

Crown Melbourne

Gaming Machines
Food Program Initiative

October 2011



Objective



Change *Gaming Machines Food Program* to be controlled by the *Linked Jackpot Equipment* to reduce costs and increase profit/margin.

Quote



**“If anyone in this country doesn’t try to minimise
their tax they want their heads read”**

Kerry Packer 1991 – House of Representatives Select Committee

Background



- Gaming Machine Jackpots and Bonuses are issued as part of the linked jackpot environment
- Gaming Machine Jackpots and Bonuses are a deduction from Revenue prior to applying the legislative tax rate
- Linked Jackpot Equipment is tested and approved by the VCGR and audited at regular intervals
- Crown currently issues to patrons and claims at as tax deduction approx \$50M in bonusing and jackpots on an annualised basis
- As a percentage of hold it accounts for approx 2.6%

Current Jackpots and Bonuses



Extra Credits



Welcome Back



Mailed Credits



Consolation Prizes



Jackpot Start-outs



Jackpot Increment



Gaming Food Program



- Gaming Loyalty Food Program has been in operation @ Crown in many forms for over 10 years
- The objective of the program is to drive loyalty and ultimately visits and/or spend per visit
- The program continues to be successful and highly valued by our Signature Club members
- Annual Spend on the Gaming Dining Rewards for Gaming Machines is approx \$10M.

Current Gaming Food Program Structure



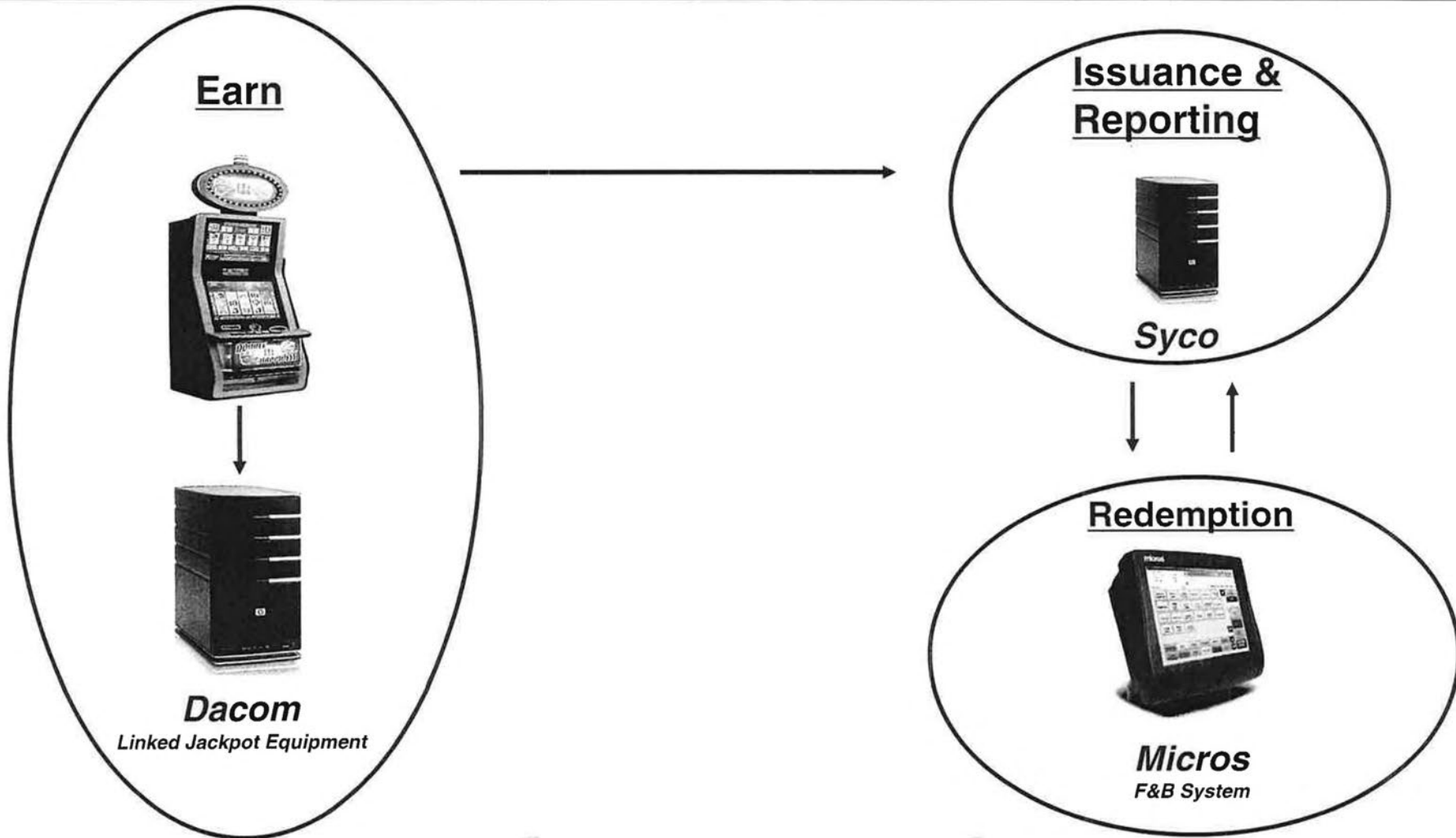
- Gaming Machines
 - Seniors Special
 - Earn 100 on GM's and receive \$5 Meal or Discount
 - Meal
 - Earn 150 on GM's and receive \$7.50 Meal or Discount
- Gaming Machines and Table Games
 - Grande Meal (Bronze / Silver / Gold)
 - Earn 650 points on GM's or 650 points on TG and receive \$17.50 Meal or Discount
 - Daily Dine (Platinum / Black)
 - Platinum
 - earn 500 points on GM's or 500 points on TG and receive \$17.50 Meal or Discount
 - Black
 - earn 500 points on GM's or 500 points on TG and receive \$50.00 Meal or Discount

Proposal

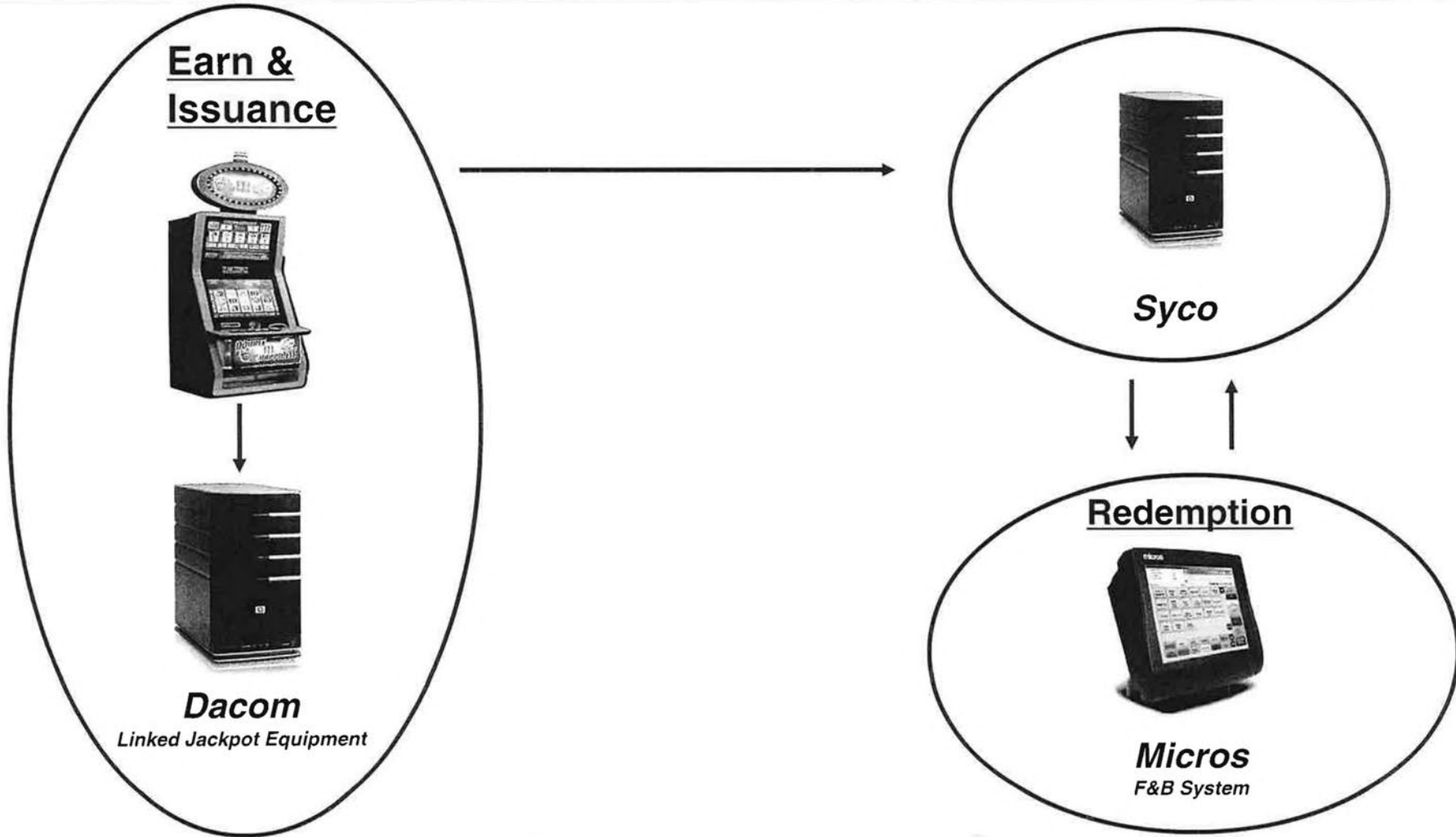


- Transfer the Issuance control of the Gaming Machine Food Program from Syco to Dacom
- Classify the Gaming Machines Food Program to be a Bonus/Jackpot as per Welcome Back (earn X receive Y) *Handwritten: Bonus/Jackpot*
- Allow the Gaming Machine Food Program Costs to be a Gaming Machine Tax Deduction
- Reduce:
 - Gaming Machines Total Revenue
 - Reduce Marketing Costs
 - Reduce Tax
- Increase:
 - Gaming Machines Profit
 - Gaming Machines Margin

Current Technical Structure



Proposed Technical Structure



Financials



Modelling of Snacks & Daily Dine cost in GM Revenue

	F12	F13	F14	F15	F16	
	as @ 19.09.11					
Turnover	5,238,717	5,565,170	5,871,254	6,194,173	6,534,853	25% of F12 costs taken based on Q4 implementation assumption
Win %	8.72%	8.72%	8.72%	8.72%	8.72%	
New Win %	8.71%	8.56%	8.58%	8.60%	8.62%	
WPM	\$501.27	\$531.76	\$561.01	\$591.86	\$622.71	
New WPM	\$498.56	\$521.98	\$552.20	\$583.94	\$615.60	
Other Gaming Revenue	2,511	2,275	2,275	2,275	2,275	
GM Revenue	458,663	485,231	511,919	540,075	569,779	
Snack program	-1,975	-7,111	-6,400	-5,760	-5,184	Cost is 90% of previous years cost as per the 5 year plan workings
Black Daily Dine	-193	-694	-625	-562	-506	
Platinum Daily Dine	-311	-1,120	-1,008	-907	-816	
Total GM Revenue	458,696	478,581	506,161	535,120	565,547	
Tax rate	27.41%	29.13%	30.85%	32.57%	32.57%	
Tax	139,162	146,269	166,244	186,076	198,001	
Snack program tax saving	-541	-2,072	-1,974	-1,876	-1,688	
Black Daily Dine tax saving	-53	-202	-193	-183	-165	
Platinum Daily Dine tax saving	-85	-326	-311	-295	-266	
Costs	74,459	63,805	61,512	59,552	57,895	
GM Contribution	245,755	271,108	280,884	291,847	311,770	
Original Contribution	246,367	268,508	278,406	289,492	309,651	
Variance	-612	2,600	2,478	2,355	2,119	Saving of \$680k v latest contribution forecast of \$245,075m
Growth Rate T/O	4.77%	6.23%	5.50%	5.50%	5.50%	
Contribution Margin	53.58%	56.65%	55.49%	54.54%	55.13%	
Contribution Growth %	3.51%	10.32%	3.61%	3.90%	6.83%	

Risks



- Legal / Compliance Approval
- VCGR / Treasury Questions on Tax Deductable Items
 - Focus on Bonusing and Jackpots

Next Steps / Timeline



- Present to Finance, Legal and Compliance
- Approval to Proceed
- Create Technical Specification
- Develop / Test and Approval of System Changes
- Target – Q4 F12 Implementation

Other Possible GM Opportunities



Annual Costs:

• Hotels (Internal and Loyalty)	\$3.5M
• Parking	\$1.8M
• Valet	\$800K
• Comp Bev	\$8M
Total	\$14.1
@ 27.2% (FY12 Tax Rate)	\$3.83M

