaigns to the general public, to programs which might include enticements to individuals.

7. In your answer provide details of:

(b) the enticements, benefits, and/or other perks (including travel and accommodation) offered or provided by Crown Melbourne, and their cost.

8. In your answer set out how Crown Melbourne has encouraged the following categories of persons to gamble at the Casino:

(a) residents of Australia, other than VIPs;

(b) residents of other countries, other than VIPs;

(c) loyalty program members broken down by categories or tiers of membership;

(d) VIPs;

(e) Affected Persons.
3. For the purpose of responding to this statement I will be answering question 6, 7 (b) and 8 with regard to how Crown Melbourne encouraged, enticed or marketed to people to attend

the Casino to gamble with the knowledge of the Gaming Machines business unit and knowledge from material I have read and enquires I have made of employees in the Crown Resorts group. In regard to marketing to people to attend the Casino to gamble for Marketing Promotions, Marketing Events and Marketing communications including the Crown Loyalty program I believe Nic Emery, Chief Marketing Officer will be answering these questions for the Commission.

4. In my position of Executive General Manager Gaming Machines I have responsibility for the operations of the Gaming Machine business unit, which includes the operational management of the business unit; the operational management of the Crown Rewards Loyalty program; the operations of the premium gaming rooms including Riverside Room, Teak Room; the Black and Platinum Salons located within the Mahogany Room; and shared oversight of the Sales and Host teams for Domestic, International (Gaming Machines) and VIP Victorian local business. Tim Barnett Executive General Manager Table Games has a similar portfolio of responsibility for the Table Games Business unit with operational management of the Table Games operations; Mahogany Room and shared oversight of the Sales and Hosts teams for Domestic and VIP Victorian Local business.
5. The Table Games and Gaming Machine business units market to people to attend the Casino to gamble in a number of categories:
 - (a) Members of the Crown Rewards Loyalty program that have attained Platinum Tier or Black Tier and have a VIP personal Host assigned to them.
 - (b) Customers who are VIPs as defined by the Commission's RFS-Crown-011 which I understand to mean Rebate players and Standard program players, and
 - (c) Other Marketing programs.

Members of the Crown Rewards Loyalty program that have attained Platinum Tier or Black Tier and have a VIP personal Host assigned to them.

6. For members of the Crown Rewards Loyalty program who are Platinum and Black Tier, the Gaming business units market to these customers through the Executive and Service hosts teams. Host positions manage a portfolio of patrons being either Black or Platinum Tiers and who reside within Victoria. Within the Host's role, patrons are offered benefits in person, by phone, by text, by email and utilising social media apps like Whatsapp. Benefits offered may include:
 - VIP Tickets to events outside the Marketing calendar of events;
 - Golf at Crown Capital and other golf courses;
 - Invitations to dinners and entertainment at Crown and offsite;
 - Opportunities to meet sporting personalities, entertainment personalities and attend cultural celebrations ie. Christmas and Lunar New Year;

- Additional complimentary Hotel rooms over and above the Crown Rewards loyalty benefits;
 - Ground transfers – To and from the property;
 - Lucky Money/Gaming Chip Voucher – Table Games vouchers for exchange as gaming chips;
 - Pokie Points are Pokie Credits, which are a dollar equivalent amount added to the customers Crown Rewards account for use on property. Pokie Points can be used on property for spend on retail, hotel, F&B and on gaming machines; and
 - Gifts for special occasions. Examples include Birthday or cultural celebrations, for example Christmas and Lunar New Year.
7. These benefits are offered at the discretion of the Executive/Service hosts relative to the unique patrons gaming spend and directly attributable costs. Executive and Service Hosts have an allocated spend per month for hosting dinners which is reported on monthly.
8. Other benefits offered to a select group of top Black Tier patrons include the Black Tier Incentive program for Table Games and Black Recognition program for Gaming Machines.

Black Tier Incentive Program (Table Games)

9. Table Games had an incentive program whereby a VIP Black Tier patron would receive points as an agreed percentage on turnover as a benefit. The program was designed to counter competitor offers from interstate casinos where the patron would normally be playing on a VIP program and be rewarded with commission and complimentary spend. To my knowledge, the incentives were offered to local VIP patrons from January 2014 and was available to 15 patrons over the course of the program. At its conclusion in February 2021 there were 4 active patrons. There is a proposed new incentive program (Black Tier Rewards Plus) that is being reviewed and may be implemented once all key stakeholders including Responsible Gaming, Compliance and Financial Crime teams approve the program.
- For the period 1 July 2015 to 28 February 2021, total incentives paid out as bonus points were \$10.2m

Black Tier recognition program (Gaming Machines).

10. Gaming Machines has an incentive program whereby selected Black Tier patrons receive a set amount of Pokie Points based on their status credits earned through the Crown Rewards Loyalty program. The program was designed to counter competitor offers from interstate casinos where the patron would normally be playing on a VIP program and be rewarded with commission and complimentary spend. The Black Tier Recognition program has been in operation since 2018 and as at March 2021, there are 41 patrons participating in the program. Preceding the Black Tier recognition program, select Black Tier local customers

were given an agreed Pokie points amount each week or month based on the Points earned in the prior week or month. This was replaced with the Black Tier Recognition program to ensure the program was transparent, had defined structure, and rewarded customers for whole of property status credits earned.

- Black tier recognition program is not reported separately in the profit and loss statement and is accounted for under Loyalty – Pokie Credits in the marketing expense account line.

Gaming Machines Loyalty - Pokie Credits \$m	F16	F17	F18	F19	F20	Note
Loyalty - Pokie Credits	\$48.7	\$54.9	\$54.7	\$50.5	\$37.7	1

Note:

1. Crown Rewards points redeemed for gaming machines credits or non-gaming items on property

11. Discretionary costs for the local VIP Executive/Service Hosts are included in the non-program complimentary marketing expenses within the Gaming Machines and Table Games business units. The costs are not itemised separately from overall marketing expenses in the Profit and loss statements.

Non-Program Comp Costs \$m	F16	F17	F18	F19	F20	5 Years
Gaming Machines Local VIP	\$6.4	\$4.3	\$5.8	\$3.3	\$2.1	\$21.9
Table Games Local VIP	\$9.0	\$10.0	\$9.8	\$11.5	\$8.9	\$49.3
Total Non-program costs	\$15.5	\$14.3	\$15.6	\$14.8	\$11.1	\$71.2

Note: Non-Program Costs include:

Discretionary complimentary items including hotel nights, F&B, parking, transport, event tickets, golf

Customers who are VIPs as defined by the Commission's RFS-Crown-011 which I understand to mean Rebate players and Standard program players.

12. Table Games and Gaming Machines business units also market to customers through the Domestic Sales team host model. These customers are domestic and regional Victorian VIP customers who are on a gaming program and receive commission (also referred to as rebates) or are participating in a Standard complimentary program, which does not pay commission but does provide patrons the opportunity to earn complimentary benefits at a higher rate than the Crown Rewards Loyalty program. For the Gaming Machines Business unit these customers may also include international customers on programs.
13. The Domestic/International Sales team manage a portfolio of patrons being either VIP interstate/international Black, Platinum or Gold Tiers (under the Crown Rewards Loyalty program) or Program players. The sales team offer patrons either in person, by phone, by text, by email and by utilising social media apps like Whatsapp:
 - VIP Tickets to events outside the Marketing calendar of events;
 - Golf at Crown Capital and other golf courses;
 - Invitations to dinners and entertainment at Crown and offsite;

- Opportunities to meet sporting personalities, entertainment personalities and cultural celebrations ie. Christmas and Lunar New Year;
- Accommodation and Airfares;
- Ground transfers to and from the property;
- Lucky Money/ Gaming Chip Voucher – vouchers exchanged for chips at the cage;
- Pokie Points are Pokie Credits, which are a dollar equivalent amount added to the customers Crown Rewards account for use on property. Pokie Points can be used on property for spend on retail, hotel, F&B and on gaming machines; and
- Buy-in incentives and/or Turnover incentives – Incentives applied to customers' accounts on Buy-in or settlement of a Gaming program. Buy-in incentives are an agreed percentage once a customer buys-in on a program. An example of a Buy-in on a \$50k gaming program would receive an incentive of \$5,000 in Pokie Points or cash. Turnover incentives are an agreed percentage paid on the agreed turnover values of a gaming program. An example is for \$1m in T/O a \$10,000 incentive is paid as Pokie points or cash.

14. Costs for the VIP gaming program business are recorded under three categories as per the below table.

Gaming Machines VIP Program costs by FY \$m	F15	F17	F18	F19	F20	Note
Commission	\$3.3	\$4.7	\$5.2	\$5.1	\$5.0	1
Program Complimentary	\$5.3	\$5.8	\$6.6	\$7.3	\$5.5	2
Non-Program Complimentary	\$1.4	\$3.4	\$4.1	\$7.9	\$7.1	3
Total VIP Program costs	\$9.9	\$13.9	\$15.9	\$20.3	\$17.7	

Note:

1. Rebate earned on International and Domestic Gaming Machines Program Play
2. Complimentary spend earned on International and Domestic Gaming Machines Program Play
3. Discretionary complimentary items including hotel nights, F&B, parking, transport, event tickets, golf

Table Games VIP costs by FY \$m	F16	F17	F18	F19	F20	Note
Commission	\$13.3	\$20.4	\$28.6	\$23.5	\$8.9	1
Program Complimentary	\$12.0	\$15.2	\$14.6	\$13.4	\$9.6	2
Non-Program Complimentary	\$2.9	\$3.3	\$3.1	\$3.9	\$2.1	3
Total VIP Costs	\$28.2	\$38.9	\$46.4	\$40.8	\$20.6	

Note:

1. Rebate earned on Domestic Table Games Program Play
2. Complimentary spend earned on Domestic Table Games Program Play
3. Discretionary complimentary items including hotel nights, F&B, parking, transport, event tickets, golf

15. The payroll costs associated with the Executive/Service Hosts teams across domestic, local and Gaming Machines International markets are:

Executive/Service Hosts Payroll	FY20		FY19		FY18		FY17		FY16	
	Payroll \$m	FTE (1)	Payroll \$m	FTE	Payroll \$m	FTE	Payroll \$m	FTE	Payroll \$m	FTE
Gaming Machines	\$2.4	28	\$2.4	25	\$2.2	25	\$2.5	29	\$2.6	21
Table Games	\$2.6	31	\$2.6	28	\$2.2	26	\$2.4	23	\$2.8	22
Total Payroll	\$4.9	60	\$5.0	53	\$4.4	51	\$4.9	52	\$5.4	43

Note

(1) FTE: Full time equivalent

Other Marketing programs

16. There are programs that are used to market to customers who may or may not be Crown Rewards customers. These include "Learn to Play" sessions; Red Carpet Program; Referral Programs and Hotel Check-in Table Games Vouchers.
17. Learn to Play sessions are used to introduce table games to customers who have not played a live table. These could be both members and non-members of the loyalty program. The Learn to Play sessions are conducted on the main gaming floor of the Casino introducing the games of Roulette, Blackjack and Baccarat. This allows customers a more tailored and hosted introduction to table games. At the completion of a Learn to Play session, players are offered a reduced Table minimum on a live table for a 30-minute play period on a specific table. Learn to Play session costs were not accounted for separately to the overall cost of Table Games business unit. Learn to Play sessions were last offered in November 2019. Approximately 21,000 Learn to Play sessions were recorded between June 2016 and November 2019.
18. The Red Carpet program, was offered to community groups via a rebate for travel (Bus or own transport) and a discounted lunch /dinner at Kitchen Workshop buffet when they organised a trip to Crown Melbourne for their members. These groups were required to be registered organisations with an ABN or a tax-exempt organisation with an exemption form. Over 2,300 registered organisations had participated in the program until it ceased on March 2020 in line with the Casino closure due to COVID. The organisers from the participating registered organisations were invited to participate in promotions for the Red Carpet program. Crown Melbourne also sent direct mail and electronic direct mail promotions to Red Carpet participants. In 2018 a Red Carpet sales manager was employed to visit registered organisations to promote the program. The participants did not have to be Crown Rewards members to be involved in the Red Carpet Program. The Red Carpet program has not been reinstated at this time.

Red Carpet Program costs \$m	F16	F17	F18	F19	F20	5 Years
Bus Program	\$0.7	\$0.8	\$0.7	\$0.8	\$0.6	\$3.6

19. Referral programs have been utilised in both gaming business units where a customer can refer a new customer or lapsed customer (being a customer who has not played at Crown Melbourne for a minimum of 12 months prior) and receive a referral fee based on the turnover of the referred customer for a 12-month period paid monthly. The referral rate for program play is 0.1% of Customer Turnover with a minimum buy-in of \$10,000 or for non-program play \$500 one off payment and for turnover in a 12-month period greater than \$1.25m, 0.1% of customer turnover for the remainder of the 12-month period.

Referral Payments				
Year	GM	TG (Local)	TG (Dom)	Total
FY20	\$1,538	\$6,206	\$454,163	\$461,907
FY19	\$174	\$0	\$0	\$174
FY18	\$0	\$1,282	\$0	\$1,282
FY17	\$0	\$0	\$0	\$0
FY16	\$0	\$0	\$0	\$0
	\$1,712	\$7,488	\$454,163	\$463,364

20. Hotel Check-in Table Play vouchers have also been utilised in the past for Hotel guests to receive a complimentary Table Play voucher to be redeemed on the Casino floor. These vouchers were provided on check-in to the hotel. The vouchers were usually of a \$10 value, however for the period February 2016 to August 2016 they were \$25 in value. Since July 2015 approximately 130,000 vouchers have been redeemed by customers. The Hotel Table Play vouchers ceased in March 2020 on the Casino's closure due to COVID and has not resumed to date. Customers did not have to be Crown Rewards Members to participate. This was offered to all customers, over 18 years of age, on check-in so therefore could have been International/ Interstate or Victorians. The costs are not recorded separately and form part of the Non-program complimentary cost account in the profit and loss.
21. In regard to answering question 8 (e) affected persons and marketing to customers who are on the Crown Melbourne responsible gaming register, it is important to note that marketing to customers is managed by the customer agreeing to accept marketing communication from Crown, within the Crown Rewards Loyalty program. If a customer has declined to receive communication within the sign up process, or later, Crown Melbourne will use best endeavours to ensure no direct communication is made to these customers. This is managed through a "no mail" setting being applied to the customers' account in the system. Gaming Machines customers who have not received their player activity statement within a 365 day period will also be removed from communications until they have received their player activity statement and the account is updated to reflect this.
22. Stop codes may also be placed on a customer's account due to behavioural or responsible gaming concerns. These stop codes can include, welfare withdrawal of license (WOL), Self-Exclusion and Exclusions. If the customer is offered a Self-Exclusion but declines then a Time Out may be offered, which may include Tier lockouts and Premium Room lockouts. If a Time Out is applied, the customers' account is flagged for "no mail" for marketing communications and the customer is added to the 'Neoface' facial recognition software to alert Responsible Gaming if the customer comes on site during a specified Time Out. Tier lockouts and Premium Room lockouts are used to ensure the customer is not upgraded in Tier status within the Crown Rewards loyalty program. Tier lockouts and Premium Room lockouts are flags applied to the customers' account.
23. When a customer has an RG stop code due to being Self-Excluded, Excluded or had a welfare WOL issued, then Crown Melbourne uses best endeavours to cease all communication with these customers. Customer interactions about responsible gaming are recorded on the Crown Melbourne Responsible Gaming Register. These interactions include

low-level observations, general customer conversations on wellbeing or play period discussions, along with high level concerns where stop codes or Time Outs are applied. Customers may have interactions recorded on the Crown Melbourne Responsible Gaming Register and still be actively communicated to via the Gaming business units Executive/Service Hosts team as the Register includes all interactions with customers from an responsible gaming perspective. These interactions may not be deemed of a high enough concern by the Responsible Gaming team to place a stop code or other restrictions on the customer's account. A number of proactive responsible gaming measures can be discussed with the customer to assist them in managing their gambling prior to self-exclusion being offered or a welfare WOL being applied. These measures, for example, may include removing the customer from marketing communications, reminding the customer of the "YourPlay" pre-commitment or "PlaySafe" pre-commitment system and Tier and Premium Room lockouts. Gaming play, visitation and interactions with the customer continue to be monitored and reviewed by the operations teams and Responsible Gaming team and if the concern increases, the customer maybe issued a WOL or Exclusion, following discussions with the customer. Once a stop code has been applied to an account, Crown Melbourne uses best endeavours to cease all marketing and contact with the customer. The customer is also notified of the change and as to the reasons why.

39. Explain the difference between electronic gaming machines (EGM) that operate in restricted and unrestricted mode. What, if any, requirements are imposed on Casino patrons who wish to use an EGM that operates in unrestricted mode? In each of the last three calendar or financial years, what was the average revenue of each EGM that operated in restricted mode at the Casino? In each of the last three calendar or financial years, what was the average revenue of each EGM that operated in unrestricted mode at the Casino? What is the fixed rate of return to players on EGMs at the Casino that operate in unrestricted mode? What is the fixed rate of return to players on EGMs at the Casino that operate in restricted mode?

24. A gaming machine operating in restricted mode at Crown Melbourne has the following restrictions:
- (a) Must not allow the machine to accept banknotes with a denomination greater than \$50
 - (b) Must not allow the machine to be played in autoplay (Autoplay is where the play button on the gaming machine can be held down and the game will play automatically with no need to repeatedly depress the button. This does not change the spin rate on the game.)
 - (c) Must not allow a bet greater than \$10
 - (d) Must not allow a game to be played on the machine if the spin rate of the game is less than 2.14 seconds. (The spin rate on a gaming machine is the speed at which the gaming reels spin for each game).

25. Crown received a ministerial direction under section 3.2.2(1) of the Gambling Regulation Act to operate up to 1,000 gaming machines in unrestricted mode at any point in time. These machines must be located in a Specified Area by notice under section 62AB(2) or 62AC(2) of the Casino Control act.
26. An unrestricted machine may operate in a mode where the spin rate, autoplay, bet limit and note acceptors are unrestricted or if the unrestricted mode is not activated by the required controls, the machine will operate in restricted mode.
27. In order for a patron to access unrestricted mode on a gaming machine, the patron must have a playing card (Crown Rewards membership card) and have a time and/or spend limit activated on their playing card through the YourPlay system and the patron has not exceeded the time limit or spend limit for that gaming day.
- Three full calendar years 2017, 2018, 2019 and COVID years 2020, 2021 YTD have been supplied for the average revenue of each EGM operating under restricted mode or unrestricted mode. The COVID years only reference the non-closure periods and only the operating machines under relevant health restrictions. A gaming machine can be changed from restricted to unrestricted and vice versa during a calendar year. This may be completed for a number of reasons including casino expansion, new product or machine moves.

Restricted Machines	2017	2018	2019	2020	2021
Average Revenue	\$107,414	\$108,851	\$113,905	\$38,539	\$40,084
Average Win/Machine/Day	\$294	\$298	\$312	\$321	\$413

- For unrestricted machines the average revenue for the years supplied will include revenue on unrestricted machines that were operating in restricted mode as the patron playing had not met the requirements to access unrestricted mode being a valid patron card with time and spend limits set but not exceeded for that gaming day. The gaming system does not differentiate between unrestricted play and restricted play revenue. For the benefit of putting these figures in context, most unrestricted machines are located in VIP premium gaming rooms and are played by VIP customers.

Unrestricted Machines	2017	2018	2019	2020	2021
Average Revenue	\$269,467	\$272,549	\$284,891	\$85,370	\$78,326
Average Win/Machine/Day	\$738	\$747	\$781	\$711	\$807

- Fixed rate of return for Gaming Machines restricted and unrestricted – All gaming machines approved by the VCGLR for operation at Crown Melbourne must have a theoretical/ estimated statistical expectation that the minimum return to player (RTP) be greater than or equal to 87% RTP. This is as per national standards and the Casino Control Act.

- (a) Machines operating in unrestricted mode had a RTP range of 87% and 93.93% as at 11th April 2021.
- (b) Machines operating in restricted mode had a RTP range of 87% and 93.50% as at 11th April 2021.
- (c) The RTP variation for the game is selected on a number of factors including location, jackpot, game type, manufacturer and denomination selected.

Signed:



Date:

5 May 2021