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# **Margin Improvement Programme Monthly Progress Report**

Wednesday 24<sup>th</sup> October 2012  
11:00am Chairman's Office



## Outline

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### **Status Report and Program Update**

#### **Crown Melbourne**

- Progress to 30 September 2012 –MIP targets and major projects
- Completed projects September

#### **Crown Perth**

- Completed Projects
- Projects in Progress
- Under Consideration / Formative
  
- Review of Crown Melbourne Initiatives
  
- Costs review meeting



## Outline

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### Status Report and Program Update

#### Crown Melbourne

- Progress to September 30<sup>th</sup> 2012



## F13 Crown Melbourne Margin Improvement Targets

Margin Improvement Program initiatives with cost savings of \$32 million are being implemented

	In \$'000	Annualised Improvement (Total Project) \$'000	F13 Contribution Improvement (\$'000)	F13 YTD Implemented Improvement	F13 YTD Implemented & In Progress Annualised Improvement	
Marketing	Reduced Complimentary and Loyalty Programs	\$18,273	\$14,042	\$1,710	\$8,100	25%
	Back of House Labour	\$3,520	\$2,974	\$879	\$2,281	7%
Labour	Front of House Labour	\$12,438	\$10,408	\$1,811	\$9,163	30%
	Other Expenses	\$15,247	\$13,600	\$4,504	\$12,607	38%
<b>Total Cost Savings</b>		<b>\$49,478</b>	<b>\$41,025</b>	<b>\$8,905</b>	<b>\$32,152</b>	
Revenue	Revenue Generating	\$4,921	\$4,268	\$637	\$2,783	
	<b>Total MIP</b>	<b>\$54,399</b>	<b>\$45,292</b>	<b>\$9,542</b>	<b>\$34,935</b>	

## Crown Melbourne Summary Projects as at September 2012



Department	Budgeted ('000)	Phase 1 Targets Unbudgeted ('000)	Phase 2 Targets Unbudgeted ('000)	Grand Total MIP Targets	Total MIP Submitted ('000)	Yet to be identified
Cage & Count	\$48	\$351	\$300	\$699	\$834	(\$135)
Crown Hotels	\$170	\$1,524	\$1,500	\$3,194	\$2,932	\$262
Finance	\$0	\$155	\$200	\$355	\$370	(\$15)
Food & Beverage	\$606	\$5,200	\$0	\$5,806	\$6,281	(\$475)
Gaming Machines	\$4,364	\$2,041	\$4,000	\$10,405	\$9,652	\$753
Government & Media	\$0	\$13	\$10	\$23	\$22	\$2
Human Resources	\$556	\$193	\$500	\$1,249	\$1,206	\$43
International Gaming	\$218	\$2,157	\$2,000	\$4,375	\$4,332	\$43
Legal & Compliance	\$12	\$171	\$130	\$313	\$1,322	(\$1,009)
Marketing	\$0	\$524	\$1,000	\$1,524	\$1,408	\$116
MIS	\$98	\$263	\$300	\$661	\$707	(\$45)
Property Services	\$584	\$2,291	\$500	\$3,375	\$3,658	(\$284)
Security	\$400	\$675	\$1,000	\$2,075	\$2,029	\$46
Signature	\$0	\$0	\$0	\$0	\$372	(\$372)
Supply	\$0	\$138	\$60	\$198	\$222	(\$24)
Surveillance	\$0	\$103	\$100	\$203	\$206	(\$3)
Table Games (Inc. Interstate)	\$319	\$5,404	\$4,000	\$9,723	\$9,054	\$670
Parking	\$0	\$0	\$300	\$300	\$272	\$28
Tenancies & Retail	\$20	\$475	\$200	\$695	\$1,098	(\$403)
<b>Total</b>	<b>\$7,394</b>	<b>\$21,678</b>	<b>\$16,100</b>	<b>\$45,172</b>	<b>\$45,975</b>	<b>(\$803)</b>

## Crown Melbourne Projects over \$1m Budgeted



Department	Project Name	Project Detail / Objective	Implementation Date (When Benefit is Budgeted From)	Annualized Improvement (Total Project) \$'000	F13 Contribution Improvement \$'000
Gaming Machines	<b>Welcome Back Effect</b>	<ul style="list-style-type: none"> <li>Amending the Bonusing System to require registration at VIK for each program based bonus offer, this will ensure that members are aware of the benefit not just identify a mystery bonus at a machine on commencement of the play. This initiative will reduce bonusing redemptions thus increase hold rates and in turn revenue. Expected contribution is the additional revenue at \$1.8m less tax.</li> </ul>	Jul-2012	<b>\$1,329</b>	<b>\$1,329</b>
Gaming Machines	<b>Food Jackpot Initiatives</b>	<ul style="list-style-type: none"> <li>Amending the Gaming Machines Food Program to be controlled by the Linked Jackpot Equipment to reduce costs and increase profit and margin. The estimated cost for F13 is \$8.4m, revenue will reduce by this amount but is expected to have other benefits.</li> </ul>	Jul-2012	<b>\$2,461</b>	<b>\$2,461</b>

## Crown Melbourne Projects over \$1m Unbudgeted



Department	Project Name	Project Detail / Objective	Implementation Date (When Benefit Begins)	Annualized Improvement (Total Project) \$'000	F13 Contribution Improvement (\$'000)
Table Games	<b>Complimentary Beverage Review</b>	<ul style="list-style-type: none"> <li>Reduce comp outlet costs to Gaming. Project cost savings will be derived from more efficient scheduling of labour in comp outlets, more accurate tracking of supply (swiping), lower COS on comp items (e.g., change from Mumm champagne to Chandon)</li> </ul>	<b>Aug-2012</b>	<b>\$2,363</b>	<b>\$2,166</b>
Table Games	<b>Mahogany Labour Efficiency</b>	<ul style="list-style-type: none"> <li>Reduce disparity between rostered hours in VIP International and significantly lower actual open hours. Focussing on reducing HD shifts, reviewing changes to shift start times, removing under-utilised open hours and removing inefficiencies due to over-rostering.</li> </ul>	<b>Aug-2012</b>	<b>\$2,188</b>	<b>\$2,006</b>
Table Games	<b>Complimentary Beverage - Discount and Pay</b>	<ul style="list-style-type: none"> <li>Depending on membership tier, discount cost of drinks (Black - 100% free, Platinum 100% free in MR &amp; 50% elsewhere, etc.)</li> </ul>	<b>Dec-2012</b>	<b>\$4,052</b>	<b>\$2,195</b>
Gaming Machines	<b>Complimentary Beverages</b>	<ul style="list-style-type: none"> <li>Modifications to complimentary beverage issuance process. Beverages at restaurants will be charged under the daily food offers. Patrons will be asked to use points or cash for pay for beverages at bars. Card swipes will also be introduced for 'at device' drinks to measure the cost effectiveness of drinks.</li> </ul>	<b>Aug-2012</b>	<b>\$1,261</b>	<b>\$1,156</b>
Gaming Machines	<b>Complimentary Beverage Discount Charging</b>	<ul style="list-style-type: none"> <li>Depending on membership tier, discount cost of drinks (Black - 100% free, Platinum 100% free in MR &amp; 50% elsewhere, etc.)</li> </ul>	<b>Dec-2012</b>	<b>\$3,500</b>	<b>\$2,042</b>

## Crown Melbourne Projects over \$1m Unbudgeted continued



Department	Project Name	Project Detail / Objective	Implementation Date (When Benefit Begins)	Annualized Improvement (Total Project) \$'000	F13 Contribution Improvement (\$'000)
F&B Admin	<b>Labour Efficiencies</b>	<ul style="list-style-type: none"> <li>Labour review and development of a revised recruitment strategy for food &amp; beverage to ensure a flexible and efficient workforce is provided. Savings are expected in all F&amp;B areas - this project will be implemented progressively throughout the financial year.</li> </ul>	<b>Sep-2012</b>	<b>\$2,400</b>	<b>\$2,000</b>
F&B Admin	<b>Purchasing Review</b>	<ul style="list-style-type: none"> <li>Comprehensive Purchasing review to ensure:               <ul style="list-style-type: none"> <li>Existing SKU's / catalogues are rationalised</li> <li>A strategic approach to procurement and tendering is in place i.e. open process, removal of limitations such as controlled contracts, more robust spec'ing</li> <li>Processes are in place (in Purchasing and F&amp;B) for continual review and monitoring of external pricing benchmarks and seasonal trends</li> <li>Key considerations are leveraged in contracts such as early payment discount, pricing for volume</li> </ul> </li> </ul>	<b>Sep-2012</b>	<b>\$1,800</b>	<b>\$1,500</b>
F&B Admin	<b>Cost of Sales - Beverage Wine Tenders</b>	<ul style="list-style-type: none"> <li>Implementation and monitoring of wine offer across all F&amp;B outlets to ensure appropriate match with food offer at casual end and distinction of wine lists at premium end. Engagement of new wine manager to implement purchasing efficiencies and alignment of offer along with management of property wine tender and associated rebates for marketing.</li> </ul>	<b>Jul-2012</b>	<b>\$1,600</b>	<b>\$1,600</b>



## Crown Melbourne Projects between \$500k - \$999k



Department	Project Name	Project Detail / Objective	Implementation Date (When Benefit Begins)	Annualized Improvement (Total Project) \$'000	F13 Contribution Improvement (\$'000)
Table Games	<b>Direct to Table</b>	<ul style="list-style-type: none"> <li>Deliver cards direct to table - removal of card shuffling room</li> </ul>	<b>Jan-2013</b>	<b>\$500</b>	<b>\$250</b>
Table Games	<b>Labour Efficiencies</b>	<ul style="list-style-type: none"> <li>Identify further labour efficiencies - draw down as projects identified</li> </ul>	<b>Jan-2013</b>	<b>\$600</b>	<b>\$300</b>
F&B Admin	<b>Menu Engineering</b>	<ul style="list-style-type: none"> <li>Review of menu engineering process and execution of price changes to drive margin</li> </ul>	<b>Oct-2012</b>	<b>\$700</b>	<b>\$525</b>
Hotels	<b>Operating Expenses</b>	<ul style="list-style-type: none"> <li>Various expense accounts have been identified that will provide savings</li> </ul>	<b>Jul-2012</b>	<b>\$798</b>	<b>\$798</b>
Hotels	<b>Revised FTE levels</b>	<ul style="list-style-type: none"> <li>Run under budgeted FTE levels in several FOH areas. Achieved via periods of recruitment and general rostering.</li> </ul>	<b>Jul-2012</b>	<b>\$715</b>	<b>\$715</b>
Security	<b>Operational Labour Review - MSS - First Round</b>	<ul style="list-style-type: none"> <li>Labour Review - realignment based on operational requirements and business demand.</li> </ul>	<b>Aug-2012</b>	<b>\$574</b>	<b>\$486</b>
Security	<b>Operational Labour Review - Crown Roster</b>	<ul style="list-style-type: none"> <li>Roster Review - implementation of new Crown Labour Security Roster. Roster will need to be "voted in" by EA Employees.</li> </ul>	<b>Nov-2012</b>	<b>\$729</b>	<b>\$486</b>
Int. Gaming	<b>Mahogany Room FOH - Open Hours Efficiency</b>	<ul style="list-style-type: none"> <li>Reduce open hours from 17.3% budgeted to 13%. This aims to increase the product efficiency by way of increasing patron density i.e. improving rated hours/open hours ratio.</li> </ul>	<b>Aug-2012</b>	<b>\$567</b>	<b>\$520</b>

## Crown Melbourne Projects Completed in September over \$50k



*All initiatives were unbudgeted*

Department	Project Description	Revised F13 Cont'n (\$'000)
Gaming Machines	<b>Signature Club Recruiters</b> Reduction in FTEs	325
Tables Gaming Machines and F&B	<b>Reduce Bathroom Cleaning Frequency</b> Change of toilet cleaning frequency 1 hour to 2 hour FOH, 3 hour to 4 hour BOH - potential to impact patron and staff experience. May result in unscheduled callouts.	121
Customer Contact Centre	<b>Payroll Reductions</b> Reduction of Contract FTE's by not renewing an existing contract for FTE	78
Tenancies & Retail	<b>Rental Income - Schiavello Metropol Showcase</b> Terms agreed to lease (post initial free period) as per lease agreement	200
Events & Sponsorship	<b>Harry Kewell Sponsorship</b> Harry Kewell is going back to the UK and therefore not playing Season 2013.	55
Crown Services -Utilities	<b>Metropol Hotel Room Control</b> Housekeeping removes the key cards when the room is not in use (currently employed at Promenade) which will reduce electricity consumption, there will also be a reduced need for air conditioning as a result of the reduced heat load.	58

## Crown Melbourne Projects Completed in September continued



Department	Project Description	Revised F13 Cont'n (\$'000)
Crown Services -Parking	<b>Car Parks - Reduction Detailed Cleaning</b> Focus on entry points to car park and lobby areas, fringe areas of car parks will receive fortnightly clean as opposed to weekly.	103
Cage & Count	<b>Chip Bank 1/General Cashier Door</b> Build a door between Chip Bank 1 and General Cashiers. As a result, this area can be manned by one person during quiet times. Capitol spend will be required and a quote is being sought.- labour savings: 40 Hours Per Week.	53
Cage & Count	<b>Reduction of Cage Open Hours</b> 194 open hour removed from various cages across the floor. This results in service reduction hence increased wait times for customers.	293
Security	<b>Training Savings</b> Non critical training removed for the remainder of FY13	150
Various	<b>Various other less than \$50k</b>	277
<b>Total Projects Completed in September 2012</b>		<b>1,713</b>
<b>Total Projects Completed in August 2012</b>		<b>1,223</b>
<b>Total Projects Completed in July 2012</b>		<b>11,885</b>
<b>Total Projects Completed in YTD</b>		<b>14,821</b>
<b>Other Projects in Process</b>		<b>17,331</b>
<b>TOTAL COST SAVING PROJECTS F13</b>		<b>32,152</b>



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- Completed projects September

#### Crown Perth

- Completed Projects
- Projects in Progress
- Under Consideration / Formative
  
- Review of Crown Melbourne Initiatives
  
- Costs review meeting

## Crown Perth Completed Projects



TOAL ANNUALISED        \$ 1,725

TOTAL F13                \$ 1,725

Department	Project Name	Project Detail / Objective	Implementation Date (When Benefit commences)	Annualised Improvement (Total Project) \$'000	F13 Contribution Improvement \$'000
Table Games	<b>Pit Boss Breaks</b>	Breaks have been reduced from 90 minutes (three half hours) per shift to 45 minutes (one half hour and one 15 minute break) per shift enabling more efficient rostering and improving Pit Boss productivity.	Apr-2012	\$300	\$300
Table Games	<b>Productivity Initiatives</b>	Identification and approval of game variations to improve Table Games performance – Blackjack Plus, Gaming Floor Live, 2:1 Baccarat.	Nov-2011	\$1,200	\$1,200
Hotels	<b>Guest Amenities Program</b>	Mirror guest amenities and recognition programs at Crown Melbourne pursuant to Perth hotels rebrand - Both hotels have adopted the VIP / Guest Recognition programs when rebranded to Crown. Recognition gifts are based on the number of visitation (not per visit) and complimentary gifts such as fruits and wine are given to hotel guest based on whether the hotel management deems the guest as VIP (was previously given to all Ambassador IHG members each visit). This change has resulted in savings in CMP. However at CPP, complimentary gifts are unbudgeted expenses because according to the old IHG reward program, no recognition gifts were given.	Jul-2012	\$225	\$225

## Crown Perth Projects in Progress



TOTAL ANNUALISED \$4,050

TOTAL F13 \$1,509

Department	Project Name	Project Detail / Objective	Date When Benefit expected to begin	Annualised Improvement (Total Project) \$'000	F13 Cont'n Improvem't (\$'000)
Table Games	<b>Review and amend FATG supervision levels</b>	Currently Table Games Inspectors are approved to service hand pays to the FATG customer. We have provided a submission to the Regulator to have Ticket capability made available on FATG's thereby removing the requirement for labour attendance at hand pays. A further meeting with the Regulator is planned in late October to progress this matter.	Mar-2013	\$300	\$100
Table Games	<b>Review and amend supervision levels</b>	Enabling Inspectors to be able to supervise more than two game types which will assist with improved game layout and operational efficiencies. Currently reviewing in advance of Regulator submission.	Jun-2013	\$400	\$0
Table Games	<b>DEQ Review</b>	DEQ – a system to execute Table Games jackpots is currently under review. Crown Perth has submitted an alternative jackpot configuration for review and potential development by DEQ. We are also awaiting a performance review from Crown Melbourne.	TBC	TBC	TBC
Table Games	<b>Labour Efficiencies</b>	Review of labour spreads for MGF subsequent to opening of new expanded floor. Initial approach to opening was tables in new area were opened aggressively to ensure any excess visitation was able to find a game, especially during ongoing existing floor refurbishment. Opportunity now arises to review table open hour requirements and target \$150-200k saving per month, subject to constraints during significant floor moves.	Nov-2012	\$1,800	\$750
Table Games & Gaming Machines	<b>Change in Pearl Room Guest Policy</b>	Change to customer guest policy for access to Pearl Room to increase guests allowed from one to three starting with Platinum tier. Submission tabled with Regulator. The matter is presently on hold.	Mar-2013	\$250	\$80

## Crown Perth Projects in Progress



Department	Project Name	Project Detail / Objective	Date When Benefit expected to begin	Annualised Improvement (Total Project) \$'000	F13 Cont'n Improvem't (\$'000)
F&B	<b>Operational &amp; Labour review</b>	Critical review of operating hours in all outlets with initial actions to close Market & Co restaurant for lunch Monday - Thursdays. Concept change in Market & Co to reduce food cost. Menu reviews to consolidate seasonal and purchased items across outlets. Critical review of rostering and labour efficiencies to reflect current trading conditions and reduced operating hours (FOH, BOH and Stewarding focus).	Sep-2012	\$250	\$200
F&B	<b>Procurement</b>	Review F&B and procurement (particularly food) practices and opportunities with a view to reducing cost of sales. Invite PIP (Partners in Performance) to share findings from Crown Melbourne and to complete initial review of Crown Perth. Review completed and first draft report received and currently being evaluated. Implementation dates linked to offsite warehousing project and effect this may have on procurement and logistics practices. A number of supplier contracts have recently expired (particularly F&B related) and are currently under review / tender consideration.	Mar-2013	\$500	\$125
F&B	<b>Food Court Tenancy Opportunities</b>	Currently negotiating with McDonalds and Subway to replace underperforming Food Court tenancies	Dec-2012	\$300	\$150
Security	<b>Reduction in Security numbers monitoring casino entrances</b>	Submission to the Regulator to amend the requirement to have three Security officers man casino entrances 24/7. Submission tabled with the Regulator in September. Initial feedback was positive, now awaiting formal response.	Feb-2013	\$250	\$104

## Crown Perth Projects under Consideration



Department	Project Name	Project Detail / Objective	Date When Benefit expected to begin	Annualised Improvement (Total Project) \$'000	F13 Cont'n Improvem't (\$'000)
Table Games	<b>Complimentary Beverage Review</b>	Aligning customer service to the appropriate tiers. We are considering charging certain customers for drinks in the Pearl Room and Riviera Room when requesting a beverage from the bar. If the Alcoholic beverage is requested on a machine/table, the beverage will be complimentary.	TBC	TBC	TBC
Table Games	<b>Direct to Table</b>	Deliver cards direct to table - removal of card shuffling room. Investigate process further at Crown Melbourne to see whether a similar arrangement could be replicated in Perth.	TBC	TBC	TBC
VIP Gaming	<b>Limousine Services</b>	Current contract expires in February 2013, presenting an opportunity to tender and / or secure more competitive rate structure.	Mar-2013	TBC	TBC



## Crown Perth Formative



Department	Project	Objective	Comments
Table Games	Temporary Table Close (Atom)	Currently when we close a table, which occurs any time a patron leaves the table, an audit of the entire chip tray takes place. It takes approximately 20 minutes each to close and reopen a table. A temporary close eliminates down time and labour cost with the proposal to only close a table at the end of a patron's trip or upon settlement.	Currently reviewing approval process – may require Regulator submission and approval. Opportunity for Salon and Pearl Room play and possible MGF re weekly / monthly close as opposed to daily.
Table Games	Pit cam in the Pearl Room	Install Pit Cam in the Pearl Room to reduce Pit Boss and Inspector supervision levels for Salon and Pearl Room play.	Regulator approval required.
Table Games	Touchbet tables to be counted as per live gaming table	Currently the 2 touchbet terminals are counted as an additional gaming table. DRGL have indicated that these terminals form part of the "live" gaming table they are attached to. Therefore, there are an additional 2 gaming tables which could be opened during peak times.	Opportunity now that expansion has opened.
Table Games	Supervisor Point Allocation in Pearl Room	Move to normal supervisor point allocation in the Pearl Room, currently above MGF levels, not regulated	Further investigation required, union consultation and agreement issues.
Table Games	Triple zero Roulette	To further enhance our low limit Table Games strategy. House edge improved from 2.7% on single zero to 5.3% on double zero to 7.7% on triple zero.	Regulatory approval required.
Table Games	Automated Sicbo (Aruze)	Traditional Sicbo (Big & Small) is currently cost prohibitive due to labour requirements. This automated product will solve this issue.	Regulator approval required.
Table Games	Cage Buy Ins	To actively promote large buy ins at the Cage rather than at the table to increase game speed.	Subject to patron acceptance.

## Crown Perth Formative



Department	Project	Objective	Comments
Gaming	Keno self-service kiosks	Increase exposure and ability for patrons to play Keno throughout the gaming floor whilst maintaining labour levels.	Contract negotiation well advanced, anticipate increased ticket sales per year
Gaming Machines	TITO	Revenue uplift and labour efficiency opportunities. Enables the customer to have the ability to more frequently change machines creating less down time and increasing the length of play and average bet and reducing the Attendant service requirement.	Currently awaiting full Regulator approval, hopeful to commence implementation by 4 <sup>th</sup> quarter F13.
Gaming Machines	Carded Lucky Time	Introduce a time based jackpot through IGT Advantage whereby a large number of small infrequent jackpots are issued to designated players	Regulatory approval required
Gaming Machines	Hold Management	Introduction of Wild Swan Poker to replace the existing game of Black Swan Poker at an improved RTP from 93.5% to 92%.	Game approved and to be rolled out progressively over the next three months.
Gaming Machines	Review Car Jackpot prize	Adjust increment rate to reduce number of cars given away from average 12 per year to 10 per year	2 cars at retail cost
Hotels	Review outsourcing model of Housekeeping	To compare in house costs v outsourced cost.	Further investigation required
Marketing	Review complex photography costs	Currently numerous suppliers for photography, can this be contracted and save costs	Further investigation required
Marketing	Review cost of mailing	Investigate sending direct mail from overseas Investigate sending mail off peak	Further investigation required

## Crown Perth Formative



Department	Project	Objective	Comments
Marketing	Review patron data for multiple persons at one address and send correspondence to household rather than patron level	Reduce mailing and production costs by reducing volume of mail whilst not reducing communication to patrons.	Further investigation required
HR & Gaming	Implementation of 4 Week Roster	To improve flexibility in rostering	May form part of CA negotiation
OSH	Review Medical Expenses	Review current annualised outsourced medical expenses for Pearl Room with an internal nurse structure	Further investigation required
Cage	Drop Box Collection Process I	Obtain approval from the DRGL to only collect drop boxes from tables which have been opened during the day, so that unused / empty boxes do not have to be collected and counted.	Further investigation required
Cage	Drop Box Collection Process II	Currently all drop boxes are required to be collected every day. Opportunity to seek approval to amend this requirement to every second or third day.	Further investigation required
Cage	Monthly Count Process	Currently monthly count must be completed within the first three days of the following month. Due to expansion and additional product this requirement impacts upon labour rostering (overtime and penalty rates) and causes customer disruption at peak times.	Regulator approval required
Cage	Review Cash Holding	Review level of cash holding in Cage and Cage related areas to identify opportunity to reduce these cash holdings.	Pending
IT	Review SMS costs across complex	Currently 2 suppliers and numerous departments using SMS tool. Review of use and volumes to see whether better means of communication via email and smart phones	Further investigation required
General	Organisation chart review	A complete org chart review to determine any opportunities for savings / consolidation.	Pending

## Crown Perth Formative



Department	Project	Objective	Comments
Procurement	Procurement Process and Service Review including offsite warehousing impacts and opportunities.	The pending departure of the Purchasing & Supply Manager presents an opportunity to strengthen this role within the business (GM Purchasing & Supply) and to conduct a review of procurement and logistics operations in the business. The timing is also favourable given the recent completion of the casino expansion and additional F&B outlets.	Recruitment process currently underway.
Cleaning	Outsource vs internal model	Currently a portion of the cleaning requirements for common areas and operating areas such as the Food court are outsourced . Traditionally we have assessed the preferred cleaning model on a case by case basis but an opportunity exists to review existing cleaning arrangements for the most cost effective and efficient solution.	Ongoing. Will also complete a complex wide review . Union consultation required and may be something we leave until after the next CA negotiation.



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- **Review of Crown Melbourne Initiatives**

- Costs review meeting

## Crown Melbourne Projects Over \$1m Budgeted



Department	Project Name	Project Detail / Objective	Crown Perth Review
Gaming Machines	<b>Welcome Back Effect</b>	Amending the Bonusing System to require registration at VIK for each program based bonus offer, this will ensure that members are aware of the benefit not just identify a mystery bonus at a machine on commencement of the play. This initiative will reduce bonusing redemptions thus increase hold rates and in turn revenue. Expected contribution is the additional revenue at \$1.8m less tax.	<p><b>N/A</b></p> <p>This is an initiative resulting from the use of Scheduled Return Play which is not used in Perth. May be an opportunity in the future, but at this stage our level of free play usage is about 20% that of Melbourne. Risk of sending people to a VIK to redeem has time-on-device negative implications that discount the benefit of this initiative.</p>
Gaming Machines	<b>Jackpot Initiatives</b>	Amending the Gaming Machines Food Program to be controlled by the Linked Jackpot Equipment to reduce costs and increase profit and margin. The estimated cost for F13 is \$8.4m, revenue will reduce by this amount but is expected to have other benefits.	<p><b>N/A</b></p> <p>We do not have a snack program against which to apply this initiative and unsure whether such a program would be approved in WA.</p>

## Crown Melbourne Projects Over \$1m Unbudgeted



Department	Project Name	Project Detail / Objective	Crown Perth Review
Table Games	<b>Complimentary Beverage Review</b>	With escalating complimentary costs and aligning customer service to the appropriate tiers it is proposed that Gold customers & guests in the Teak Room are charged for Alcoholic beverages when requesting a beverage from the bar. If the Alcoholic beverage is requested on a machine/table, the beverage will be complimentary.	<b>Under Consideration</b> Opportunity for Perth – included in Projects under consideration.
Table Games	<b>Mahogany Labour Efficiency</b>	Reduce disparity between rostered hours in VIP International and significantly lower actual open hours	<b>In Progress</b> Included in Projects in Progress.
Gaming Machines	<b>Complimentary Beverages</b>	Modifications to complimentary beverage issuance process. Beverages at restaurants will be charged under the daily food offers. Patrons will be asked to use points or cash for pay for beverages at bars. Card swipes will also be introduced for 'at device' drinks to measure the cost effectiveness of drinks.	<b>Under Consideration</b> Opportunity for Perth – included in Projects under Consideration.
F&B Admin	<b>Labour Efficiencies</b>	Labour review and development of a revised recruitment strategy for food & beverage to ensure a flexible and efficient workforce is provided. Savings are expected in all F&B areas - this project will be implemented progressively throughout the financial year.	<b>In Progress</b> Included in Projects in Progress.
F&B Admin	<b>Purchasing / Procurement Review</b>	Comprehensive Purchasing review to ensure: <ul style="list-style-type: none"> <li>• Existing SKU's / catalogues are rationalised</li> <li>• A strategic approach to procurement and tendering is in place i.e. open process, removal of limitations such as controlled contracts, more robust spec'ing</li> <li>• Processes are in place (in Purchasing and F&amp;B) for continual review and monitoring of external pricing benchmarks and seasonal trends</li> <li>• Key considerations are leveraged in contracts such as early payment discount, pricing for volume</li> </ul>	<b>In Progress</b> Included in Projects in Progress.
F&B Admin	<b>Cost of Sales &amp; Rev/Margin Wine</b>	Implementation and monitoring of wine offer across all F&B outlets to ensure appropriate match with food offer at casual end and distinction of wine lists at premium end. Engagement of new wine manager to implement purchasing efficiencies and alignment of offer along with management of property wine tender and associated rebates for marketing.	<b>In Progress</b> Wine tender completed in line with Melbourne and similar exercise taking place in Perth currently.

## Crown Melbourne Projects between \$0.5m and \$1m Unbudgeted



Department	Project Name	Project Detail / Objective	Crown Perth Review
Table Games	<b>Direct to Table</b>	Deliver cards direct to table - removal of card shuffling room	<b>Under Consideration</b> Opportunity for Perth – included in Projects under consideration.
Table Games	<b>Labour Efficiencies</b>	Identify further labour efficiencies - draw down as projects identified	<b>In Progress</b> Included in Projects in Progress.
Hotels	<b>Operating Expenses</b>	Various expense accounts have been identified that will provide savings	<b>Implemented</b> Savings have been made across various areas of Hotel Operations via a concerted effort to review operations post the exit of IHG. Areas of particular benefit have been general cleaning, window cleaning, training, stationery, chemical & paper supplies.
Hotels	<b>Revised FTE levels</b>	Run under budgeted FTE levels in several FOH areas. Achieved via periods of recruitment and general rostering.	<b>Implemented</b> YTD Hotels are under budgeted FTE levels in several FOH areas such as Front Office, Isika, Housekeeping. Achieved by holding off on recruitment in certain positions in the first quarter of the FY, focus on rostering and more efficient in room cleans.
Security	<b>Operational Labour Review - MSS - First Round</b>	Labour Review - realignment based on operational requirements and business demand.	<b>Completed</b> Completed as part of exercise to address expanded casino, Mansions, Sky Salon requirements etc, although this review obviously did not result in Security savings.



## Crown Melbourne Projects Completed in July over \$100k



Department	Project Description	Crown Perth Review
Gaming Machines	<b>Welcome Back</b> The Bonus System has been amended and now requires registration at a VIK for each program based bonus offer. This initiative will reduce bonus redemptions thus increase hold rates and in turn, revenue.	Duplicate – as per slide 2
Gaming Machines	<b>Jackpot Initiatives</b> The Gaming Machines Food Program is now controlled by the Linked Jackpot Equipment - this will reduce costs and increase profit and margin.	Duplicate – as per slide 2
Gaming Machines	<b>Beverage Trolley</b> The complimentary beverage trolley provided for Gaming Machine patrons has been removed. The savings resulting are a reduction of 9 FTE's (Beverage Program Assistants) which will no longer be required and the removal of the costs of supplying the beverage.	<b>N/A</b> We use vending machines and self service areas.
Gaming Machines	<b>Hotel Nights</b> Stricter adherence to hotel access through gaming program benefits or point redemption is in place. A reduction in non-gaming comp hotel nights will result.	<b>N/A</b> We do not have hotel nights as part of our Loyalty scheme – we utilise distress rooms on weekends and % discounts within the Loyalty scheme.
Gaming Machines	<b>Cleaning Labour</b> Due to the discontinuation of the Beverage Trolley Program there is reduced rubbish, furthermore gaming attendants are now encouraged to clear glasses between callouts. Both initiatives will reduce cleaning labour.	<b>N/A</b> We use vending machines and self service areas.
Food / Beverage & Entertainment	<b>Cost of Sales - Beverage Wine Tenders</b> Engagement of a new wine manager to implement purchasing efficiencies and alignment of wine offers along with management of a property wine tender and associated rebates for marketing has been completed. Cost of beverage savings combined with Revenue Generation from a review of the complex wide pricing strategy	Duplicate – as per slide 3
Food / Beverage & Entertainment	<b>Crown Events Credit Card Service Fee</b> Implementation of a credit card surcharge for all Banquet/Conference patrons when payments are made utilising this method of settlement commenced on 1st July.	<b>Implemented</b> Implemented July 2012

## Crown Melbourne Projects Completed in July



Department	Project Description	Crown Perth Review
International Gaming	<b>Limousines</b> Limousine rates arising from the new contract with Unity	<b>Planned</b> Current contract expires in March 2013 – exploring tender and in-house opportunities currently. Included in Projects under Consideration.
International Gaming	<b>China PR Activities</b> Decision to defer certain China PR activities (branding exercise) as the benefits are unlikely in the current economic climate.	<b>Further explanation required</b> We are unaware of these initiatives impacting Perth, however as International Gaming is a Group business we would expect to be involved in these initiatives should they be applicable.
International Gaming	<b>Golfbox Sponsorship</b> Decision to defer Golfbox sponsorship as the benefits are unlikely in the current economic climate.	<b>Further explanation required</b> We are unaware of these initiatives impacting Perth, however as International Gaming is a Group business we would expect to be involved in these initiatives should they be applicable.
International Gaming	<b>Macau SMS Marketing</b> Decision to defer Macau SMS marketing as the benefits are unlikely in the current economic climate.	<b>Further explanation required</b> We are unaware of these initiatives impacting Perth, however as International Gaming is a Group business we would expect to be involved in these initiatives should they be applicable.
Security	<b>Operational Labour Review</b> Labour Review - realignment based on operational requirements and business demand. \$33k per month savings on FTE's general Crown Labour savings from July 1st - December 31st.	Duplicate – as per slide 4
Hotel Operations	<b>Operating Expenses</b> Various expense accounts have been identified and saving targets have been achieved. Maintenance contracts \$21k; Printing, Stationery & Forms \$41k; Hotel Supplies \$148k; Fees & Commissions \$66k; Travel & Entertainment \$62k; Training \$20k; COGS \$48k; Comps \$129k; Storage \$37k; Gifts \$17k; Cleaning & Maintenance \$23k; Subs \$7k; Linen Laundry \$73k.	Duplicate – as per slide 4

## Crown Melbourne Projects Completed in July



Department	Project Description	Crown Perth Review
<b>Hotel Operations</b>	<b>Increase Credit Card Service Fee</b> On charging a credit card service fee to Hotel patrons was introduced in January 2011. The current charge is 1.5% including GST, this project is to increase the charge to 1.5% + GST, resulting in the total charge at 1.65%. Currently hotels are recovering approximately \$1m in service fees per annum, a 10% increase adds \$100k to Hotels expenditure recovery.	<b>On Hold</b> We do not wish to implement this initiative at this time due to the room rates in Perth already viewed by the market as being very high – we consider a further price hike in credit card commission fee will not be well received especially so close to rebrand.
<b>Hotel Operations</b>	<b>Guest Amenities Program</b> VIP / Guest Recognition programs being revised to (a) make recognition gifts based on a higher visitation pattern and (b) reduce the unit cost of gifts. Some changes have already been made with further changes during Q1. Savings based on 10% of total account spend. In reality, as there are a number of other items that appear in this account the saving is more like 20% of the VIP/Guest Recognition costs.	<b>Implemented</b> Implemented in July 2012 as part of transition from IHG relationship.
<b>Hotel Operations</b>	<b>Revised FTE Levels</b> Run under budgeted FTE levels in several FOH areas. Achieve with vacancies during periods of recruitment and rostering.	Duplicate – as per slide 4
<b>Tenancies/ Retail</b>	<b>Increased Air-conditioning Recovery</b> Review in the rate for on charging tenants for air-conditioning services. Increase of the sq. m rate to be recovered.	<b>N/A</b> Very limited number of tenancies
<b>Tenancies/ Retail</b>	<b>Improved TAB Commission</b> Increase in TAB commission from 2.5% to average 3.7%	<b>N/A</b> Limited leverage to increase rate as we are not a major player in the TAB market. Limited financial impact in any event.
<b>Tenancies/ Retail</b>	<b>Improved TAB Commission</b> Reduce spending on a number of discretionary marketing programs	<b>N/A</b> Minimal, if any marketing activity in Perth
<b>Valet Parking</b>	<b>Valet Parking FTE reduction / restructure</b> Reduce FTE's by combining further Bell/Concierge and Valet Parking	<b>Completed</b> A review of Valet Parking and Concierge services was conducted as part of the casino expansion due to road and drop off realignment and in line with hotel and complex rebrand.

## Crown Melbourne Projects Completed in July



Department	Project Description	Crown Perth Review
<b>Human Resources</b>	<p><b>Labour</b> Various Savings for HR consolidated (Employee communications, Crown college, WFP &amp; Recruitment).</p>	<p><b>Completed</b> Various reviews and changes implemented in the normal course of proceedings – Workers Compensation split from OHS (within HR) to gain efficiencies and focus on core tasks resulting in improved claims management results; HR Admin split from HR and moved to Finance to leverage the core tasks with Payroll and Scheduling and to improve efficiency and service levels.</p>
<b>Human Resources</b>	<p><b>Operational Expenses</b> Various Savings for Operational Expenditure - HR consolidated (Employee communications, Crown college, WFP &amp; Recruitment).</p>	<p><b>Completed</b> Various reviews and changes implemented in the normal course of proceedings – Workers Compensation split from OHS (within HR) to gain efficiencies and focus on core tasks resulting in improved claims management results; HR Admin split from HR and moved to Finance to leverage the core tasks with Payroll and Scheduling and to improve efficiency and service levels.</p>
Crown Services - E&M	<p><b>Reduce Stone Polishing Services</b> Reduce services for retail St., Ming's, West-end entry, Largerfield, kitchen workshop, various toilets, B1 retail, Level 3 towers. Annual restoration program to be pushed out 2-3 years.</p>	<p><b>To Be Considered</b> Although Property Services and maintenance levels at Perth are far less comprehensive than Melbourne. Maintenance and Cleaning programs generally seen as minimalist resulting in an increase in coverage due to rebrand and expansion to meet brand guidelines.</p>
Crown Services - E&M	<p><b>Reduce Flooring BOH Expenditure</b> Reduce periodic BOH maintenance and carry out essential works only i.e. trip hazards-food safety issues.</p>	<p><b>To Be Considered</b> Although Property Services and maintenance levels at Perth are far less comprehensive than Melbourne. Maintenance and Cleaning programs generally seen as minimalist resulting in an increase in coverage due to rebrand and expansion to meet brand guidelines.</p>

## Crown Melbourne Projects Completed in August



Department	Project Description	Crown Perth Review
Crown Services - E&M	<b>Reduction in Casino Painting</b> Reduction in BOH painting and scheduled areas such as administration, essential works only.	<b>Completed</b> This has been underway at Crown Perth for the last two years. This is also the case for FOH cleaning.
Crown Services - Environmental Services	<b>Bussing Reduction - MGF</b> Bussing activity has been removed from contract cleaners between the hours of 11am and 3am daily, this activity is now completed by Table Games work cover staff now resulting in a full benefit to the business. No negative feedback received from Gaming or patrons around this service change.	<b>N/A</b> Table Games staff currently bus their own work areas. Will obtain further information from Melbourne on the specifics of their program.
Crown Services - Environmental Services	<b>Removal of Full Time Cleaner - Level 29 - 39</b> With the changes to the service offering on level 29 to Salon only the need of a fulltime cleaner in this area was reviewed. Previous level 29 and 39 had one full time cleaner each 24hr per day, one cleaner has now been removed leaving one cleaner to manage both level 29 and 39 when Salons are booked. No negative feedback received from Gaming or patrons around this service change.	<b>N/A</b> There is no dedicated cleaner for our private salons. This is done on an as required basis by staff rostered in the Pearl Room.
<b>Local Table Games</b>	<b>DEQ Hired Equipment Savings</b> DEQ is an application which provides an automated side bet/jackpot system for Table Games. Savings from the hire of DEQ Equipment between Aug-Nov as the free trial will continue for at least this period.	<b>In Progress</b> Included within Projects in Progress.
<b>Gaming Machines</b>	<b>Cleaning Savings</b> Cleaning contractors have provided cost saving ideas with minimal impact on cleaning standards across the ground floor Westend. Unscheduled call out jobs will need to be monitored.	<b>Implemented (where applicable)</b> Negotiated reduced cleaning service and cost in the Food Court.

## Crown Melbourne Projects Completed in August



Department	Project Description	Crown Perth Review
<b>Parking</b>	<b>Basement Rate Reviewed</b> Increase cash rate to Basement car park. Cash rates changed on the 13th of August.	<b>On Going</b> Pricing reviewed on an ongoing basis in the normal course of business – recently increased the cash rate in paying car parks with little negative impact. Maintained rates to gaming customers.
<b>SFX</b>	<b>Exterior Solider Tower Neon Rings</b> The blue neon rings above the perimeter soldier towers require a large mobile crane to maintain and replace neon sections as they fail. The materials, labour, and crane rental cost \$71k per year. These neon lights could be turned off after a noticeable number of tubes fail, thereby saving \$71k per year. The risk of this project is that someone may request the missing lighting features be restored, and the cost to recommission them in the future may be more than \$71k.	<b>N/A</b>
<b>Cage &amp; Count</b>	<b>Western Cage Open Hours</b> Close the Western Cage Between 05:00 - 10:00 (Mon - Fri). CFO Justine Henwood approved on 4/7/12. Service impact to customers - Pit 4, Westend & Riverside patrons would have to travel to Main Cage to cash out or utilise ticket redemption terminals. Project implemented on the 1st of August 2012.	<b>Completed</b> Main Cage opening hours reduced during F12 with little customer impact. Further review conducted as part of rebrand and expansion due to closure of western cage and opening of additional cage in expanded casino.
<b>Security</b>	<b>Operational Labour Review - MSS 1st Round and 2nd Round</b> Labour Review - realignment based on operational requirements and business demand. Saving targets achieved by reducing shifts per week.	Duplicate – as per slide 4



## Outline

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### Status Report and Program Update

#### Crown Melbourne

- Progress to 30 September 2012 –MIP targets and major projects
- Completed projects September

#### Crown Perth

- Completed Projects
- Projects in Progress
- Under Consideration / Formative
  
- Review of Crown Melbourne Initiatives

- Costs review meeting



## A number of actions have arisen following the costs review on 16 October

Action Item	Person	Status
Table Games payroll margin analysis Perth vs Melbourne by Business Unit. Perth margin Sep YTD 30% vs Melbourne 22%. Understand the reasons for the difference and whether an opportunity exists.	AM / Rick Bruce	<ul style="list-style-type: none"> <li>Initial analysis undertaken, more work to follow</li> </ul>
Procurement: <ul style="list-style-type: none"> <li>F&amp;B</li> <li>Hotels</li> <li>PIP follow up in Melbourne re opportunities for leverage in Perth</li> <li>Melbourne visit re PIP learning's; Ben catch up re process alignment, Ariba etc</li> <li>Recommence cross property regular meetings</li> </ul>	AM/ Ben Briggs	<ul style="list-style-type: none"> <li>Underway</li> </ul>
Review Events & Conferences, F&B Finance org charts and structure	AM/BF	<ul style="list-style-type: none"> <li>Pending</li> </ul>
Cross property structure opportunities	KB/MJ	<ul style="list-style-type: none"> <li>Pending</li> </ul>
Review org charts and resource levels across both properties	KB/MJ	<ul style="list-style-type: none"> <li>Pending</li> </ul>



## An number of MIP Additions arise out of the meeting:



Department	Project	Objective	Comments
<b>Cage</b>	Drop Box Collection Process II	Currently all drop boxes are required to be collected every day. Opportunity to seek approval to amend this requirement to every second or third day.	Further investigation required
<b>Cage</b>	Review Cash Holding	Review level of cash holding in Cage and Cage related areas to identify opportunity to reduce these cash holdings.	Pending
<b>General</b>	Organisation chart review	A complete org chart review to determine any opportunities for savings / consolidation.	Pending
<b>Cleaning</b>	Outsource vs internal model	Currently a portion of the cleaning requirements for common areas and operating areas such as the Food court are outsourced. Traditionally we have assessed the preferred cleaning model on a case by case basis but an opportunity exists to review existing cleaning arrangements for the most cost effective and efficient solution.	Ongoing. Will also complete a complex wide review. Union consultation required and may be something we leave until after the next CA negotiation.



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**Next Meeting TBC  
22<sup>nd</sup> November  
11.00am Chairman's Office**