

Crown Sydney Hotel Resort Unsolicited Proposal





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BARANGAROO

CROWN SYDNEY RESORT PROPOSAL

Crown is uniquely positioned to design, construct and manage a world class, six star hotel resort, which incorporates VIP only gaming facilities, at Barangaroo South, Sydney.

No other organisation can deliver the package of measures set out in this proposal, which, when taken together, will ensure Sydney is provided with a world class luxury hotel resort and landmark building on the waterfront at Barangaroo.

While many of the individual elements listed in this proposal are unique to Crown in their own right, Crown is certainly the only company which can deliver the total combination of these elements in one unique package.

Crown has signed an Exclusive Dealing Agreement with Lend Lease Corporation Limited (**Lend Lease**) whereby Crown and Lend Lease will work together on an exclusive basis for a period of up to 24 months to jointly develop the concept plan for the hotel resort. The hotel resort is expected to be located on a site to be agreed with the New South Wales Government on the north west corner of Barangaroo South, adjacent to Sydney Harbour and Barangaroo Central.

The trade union, United Voice (New South Wales Branch), and the National Centre of Indigenous Excellence (**NCIE**) will both be Project Partners in the delivery and operation of the Crown Sydney Resort. Crown has signed a Memorandum of Understanding with both organisations to cover issues relating to employment, training and workforce issues at the Crown Sydney Resort.

The Crown Sydney Resort project will utilise world's best practice design, in order to create an iconic addition to Sydney Harbour. The design of the hotel resort will be sympathetic to the surrounding improvements at Barangaroo South and Barangaroo Central and will create a unique opportunity for tourists to experience the proposed cultural amenities and parklands that are an integral part of Barangaroo. Crown will be working with some of the world's best hotel resort and hospitality designers and will consult with an expert advisory panel to ensure that the Crown Sydney Resort is an iconic addition to Barangaroo and Sydney Harbour.

Crown's record demonstrates that it can deliver a centrepiece for Sydney that will draw millions of visitors. A Crown branded resort at Barangaroo would boost the economy, create thousands of new jobs, contribute significant tax revenues to the New South Wales Government and ensure Sydney remains a first class international tourist destination. A six star Resort on the waterfront at Barangaroo will assist Sydney to compete with the best cities in the world for major international conferences and events.

VIP only gaming facilities at the hotel resort are necessary to provide the commercial underpinning for an iconic and architecturally significant project and for the operation of a world class six star hotel resort. In order to proceed with the construction of the Crown Sydney Resort, Crown will require a casino licence to be issued to operate the VIP only gaming facilities within the hotel resort.

Barangaroo has no comparable project in the Asia Pacific region. This is due to the scale of the project and its unique combination of urban renewal, property development, creation of cultural and entertainment areas, mixed use deployment, creation of large scale passive and active recreational areas in a harbourside CBD location. When completed, more than 23,000 people are expected to live and work at Barangaroo and another 33,000 people are expected to visit every day. Barangaroo is Sydney's last water front site of scale with connectivity to the CBD and harbour side tourism precinct.

Proposal details

i. Objectives of the proposal

1. Build Sydney's first luxury six star hotel resort at Barangaroo

Crown's objective is to build a six star hotel resort at Barangaroo which will be a world class tourist facility, helping Sydney compete with other global destinations and become a landmark attraction for millions of visitors.

The Crown Sydney Resort Project has the support of many leaders in the tourism industry. After Crown and Lend Lease announced their Exclusive Dealing Agreement, Tourism and Transport Chief Executive John Lee stated:

"An international hotel resort will become a focal point of Barangaroo South, attracting visitors from home and abroad. It will also help to activate the precinct, generate tourism spending and create hundreds of jobs.

Sydney needs additional hotel stock and Barangaroo needs a world-class hotel in a prominent location."

Source: TTF Press Release 2 August 2012

The hotel resort is expected to comprise 350 rooms of which 20% will be suites and will incorporate VIP gaming similar to those operating at Crown's resorts in Melbourne and Perth. The VIP only gaming facilities are necessary to provide the commercial underpinning for the development of such an iconic, world class hotel resort.

In order to proceed with the construction of the Crown Sydney Resort, Crown will require a casino licence to be issued to operate the VIP only gaming facilities within the hotel resort.

After Crown and Lend Lease announced their Exclusive Dealing Agreement on 2 August 2012, former Prime Minister Paul Keating issued a statement noting the following:

"There is little doubt that Lend Lease as developer/contractor, along with Crown as hotel designer/operator, could build a hotel of world rank.

'VIP only' gaming should bring revenue to the hotel that hotel-only operators are unable to bring. These revenues can underwrite a premium on the quality and design of the building – the very thing the precinct requires to give it world class status."





“There is little doubt that Lend Lease as developer/contractor, along with Crown as hotel designer/operator, could build a hotel of world rank.”



2. Ensure New South Wales can compete with domestic and international tourist destinations

The global tourism market is fiercely competitive and cities both domestically and around the world are investing heavily in new tourism assets to increase their share of the international visitor market. The Crown Sydney Resort will play an important role in allowing Sydney to compete with many of these destinations.

The Final Report of the Visitor Economy Taskforce commissioned by the New South Wales Government (June 2012) (**Visitor Economy Taskforce Report**) found that New South Wales needs to renew its approach to tourism:

“NSW needs to confront the fact that its destination appeal has waned and it has lost its number one status across a number of measures; it has been outperformed and outspent by competitor destinations in Australia and the Asia-Pacific region over many years and its competitive position has been eroded.”

“While NSW is the number one destination for international and domestic visitors on a range of key criteria, it continues to lose in other areas. This erosion of NSW’s competitive position as an appealing destination for visitors can be clearly seen when measured against four important indicators:

- *share of interstate visitors and expenditure*
- *share of international inbound aircraft seats*
- *share of inbound aircraft seats from the target markets*
- *share of international inbound visitors.”*



Melbourne river front has been transformed by Crown's resort

The report also found New South Wales faces increasingly aggressive competition from other global destinations.

“Potential visitors are now spoiled for choice – across Australia and the world, in destinations, in experiences, in price and in quality. There are major new investments being made to attract visitors into the Middle East, South East Asia, China and the Pacific, as well as domestically, particularly in Victoria. This is giving rise to new experiences in direct competition with NSW’s offerings.

Critically the report finds New South Wales is falling behind other states, particularly Victoria:

“NSW has lost its share of international arrivals to Australia (59 per cent in 2000 down to 51 per cent in 2011) and has only increased its international numbers by 2 per cent during this period. In this same period Victoria has increased its share of international visitors to Australia from 25 per cent to 32 per cent (IVS December 2011).”

Given the New South Wales Government’s desire to attract more inbound tourists and to ensure Sydney remains competitive into the future, the Crown Sydney Resort can become a critical part of the state’s tourism strategy attracting international and interstate visitors.

3. Allow Sydney to compete for international government, business and sporting events

A six star hotel resort on the waterfront at Barangaroo will assist Sydney to compete with the best cities in the world for major international conferences and events.

The Crown Sydney Resort will become a critical asset when New South Wales bids for these events, complementing the state's first class sporting facilities and the new convention and conference facilities being delivered by Infrastructure New South Wales.



4. Assist New South Wales to take advantage of opportunities provided by the boom in outbound tourism from China and Asia

To help attract more tourists to New South Wales, Crown will promote the Crown Sydney Resort by leveraging its global brand and reputation and its international sales team.

Crown undertakes extensive marketing of its Australian integrated resorts throughout Asia and adding the Crown Sydney Resort to the list of destinations Crown markets internationally will help New South Wales take greater advantage of the opportunities provided by the boom in Asian outbound tourism.

As noted in the confidential Allen Consulting Report (August 2012) titled “Crown Sydney Proposal – An Economic Benefit Assessment” (**Allen Consulting Report**):

“The outbound tourism market in China is one of the fastest growing in the world. It increased at a compound annual growth rate of 18.5 per cent between 2000 and 2010, from 10.5 million to 57.4 million people. It is forecast to reach 100 million people and be worth US\$838 billion by 2020, driven primarily by increased wealth and the easing of travel restrictions.

In the past decade China has also shown by far the fastest growth with regard to expenditure on international tourism, multiplying expenditure four times. Expenditure by tourists from China is now third highest in the world, behind Germany and the United States.”

While outbound tourism from China provides major opportunities, the Visitor Economy

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Taskforce Report, noted that New South Wales was losing share of inbound aircraft seats from key target markets including China, South Korea and Malaysia between 2006 and 2011.

“In major international growth markets, like China, NSW is losing its national share of airline seat capacity and as a consequence has lost share of outbound China trips to Australia (BDA 2012). Recently, China has been the only market showing significant growth, passing the USA as the third largest market of inbound visitors to NSW (BDA 2012).”

Given Crown’s proven success in attracting tourists from Asia and Crown’s shareholding in Melco Crown Entertainment Limited (**MCE**), one of Macau’s major integrated resort operators, Crown is in an ideal position to help ensure NSW improves its national share of seat capacity from these growing markets.

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5. Meeting the demands of China's new middle class tourist sector

One of Crown's key visitor strategies for the Crown Sydney Resort will be to target the demands of the growing tourist market from China and Asia. Crown Melbourne and Crown Perth have demonstrated that luxury hotel resorts with VIP gaming facilities are very successful in attracting Asian tourism and this can also work in Sydney.

The Allen Consulting Report noted the following in relation to China's growing middle class consumers:

"The evidence suggests these consumers are attracted to luxury hotels, great restaurants and high-end retail shopping, which is why there is a boom in luxury hotels and goods outlets across China and also in many international tourist destinations which are trying to attract Chinese consumers.

Given the importance of luxury goods and services to China's rising middle class, it is easy to understand why they are attracted to luxury integrated resorts which have unparalleled accommodation, world-class restaurants and high-end retail.

Australia's competitors appreciate the importance of integrated resorts and are acting to take advantage of the opportunity.

The most relevant and successful example of attracting Asian tourists to date has been Singapore, where two new integrated resorts have been developed at a combined cost of approximately S\$14 billion (AU\$13 billion). Singapore's integrated resorts opened in 2010. In response to these facilities, Singapore has seen convincing growth in its share of the international tourism market, while the broader economy also experiences significant benefits. In 2010 tourism revenue increased 49 per cent to S\$18.8 billion dollars with hotel revenue increasing 21.8 per cent to S\$1.9 billion.

Through considerable large scale expansionary projects in Macau and new casinos planned for Vietnam and the Philippines, it is evident these countries have also identified integrated resorts as necessary cornerstones for international tourism growth, particularly from elsewhere in Asia."

The success of Crown's new and upgraded attractions in Melbourne and Perth demonstrates how well Crown understands the demands of Asian tourists. Both integrated resorts now offer accommodation, dining, retail and entertainment facilities which match the best the world has to offer.

Tourism Australia's Managing Director, Andrew McEvoy, recently endorsed Crown's approach, saying:

"Shopping, dining and entertainment are what the Crown complexes are all about and that is what Asian tourists want."

Source: Herald Sun 29 August 2012



6. Increase domestic tourism

The Crown Sydney Resort will play an important role in improving New South Wales' domestic tourism performance by attracting a proportion of Australians, currently travelling overseas on holidays, to visit Sydney instead.

The Visitor Economy Taskforce Report found that:

“The tourism category of discretionary expenditure is holding up well, much of this discretionary expenditure is on outbound travel. The Report found that the challenge for NSW is to encourage Australians to visit NSW more often for leisure, business, education and other purposes.”

The Visitor Economy Taskforce Report noted the progress Victoria has made in the domestic tourism sector.

“Victoria has been competing strongly, and overtaking NSW (and Queensland) in a number of key measures of success in the visitor economy, including:

- **Domestic visitors:** *rated number one for more experiences than NSW, including in shopping, touring holidays, food and wine, festivals, sporting events, arts and culture (BDA 2012)*
- **International conventions:** *Melbourne is currently ahead of Sydney in the International Congress and Convention Association (ICCA) convention city rankings.”*

In Melbourne, Crown has demonstrated the important role it plays in helping Victoria attract a larger share of the domestic tourist market and the Crown Sydney Resort will play a similar role in helping New South Wales.

In Melbourne, Crown has demonstrated the important role it plays in helping Victoria attract a larger share of the domestic tourist market.



7. Help address a major shortage of hotel accommodation in Sydney

A new six star hotel resort will add to the total stock of hotel rooms available in Sydney, helping alleviate the current shortage.

As noted in the Allen Consulting Report:

“The hotel occupancy rate in Sydney is very high by international standards. The occupancy in Sydney for the 2011 December quarter was 86.3 per cent, with average room rates up 4.5 per cent to \$201.54 (TTF 2012a).

A recent report by the Tourism Association of Australia found Sydney needs 150 to 550 new hotel rooms every year or 5,000 rooms by 2020 to meet the demands of the tourism sector (TAA NSW 2012). TTF, the Australian Hotel Association and the Accor Hotel Group have all expressed the need for more quality hotels to be built in Sydney (TTF 2012a). Since the year 2000 only one five star hotel has been built in Sydney (The Darling).

Looking ahead, this shortfall of tourist accommodation, especially in the upscale segment could cost NSW tourism and the NSW economy dearly.

The shortage of hotel rooms and undersupply of tourism infrastructure will constrain Sydney’s international and domestic tourism market growth. Sydney’s hotels performed above high expectations in 2011. While very strong forward outlook, very high level of occupancy and good room rate growth are predicted, high occupancy rate and minimal supply growth are expected to constrain future demand growth (Dransfield 2011).”

This shortage of quality development sites and the underlying economics associated with hotel development when compared to residential or commercial opportunities has resulted in a structural deficiency in hotel accommodation in Sydney which makes it difficult to meet future increases in tourist numbers.

As noted by the Visitor Economy Taskforce Report:



“A doubling of the overnight visitor expenditure by 2020 will demand more visitor accommodation for Sydney’s CBD and Greater Sydney.

Currently, there is limited capacity to promote additional visitation into Sydney. Competitor destinations, such as Melbourne, have implemented a strategy which has ensured that accommodation capacity has stayed ahead of demand.”

The report importantly notes the entrenched structural difficulties deterring investment by hotel resort operators:

“A historical lack of long-term Government planning, alongside the challenges presented by market fundamentals, such as the low return on hotel investment compared to retail and office space, has not helped Sydney present a competitive edge in attracting investment in visitor accommodation.

In particular:

- *land available for hotel development, particularly in Sydney’s CBD, competes with other asset class development opportunities. Land is scarce and, depending upon the economic and property cycle, alternative land uses for accommodation often provide higher immediate returns for private developers and landowners*
- *there has been a loss of existing hotel stock due to hotel closures and conversion to residential units*
- *private investors will overlook investment into new accommodation developments in favour of higher-yield property investments such as residential or commercial office development”*

Jones Lang LaSalle in a 2010 report to the New South Wales Government projected that accommodation supply in Sydney city and metropolitan markets would need to increase in the order of 8,900 rooms over the next ten years, from 32,916 in 2009 to 41,790 in 2020.

Governments have recognised that intervention is needed to mitigate the impact associated with the lack of hotel accommodation as the structural shortfall of quality hotel accommodation will become a limiting factor in tourism growth.



8. Attracting high wealth tourists and VIP gaming players to Sydney

Crown's six star hotel resort for Sydney combined with the attractiveness of Australia's most naturally beautiful city would be a major drawcard for high wealth tourists and VIP gaming players across Asia, in particular China. An iconic, landmark hotel resort on Sydney's beautiful harbour would act as a magnet to many of these visitors.

Sydney is currently missing out on the revenue and economic activity these visitors deliver to other resorts domestically and overseas.

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ii. Unique elements of the proposal

Crown is the only company which can build and operate a world class hotel resort (incorporating VIP only gaming facilities) at Barangaroo. No other organisation can deliver the package of measures set out below, which, when taken together, will ensure Sydney is provided with a new luxury hotel resort and landmark building on the waterfront at Barangaroo.

While many of the individual elements listed below are unique to Crown in their own right, Crown is certainly the only company which can deliver the total combination of these elements in one unique package.

The following factors make the Crown Sydney Resort Project unique:

- **Crown is the only company that has secured a two year exclusive dealing arrangement with Lend Lease in relation to a waterfront site at Barangaroo South (an iconic building on an iconic site).**

Barangaroo is Sydney's last waterfront site of scale with connectivity to the CBD and harbour side tourism precinct. This, coupled with the unique set of cultural amenities and parklands that are planned for Barangaroo, creates a compelling opportunity to create a resort destination of scale that can offer the types of experiences that are highly appealing to both domestic and international tourists.

Crown's Exclusive Dealing Agreement with Lend Lease will ensure that a collaborative approach will be utilised to create a compelling resort offering that is integrated into the most important redevelopment project of this century for Sydney. The Exclusive Dealing Agreement provides Crown with the exclusive right to work with Lend Lease for a period of up to 24 months to create the development plans for the Crown Sydney Resort and reach agreement on certain key milestones for the hotel resort, including obtaining the necessary development approvals for the project.

Crown and Lend Lease will work together to jointly develop the concept plan for the hotel resort which is expected to be located on a site to be agreed with the Barangaroo Delivery Authority (BDA) on the north west corner of Barangaroo South, adjacent to Sydney Harbour and Barangaroo Central.

The Crown Sydney Resort Project will utilise world's best practice design, in order to create an iconic addition to Sydney Harbour. The design of the hotel resort will be sympathetic to the surrounding improvements at Barangaroo South and Barangaroo Central and will create a unique opportunity for tourists to experience the proposed cultural amenities and parklands that are an integral part of Barangaroo. Crown will be working with some of the world's best resort and hospitality designers and will consult with an expert advisory panel to ensure that the Crown Sydney Resort is an iconic addition to Barangaroo and Sydney Harbour.

- **To be commercially successful, the luxury six star hotel resort and VIP gaming facility must be on a high profile waterfront location on Sydney Harbour.**

For a hotel resort in Sydney to be a landmark building that will attract millions of visitors, it must be on a waterfront location on Sydney Harbour. Barangaroo is the only waterfront and harbour side location in the Sydney CBD which will accommodate such a development.

Crown's Exclusive Dealing Agreement with Lend Lease makes Crown the only company in a position to deliver on this essential requirement. The indicative location agreed to by Crown and Lend Lease in the Exclusive Dealing Agreement not only delivers on this essential requirement, it also ensures that the Crown Sydney Resort will have spectacular views of the Sydney Opera House and Sydney Harbour.

After Crown and Lend Lease announced their Exclusive Dealing Agreement on 2 August 2012, former Prime Minister, Paul Keating, issued a statement noting the following:

"There is little doubt that Lend Lease as developer/contractor, along with Crown as hotel designer/operator, could build a hotel of world rank.

'VIP only' gaming should bring revenue to the hotel that hotel-only operators are unable to bring. These revenues can underwrite a premium on the quality and design of the building – the very thing the precinct requires to give it world class status."



- **Crown has a strong balance sheet and strong cash flows.**

Crown is an S&P/ASX 50 company with a market capitalisation of approximately \$6.5 billion. As at 30 June 2012, Crown had total liquidity (as measured by available cash and committed undrawn bank facilities) of \$512.4 million. Subsequent to 30 June, Crown has raised \$300 million through the issue of senior notes in the Australian Medium Term Note market and has completed the book build for an issue of at least \$525 million of subordinated notes to domestic retail and institutional investors. Crown's total committed and undrawn liquidity following the completion of these transactions will be approximately \$1.3 billion. A process to refinance and replace maturing bank debt has also commenced.

As a result, Crown believes it has access to sufficient financial resources, either in existing facilities or through potential new facilities, to finance the Crown Sydney Resort project.

Crown is an S&P/ASX
50 company with a
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of approximately
\$6.5 billion.



- **Crown has an unrivalled record in securing visitation from Asian high wealth tourists and VIP gaming players to Australian integrated resorts.**

Since the establishment of Crown's business in Melbourne in 1994 and, particularly, since commencing operations at the current Crown Melbourne site in 1997, Crown has maintained a commitment to attracting and hosting the most discerning of international high wealth visitors or VIP players. Long before Macau opened its doors to international casino operators and many years prior to the integrated resorts in Singapore, Crown had established an industry wide reputation for quality and for service, which have been the cornerstones of Crown's success for many years. Prior to the opening of the new integrated resorts in Macau, during a time when Las Vegas was recognised as the epicentre of the global gaming industry, Crown Melbourne enjoyed the largest single site international VIP gaming operation of any casino world-wide.

Crown's success is based on a formula of high quality assets, dedicated people, integrity, discretion and an unflinching commitment to the best possible customer service and attention to detail. This is all supported by an extensive and experienced sales network spread across the length and breadth of Asia.

The strength of the Crown model was demonstrated following the acquisition in 2004 of the Crown Perth (formerly known as Burswood Entertainment Complex), where rapid growth in VIP gaming player activity was achieved following many years of stagnant results under the previous management.

During this time, the VIP operations at Crown Melbourne expanded significantly, proving Crown's ability to expand and improve one resort without negatively impacting the other. It was also applied successfully to 'kick-start' operations in Macau under the Melco Crown joint venture and more recently to the UK following the acquisition of the Aspinall's Club in Mayfair, London. All operations have benefited greatly from the application of the Crown "DNA" and model.

It is also the quality of the Crown customer experience that has allowed Crown to continue to grow despite increasing regional competition for the Asian VIP gaming player. While some regional operators have struggled to maintain relevance and to compete with the developments in Macau, Singapore and elsewhere, Crown's strength, as well as its strategic flexibility in an ever evolving market, has allowed it to continue to strongly grow its VIP gaming business.

Crown has enjoyed a dominant market share of the Australian VIP gaming segment since Crown's beginning. Other domestic casino operators (Echo Entertainment Group (Echo) and SkyCity Entertainment Group) have attempted to carve out their own share of this market, with limited success. In fact, Echo (under previous ownership) has withdrawn from this market at various points in its own history.

Crown's domestic competitors tend to employ discounting strategies in their attempt to erode Crown's dominant market share. Crown has been able to defend against these tactics, despite the relative pricing disadvantage, by staying true to Crown's commitment to an exceptional customer experience. Crown delivers on this by leveraging those characteristics that set Crown apart, including the quality of the Crown properties and the gaming, dining, accommodation and relaxation opportunities they provide, the commitment to service instilled in Crown's employees and the strength of the relationships Crown has developed with its customers over many years. These attributes have built Crown a loyal Asian customer base and a reputation that is the envy of its competitors.

Crown estimates that its Australian integrated resorts account for around 75% of international VIP gaming activity attracted to Australia.

No other company domestically or internationally has had the experience or success in bringing high worth tourists / VIP players to Australian integrated resorts, a critical element in making the Crown Sydney Resort project a success.

- **Crown has a proven track record of having designed, constructed and operated the most successful group of luxury integrated resorts in Australia.**

Crown has extensive experience in the construction and operation of world class integrated resorts. Crown owns and operates two of Australia's leading integrated resorts, Crown Melbourne and Crown Perth. As well, through a joint venture in Macau, Crown played a leading role in the development of Altira Macau (previously Crown Macau) and City of Dreams and will have significant input into the design and development of Studio City.

Crown is widely acknowledged as the best operator of integrated resorts in Australia. Both Crown Melbourne and Crown Perth continue to perform well despite the softening consumer economy. Crown's contribution extends beyond the operation of these two properties as businesses. Crown provides significant investment in tourism infrastructure, extensive employee training, considerable tax revenues for the relevant governments and makes an invaluable contribution to Australia's tourism offering.



- **Crown will establish a dedicated training facility for the Crown Sydney Resort.**

Crown has an outstanding record in staff training at both its Melbourne and Perth resorts and in Sydney it will invest heavily in training as well.

Crown Melbourne has developed a purpose built \$10 million dollar training facility, which has trained over 10,000 employees in the last 13 years. Currently, more than 1,000 employees, representing over 15% of the workforce are obtaining an accredited qualification. Crown has also graduated over 4,300 apprentices and trainees.

In Sydney, Crown will establish a dedicated training facility, to ensure job seekers and Crown's employees receive the skills and qualifications to meet the highest standards of the company.

Given the high turnover in hospitality staff, Crown's investment and commitment to training will benefit the sector generally and help meet Sydney's overall shortfall in hotel and hospitality staff.



Crown has an outstanding record in staff training at both its Melbourne and Perth resorts and in Sydney it will invest heavily in training as well.

- **Crown has entered into an exclusive Memorandum of Understanding (UV MOU) with the trade union, United Voice – New South Wales Branch, covering the Crown Sydney Resort.**

From its experience in running luxury hotel resorts, Crown believes that in order to deliver six star service, a happy and harmonious workforce is needed. A positive relationship with Crown's employees and unions has been critical to Crown's success over the years.

United Voice - New South Wales Branch has agreed with Crown to become a Project Partner in the Crown Sydney Resort project and has entered the UV MOU (attached as appendix). As a Project Partner Crown will consult and work with United Voice to deliver the project and to develop workforce planning and training.

The UV MOU will play a major role in ensuring employees at the Crown Sydney Resort have their workplace rights respected and protected while at the same time giving Crown the stability and commercial certainty needed to make the Crown Sydney Resort project a success.

“As a Project Partner, United Voice will work with Crown on issues relating to employment, training and workforce development for the operation of the Resort. It's a win for workers and a win for Sydney.”

Mark Boyd
NSW Branch Secretary, United Voice



- **Crown has signed an exclusive Memorandum of Understanding (NCIE MOU) with the National Centre of Indigenous Excellence (NCIE) in Redfern to provide a training facility for the Crown Sydney Resort's Indigenous workforce.**

The NCIE has agreed to be a Project Partner for the Crown Sydney Resort and to work with Crown to deliver training, mentoring and support for the hotel resort's Indigenous workforce (attached as appendix).

Since its opening in 2010, the NCIE has been one of the most successful not for profit facilities in the country with over 10,000 Indigenous youth attending training, courses and events at the campus. The NCIE is having a national impact, with other states and territories looking to emulate the facility. It has been an important driver of social change in the Redfern community through programs and world class sporting and cultural facilities.

The NCIE currently has a commercial kitchen, dining facilities, class rooms and dormitories that will be used by Crown to train and mentor Indigenous job seekers from across Sydney, New South Wales and Australia. In this sense, the partnership is unique.

Crown has been a leader in the Indigenous employment sector. Most recently, Crown's Indigenous program was recognised when it was the recipient of the 2012 Australian Business Award for Community Contribution in its industry classification.



“The NCIE is dedicated to providing young Aboriginal and Torres Strait Islander Australians with the opportunity to work in the hospitality industry, building successful careers that can take them anywhere in the world. Together with Crown, we’re building career pathways for the next generation of Indigenous Australians.”

Jason Glanville
CEO, NCIE



NATIONAL CENTRE OF
INDIGENOUS EXCELLENCE

The Award notes Crown’s work in the area:

“Crown Limited’s Aboriginal Employment & Business Strategy is based around principles of sustainable employment, broadened workforce diversity, increased cultural awareness among employees, enhanced community and network relationships. Their recruitment practices are based on understanding Aboriginal traditions and preferences and include employing Aboriginal Employment Coordinators, specialist Aboriginal recruitment training for recruitment staff and managers, plus establishing a presence in Aboriginal communities.

Working with Aboriginal candidates includes job-matching and diagnostic programs with each candidate (that can last for months), to identify appropriate positions and training. Continued support for Aboriginal employees includes one-on-one training and contact with Aboriginal organisations such as the Victorian Aboriginal Health Service in Melbourne, and in Perth the Champion Centre, Aboriginal Driver Training Program.

Crown adapted their usual operations to make this program a success by operating predominantly within the Aboriginal communities and building strong ties with like-minded organisations. The success of this program has seen a marked increase in employment of Aboriginal people throughout the business, promotion and support of Aboriginal culture and a wider feeling of welcome for Aboriginal customers and suppliers.”

The commitment of the NCIE to excellence matches the commitment of Crown and this exclusive partnership is unique in the commercial sector.

- **Crown is a world leader in responsible gambling initiatives.**

As a provider of world class integrated resorts offering gaming and entertainment facilities, Crown is committed to providing gaming services to patrons in a responsible manner. Crown is a leader in the development and implementation of initiatives that support responsible gaming.

Crown's ongoing dedication is illustrated by the significant resources committed to promoting responsible gaming and providing assistance to patrons who may be experiencing difficulty with their gaming behaviours at the Crown Melbourne and Crown Perth. Crown's responsible gaming initiatives implemented to date include:

- **Board Committee:** The establishment by the Crown Board of a Board Committee to oversee responsible gaming is a testament to Crown's commitment to responsible gaming. Chaired by Crown Director, Professor John Horvath, the Responsible Gaming Committee meets regularly to review and monitor Crown's responsible gaming programs, the effectiveness of those programs and promote awareness of responsible gaming issues.

Professor Horvath was the Australian Government Chief Medical Officer from 2003 to 2009. He is currently continuing to advise the Commonwealth Department of Health & Ageing and the School of Medicine, University of Sydney, and holds the position of Honorary Professor of Medicine.

- **Staff training and education at all levels:** Training and education is the cornerstone of Crown's responsible gaming program. At both Crown Melbourne and Crown Perth, staff undergo training that begins during induction and continues throughout their career at Crown. All staff are trained in the steps to take to ensure that players exhibiting behaviours of concern are referred to the Responsible Gaming Support Centre, or one of Crown's Responsible Gaming Liaison Officers.
- **On-site Responsible Gaming Support Centre:** Crown Melbourne's Responsible Gaming Support Centre was the first on-site support service offered at any venue in the world. It offers counselling services 24 hours a day, 7 days a week, as well as providing problem gambling information brochures and contact details in languages other than English.
- **Responsible Gaming Liaison Officer:** Trained counsellors at both Crown Melbourne and Crown Perth who interact with customers on the floor are available 24 hours per day 7 days a week.
- **Play Safe Loss Limit Program:** Crown's voluntary loss limit system, Playsafe, has been in operation at Crown Melbourne since 2002 and Crown Perth since 2010. This option is available to all loyalty club members who play gaming machine and fully automated table games and provides players the option to select their own expenditure/time limits. If a limit is exceeded, the member is notified at the machine and no longer earns loyalty points – providing the opportunity for interaction with staff.

- **Self-Exclusion Program:** Self-exclusion is a legally binding process, allowing a customer to ban themselves from entering or remaining on the gaming floor at Crown Melbourne or Crown Perth.
- **Responsible Gaming Code of Conduct:** Introduced in 2009, Crown's Responsible Gaming Codes of Conduct are readily available at many points on and around the gaming floors at both Crown Melbourne and Crown Perth. The documents are regularly reviewed by the relevant regulators and specific to each property.
- **Chaplaincy Services:** A non-denominational chaplaincy service is available at Crown Melbourne, offering a counselling style support to players who seek it.

As a provider of world class integrated resorts offering gaming and entertainment facilities, Crown is committed to providing gaming services to patrons in a responsible manner.

- **Crown has a proven track record of securing widespread local community support for its integrated resorts.**

Crown Melbourne is a key driver of tourism within Australia, particularly in Victoria, attracting around 18 million visitors annually and is the most visited tourist attraction in Victoria.

Crown Melbourne responds and provides assistance, donations and support to a broad range of community needs. By way of example support was provided to four organisations in 2011 namely Red Cross 2011 Victorian Floods Appeal, Salvation Army Queensland Disaster Relief Appeal, The Alannah and Madeline Foundation and KOALA Foundation (Kids Oncology And Leukaemia Action Foundation).



The Palladium at Crown is the host of some of Australia's most notable industry events including the annual TV Week Logie Awards, the Cricket Australia Allan Border Medal, the AFL Brownlow Medal and the Australian Masters Golf Gala Dinner. During the spring racing carnival, the Palladium is home to a number of Victoria Racing Club's Spring Carnival events including the Oaks Club Ladies Lunch and the Call of the Card. In conjunction with the Victoria Racing Club and its official partners, Crown Melbourne has hosted a 'live site' at Southbank during the Melbourne Cup Carnival. An estimated 80,000 people enjoy live entertainment, big screen racing action, giveaways and the riverbank Carnival Bar.

Crown has invested heavily in the conferencing market with the newly developed multi-million dollar Crown Conference Centre in Melbourne playing host to some of Australia's leading businesses including the Intel Summit 2011, Tertiary Education Management Conferences, CIPSA Conference, Cook Medical Conferences, the AGES Annual Scientific Meeting 2011, Telstra, NAB, Genesys Wealth, Intel, Foster's, IATA and Steadfast.

Crown Melbourne provides high quality free public events to the community which include the Christmas show in the Atrium, Chinese New Year Show, the food stall markets at the end of Chinese New Year, the Spring Carnival site, the gas flares on the promenade etc.

Similarly, Crown Perth is one of the major tourist attractions in Western Australia, attracting around seven million visitors annually. Crown Perth recognises the important role it plays in the Western Australian community and through a range of community partnerships, sponsorships and employee initiatives, demonstrates its commitment to local charity and industry groups.

In 2011, Crown Perth worked with more than 20 local charity groups, including Channel Seven Telethon weekend pledging a donation of \$1 million to support child health causes, hosted a gala fundraising dinner that raised \$420,000 for the Starlight Children's Foundation, was involved with Foodbank Western Australia, The Salvation Army Flood Relief Appeal including a Flood Relief Concert held at Crown Perth Theatre, Crown Perth employees participated in the Ronald McDonald House 'Make A Meal' program and Crown Perth also sponsored the annual WA Police Officer of the Year Awards.

Crown Perth is also recognised as one of Australia's leading meetings and events venues. Major convention events hosted at Crown Perth have included the Australian Primary Principals Association Conference, Rio Tinto Annual General Meeting, Western Australian Primary Principals Association Conference, WASSRA Conference and the AMEC Conference.

Sponsorships and partnerships play a significant role in Crown Perth's support for local businesses and organisations including being host-sponsor of the Western Australian & Qantas Australian National Tourism Awards, host venue for the WA Fashion Awards in conjunction with the Perth Fashion Festival and naming rights sponsor of Crown Perth International Race Day as part of the Summer racing carnival.

iii. Method of approach

As described in this document.

iv. Nature and extent of anticipated outcomes

Crown will deliver a world-class, six star hotel resort under the “Crown Sydney” brand at Barangaroo South on Sydney Harbour. Crown’s vision is to construct one of the best hotel resorts in the world, which will attract international tourists, particularly from Asia.

The hotel resort will be iconic in nature and will convey a sense of glamour and architectural significance, taking advantage of its spectacular location on the Sydney Harbour foreshore.

Subject to negotiations with Lend Lease and the BDA, Crown currently envisions the hotel resort will comprise:

- 350 rooms of which 20% will be suites
- Two signature fine dining restaurants plus a three meal per day restaurant
- Luxury retail
- A spa and beauty salon
- An executive lounge and meeting facilities
- A resort style pool and amenity deck

The hotel resort will also incorporate VIP only gaming facilities, similar to the VIP gaming facilities operated at Crown’s resorts in Melbourne and Perth. The VIP only gaming facilities are necessary to provide the commercial underpinning for the development.

Any proposal to incorporate a residential component in the Crown Sydney Resort project would require the consent of Lend Lease and the BDA.

In order to proceed with the construction of the Crown Sydney Resort, Crown will require a casino licence to be issued to operate the VIP only gaming facilities within the hotel resort.



v. Benefits the proposal will bring to the State

1. Gross State Product

New South Wales will benefit greatly from increased economic activity both during construction and once the hotel resort is operational.

The Allen Consulting Report outlines the economic benefits the Crown Sydney Resort Project will bring for New South Wales:

“The initial effect on NSW Gross State Product (i.e. total economic activity in NSW) is projected to be around \$60 million per year during the construction phase.”

“The very large impacts on NSW GSP occur when the complex is operational. From 2018 onwards, GSP is higher by \$300-\$440 million per year. This results from the spending by visitors to the complex, especially international visitors, and the consequent flow-on effects to other industries in the state.”

2. Jobs for New South Wales

Over 14,400 Australians come to work at Crown’s Australian integrated resorts. Crown Melbourne is Australia’s largest single site employer and Crown Perth is Western Australia’s largest single site employer. The Crown Sydney Resort will also make a significant contribution to direct and indirect employment for the people of New South Wales.

The Allen Consulting Report found:

“Employment is estimated to increase by around 1,400 jobs from 2018.

These are not just the jobs at Crown Sydney, but in many industries throughout the state.

Measuring employment using direct and multiplier effects

An alternative method of estimating employment impacts from the construction and operation phases takes into account direct and multiplier effects:

- *The construction of the Crown Sydney project is expected to create an average of 650 on-site construction jobs – this is direct effect. The industry norm is that for every on-site construction job, there is an incremental job from a related service provider off-site e.g. architects, designers, work being manufactured in off-site facilities – the multiplier effect. This equates to total average construction employment of 1,300 per annum over the construction phase.*
- *When the complex is fully operational, Crown expects to employ about 1,250 people. The American Gaming Association (2012) estimated that every job in the gaming industry creates an additional 1.34 jobs in other sectors of the economy, corresponding to an employment multiplier of 2.34. The annual employment impact during the operational phase would under these circumstances be 2,925.”*

3. Business investment

The Crown Sydney Resort will boost business investment significantly right throughout the New South Wales economy, during both construction period and the operational period.

“The integrated resort complex is projected to lead to significant and ongoing increases in business investment, such as spending on equipment and buildings. Increases in business investment (not just Crown’s investment, but throughout the economy) are observed throughout the modelling period, from 2015 onwards till 2027.

During the construction phase, investment in the NSW economy increases, relative to the baseline, by over \$200 million per year. Importantly, this boost to investment continues even after the complex has been built, as the ongoing positive impact on the NSW economy leads to further increases to investment, of between \$140 million and \$200 million every year. This is the critical feature of the economic impact of the complex — it has an ongoing positive effect on the NSW economy.”

Source: Allen Consulting Report

4. Export income

Expenditure on domestically produced goods and services by international visitors is considered export income by economists and the Australian Bureau of Statistics.

The Crown Sydney Resort will significantly boost New South Wales export income as a result of additional international visitors to New South Wales.

“A very notable feature of the complex’s economic effects is that, once operational, the complex will generate significant additional exports from NSW, of around \$400 million per year.”

Source: Allen Consulting Report

5. Tourism infrastructure and hotel beds

The Crown Sydney Resort at Barangaroo will be an architectural landmark on Sydney Harbour which will attract millions of visitors. It will become a Sydney icon, which will increase New South Wales’ tourist appeal both domestically and internationally.

The hotel resort will also help alleviate the shortage of available premium hotel rooms in Sydney.

As noted above in the Objectives, there is an urgent need to provide new tourism infrastructure and more premium accommodation supply.

The Visitor Economy Taskforce Report highlights the extent of the problem:

“NSW Visitor accommodation in Sydney is a critical infrastructure need. Sydney has one of the highest average annual hotel occupancy rates, at over 80 per cent, of any capital city in Australia. This means that, frequently throughout the year, there are insufficient rooms available to meet demand.

As occupancy levels have reached this level, hotel room rates have risen, putting more pressure on the ‘value-for-money’ equation that is now often a strong part of the decision to visit a destination or stage an event here.”

6. Allowing Sydney to attract more international government, business and sporting events

A six star hotel resort on the waterfront at Barangaroo will assist Sydney to compete with the best cities in the world for major international conferences and events.

The Crown Sydney Resort will become a critical asset when New South Wales bids for these events, complimenting the new convention and conference facilities being delivered by Infrastructure New South Wales.

7. The Crown Sydney Resort will support local charity and community events

Just as Crown Melbourne and Crown Perth support local charities and community events with financial support and sponsorships, particularly in the nature of subsidised functions in the Crown Melbourne and Crown Perth meeting and function rooms, it is envisaged that the Crown Sydney Resort will support a similar array of New South Wales and Sydney based community events and charities by providing financial support and sponsorships. The Crown Sydney Resort will include a number of function rooms and meeting spaces which can be offered on a subsidised basis. In addition, the Crown Sydney Resort would seek to establish its profile in Sydney by sponsoring key charitable, sporting, arts and education organisations.

The Crown Sydney Resort will significantly boost New South Wales export income as a result of additional international visitors to New South Wales.

8. Tax revenue

Gaming regulation, including taxation, is managed on a state by state basis. Each state in Australia has its own regime for taxation of gaming. While the taxation regime varies across each state, typically gaming is taxed based on a percentage of gaming revenue (the net amount of bets placed less prizes paid). The Crown Sydney Resort project will generate additional VIP gaming revenue for New South Wales which, it is expected, will be subject to a gaming tax levied by the State. Based on Crown's experience in other jurisdictions this gaming tax revenue for New South Wales is likely to provide a substantial contribution to the state budget.

In relation to the anticipated gaming taxation revenue to the State, it should be noted that the project incorporates VIP only gaming facilities. That is, the typical publicly accessible main gaming floor business which constitutes the balance of the gaming revenue generated at both Crown Melbourne and Crown Perth will not be included in this project. As a result, the total gaming revenue generated by the hotel resort will be lower than that experienced at other Crown properties which are not limited to only VIP gaming activities.

Crown has invested heavily in its infrastructure and its employees to ensure that its Australian integrated resorts are of major appeal to the rising number of Asian middle class tourists.

9. Crown will attract more Chinese and Asian visitors to Sydney

Crown's Melbourne and Perth resorts have demonstrated their strength in attracting a large proportion of outbound tourists from China and other parts of Asia. Crown has invested heavily in both its infrastructure and its employees to ensure that its Australian integrated resorts are of major appeal to the rising number of Asian middle class tourists.

Crown's strong brand recognition in Asia and its detailed understanding of the desires of Asian tourists will help ensure that the Crown Sydney Resort also attracts a growing share of visitors to New South Wales.

Given the growing importance of Asian tourists to Australia, the Visitor Economy Taskforce Report found there is a major need for New South Wales tourism operators to start catering to their tastes:

"The preferences of visitors from these Eastern markets are different from the traditional markets in terms of the experiences and destinations being sought, as well as their spending and travel patterns. Understanding, meeting and exceeding the expectations of these visitors, while maintaining and growing NSW's share of the traditional inbound markets, will be essential if the 2020 target is to be reached. Resource allocation must be directed to target the growth outlooks of the respective markets."

10. Increase visitor spend

The Crown Sydney Resort will also help increase Sydney's overnight visitor expenditure, with studies showing that visitors to luxury integrated resorts have a much higher per capita spend than other tourists.

"In a submission to the Productivity Commission's Inquiry into Gambling, the Tourism & Transport Forum highlighted the significant contribution by integrated resorts in Australia in 2008:

Casino visiting tourists spend approximately \$4,941 per person compared to \$2,628 per non-casino visiting tourists"

Source: Allen Consulting Report

The Visitor Economy Taskforce Report argues that it is critical that New South Wales look at strategies to increase visitor spend;

"NSW requires growth not only in visitor numbers but also in visitor spend. High-spending, particularly high-yield international visitors, predominantly from China, have been identified in this Plan as a key target market and represents a significant opportunity to increase overnight visitor expenditure. Achieving the target requires growth in both international visitor numbers and nights stayed. NSW needs appropriately targeted strategies to tailor products and experiences that meet the demands of high-yield visitors."

11. Training and model employer

Sydney will benefit from Crown's experience and industry leadership on the employment and training front.

Crown invests heavily in staff training at its resorts in both Melbourne and Perth and it would do so in Sydney as well.

Crown has developed a purpose built \$10 million dollar training facility in Melbourne, which has trained over 10,000 employees in the last 13 years. Currently, more than 1,000 employees, representing over 15% of the workforce are obtaining an accredited qualification. Crown has also graduated over 4,300 apprentices and trainees.

Given the high turnover in hospitality staff, Crown's investment and commitment to training will benefit the sector generally and help meet Sydney's overall shortfall in hotel and hospitality staff.

The Visitor Economy Taskforce Report noted the following:

"There is a need to increase the number and skills of Australian residents in order to fill the gap in demand for labour in the visitor economy.

A lack of post-school qualifications significantly restricts career progression and earning potential for workers in the visitor economy. This results in difficulties in sourcing and retaining staff. The uptake of Certificate II and III programs in hospitality in NSW has reduced significantly, partially as a result of the removal of incentives for traineeships in these areas by the Commonwealth Government and State Governments."



12. Indigenous employment

The Crown Sydney Resort will make long-term jobs for Indigenous Australians a centrepiece of Crown's employment strategy.

- Crown currently provides one of the most developed and successful Indigenous training and employment programs in the country.
- In September 2009, Crown was the first signatory to the Aboriginal Employment Covenant and was the first company in Australia to provide employment opportunities under the program. Crown's commitment at the time was to make 300 jobs available to aboriginal people. More recently Crown has committed to providing 2,000 jobs to aboriginal people over the next ten years.
- In 2010, Crown's efforts in Indigenous employment were recognised with the National Diversity at Work Award and, more recently, Crown was named the Australian Business Award Winner for Community Contribution 2012 in recognition of Crown's employment and inclusion of Indigenous Australians.
- Crown's commitment to addressing the retention of Indigenous workers is exemplified in the recently announced creation of a Workforce Participation Unit at Crown Perth dedicated to developing support for both the participants of the program and the business areas.
- Leadership support, close relationships with the aboriginal community and government agencies, a four week job readiness program, individual and group support and dedicated internal resources are the key factors that have made Crown's Aboriginal Employment Program a success.
- This model will be replicated for the Crown Sydney Resort. Crown has signed the NCIE MOU with the NCIE in Redfern to provide a training facility for the Crown Sydney Resort's Indigenous workforce.



"It is probably one of the biggest steps in the last twenty years in Redfern"

Sol Bellear
Board Member, NCIE

13. The benefits of additional VIP Customers for Sydney

VIP gaming customers deliver significant revenue which then allows Crown to cross subsidise the operations of other parts of the hotel resort such as the building design, the hotel rooms, the restaurants and leisure facilities. Without VIP only gaming facilities, the hotel resort would not be commercially viable.

The Allen Consulting Report described the benefits of VIP gaming customers:

“The value of VIP casino gaming customers to the Australian economy can be summarised as:

- The VIP Casino business in Australia is estimated to be worth \$1 billion in FY 2012 and it also generates additional significant high tourism on-spend.*
- The VIP business supports Australian integrated resorts in investing in additional non-gaming infrastructure, including new and upgraded hotels, convention and conference facilities, theatres, cinemas, restaurants and retail outlets etc, which results in further tourism on-spend.*

The Australian VIP business mainly consists of high-value players, predominantly from Asia, and more specifically from mainland China and Hong Kong. There is an estimated 30 million Chinese patrons in the VIP gambling market.

In 2011/12 the international VIP business in Australia is estimated to be worth \$1 billion (prior to including the value of the tourism on-spend). Proceeds generated in VIP rooms enable casinos to further invest in tourism infrastructure, including world-class hotels, convention and conference facilities, theatres, cinemas, restaurants and retail outlets, which results in further tourism on-spend. Currently the casino industry is in the process of spending over \$4.6 billion on redeveloping and building new tourism infrastructure. Of equal importance is the fact that 35 per cent of all revenue earned in Australian casinos returns to the community through taxes paid to the three levels of government.

Despite Australia’s geographic isolation, Australian casinos currently attract about 3 per cent of the highly competitive international VIP gaming business. Looking to replicate Singapore’s and Macau’s success, competition for this market is increasing with new integrated resorts opening in the Philippines and Vietnam, and possibly Japan and Taiwan.

When VIP customers come to Australia they visit for five to seven days (a much longer stay than for local and interstate customers) and are mostly accompanied by family or friends who participate in a range of other tourism activities beneficial to the economy, such as shopping, visiting major tourist attractions and other destinations apart from the city in which they are staying.

It has also been known for these influential and highly regarded business people's contribution to develop beyond tourism expenditure into investment in Australian businesses.

State and territory regulators recognise the importance of the high-roller business and Australia's place within a global market. For that reason state and territory governments have responded with a different taxation scheme for the VIP business, setting rates, which are competitive with Las Vegas and the Asian markets.

There can be no doubt that competition is increasing in the worldwide VIP business. Singapore's casinos offer a lower tax rate on VIP gaming than Australia and the Singapore government is focused on targeting high value players for Marina Bay Sands and Resorts World Sentosa – Singapore's two integrated resorts."



“The VIP Casino business in Australia is estimated to be worth \$1 billion in FY 2012 and it also generates additional significant high tourism on-spend.”

Source: The Allen Consulting Report (August 2012)

Financial and commercial details

Crown is an S&P/ASX 50 company with a market capitalisation of approximately \$6.5 billion. As at 30 June 2012, Crown had total liquidity (as measured by available cash and committed undrawn bank facilities) of \$512.4 million. Subsequent to 30 June 2012, Crown has raised \$300 million through the issue of senior notes in the Australian Medium Term Note market and has completed the book build for an issue of at least \$525 million of subordinated notes to domestic retail and institutional investors. Crown's total committed and undrawn liquidity following the completion of these transactions will be approximately \$1.3 billion. A process to refinance and replace maturing bank debt has also commenced. As a result, Crown believes it has access to sufficient financial resources, either in existing facilities or through potential new facilities, to finance the Crown Sydney Resort project.

Crown has an exclusive right to negotiate with Lend Lease to develop the Crown Sydney Resort on the Barangaroo South site, over which Lend Lease is the exclusive developer.

Crown intends negotiating with Lend Lease and the BDA to agree the financial and commercial details of the Crown Sydney Resort, including the costs of construction and operation and the price and terms on which Crown (or its nominee) would acquire that part of the Barangaroo South site on which the Crown Sydney Resort is to be located.

Crown expects that the total cost of the Crown Sydney Resort will be up to \$1 billion, depending upon the final scale and configuration of the project. Crown also intends exploring the option of having other parties co-invest in the project.

The financial details of the Crown Sydney Resort Project will need to be negotiated and agreed as part of Stage 2 and Stage 3 of the Unsolicited Proposal process.

Costs to Government

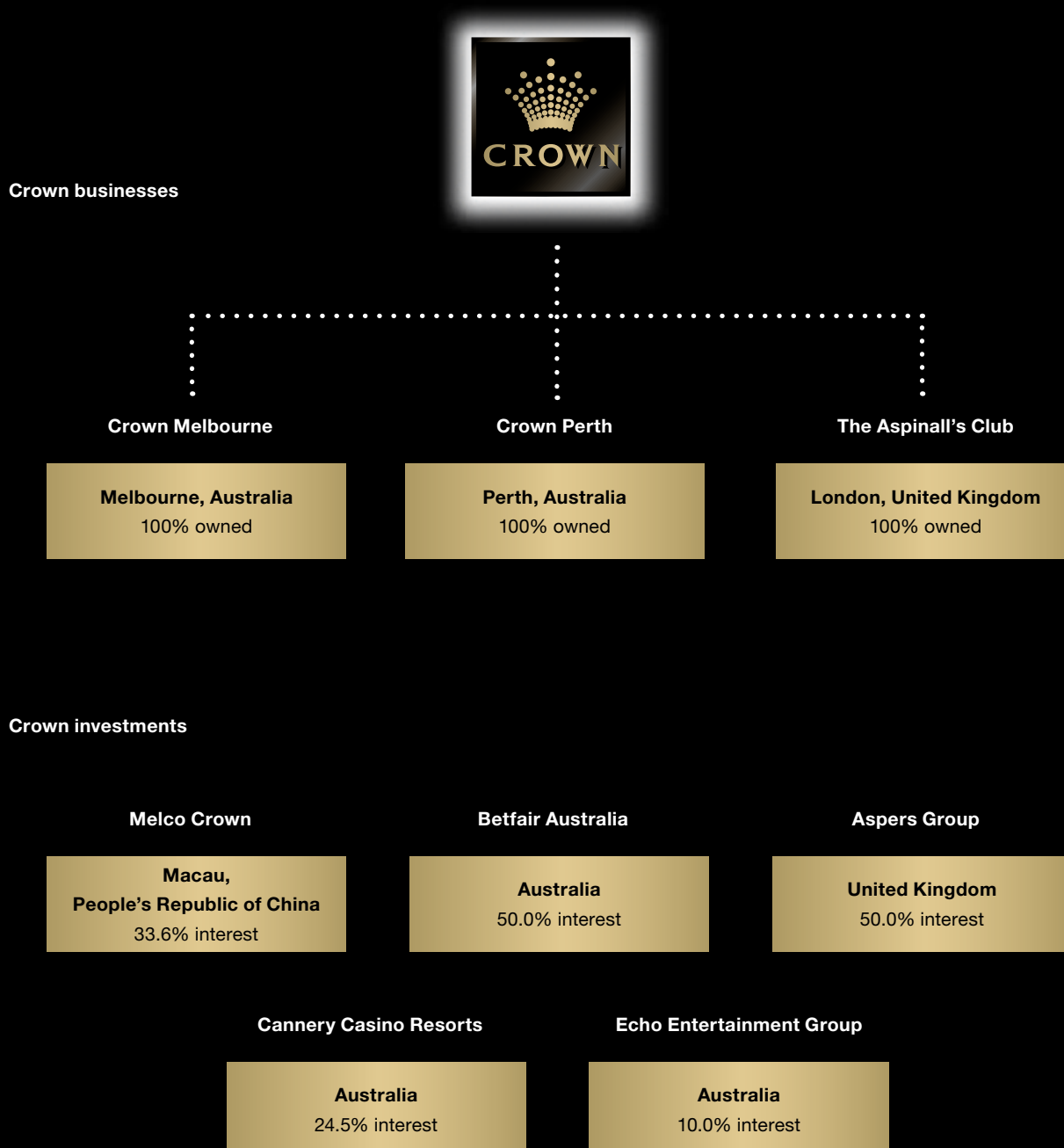
Crown does not anticipate any direct costs to the New South Wales Government arising from this project. However, it should be noted that:

- The BDA will incur costs in carrying out its functions in overseeing the development of the Barangaroo site. Such costs would have presumably been incurred whether or not the Crown Sydney Resort Project proceeds.
- The operation of VIP only gaming facilities at the Crown Sydney Resort may necessitate the New South Wales gaming regulator, the Independent Liquor and Gaming Authority (ILGA), having to engage additional staff, most likely additional inspectors and auditors, to carry out ILGA's functions in respect of the new VIP casino. Crown would anticipate the additional resources potentially required by ILGA would carry an additional annual cost of no more than \$500,000. This is likely to be more than offset by additional gaming taxes payable by the Crown Sydney Resort's VIP only gaming operation.
- The New South Wales Government will presumably incur some costs in assessing this proposal.

Organisation

i. Our organisation

Crown is one of Australia's largest entertainment groups. It has businesses and investments in the integrated resort and entertainment sectors in Australia and Macau and wholly-owns and operates a high-end casino in London. Crown is an S&P/ASX 50 company and listed on the ASX with a market capitalisation of approximately \$6.5 billion. In the financial year ended 30 June 2012, Crown generated revenue of \$2,809 million and Statutory Profit of \$513.3 million.



ii. Previous experience in delivery of similar project

Crown has extensive experience in the construction and operation of world class integrated resorts. Crown owns and operates two of Australia's leading integrated resorts, Crown Melbourne and Crown Perth. Through a joint venture in Macau, Crown played a leading role in the development of the Altira Macau (previously Crown Macau) and City of Dreams facilities and will have significant input into the design and development of Studio City.

Crown Melbourne

Crown Melbourne opened in 1997 – an unprecedented \$2.0 billion development, which included the luxurious five star, award winning Crown Towers hotel, world class gaming facilities, the Palladium Ballroom (Melbourne's largest), a 900-seat theatre, a cinema and entertainment complex, nightclubs, a number of restaurants and bars and high-end retail.

Crown invested a further \$150 million in the construction of Crown Promenade, a four star, 465-room hotel which opened in 2003. This offering, targeted at corporate travellers, included a state-of-the-art conference centre and extensive leisure facilities.

Crown invested a further \$370 million in the construction of the five star Crown Metropol hotel and complementary Crown Conference Centre. Crown Metropol, Australia's largest hotel, consisting of 658 rooms, opened in 2010.

As part of the ongoing significant capital expenditure program aimed at ensuring Crown Melbourne remains one of the world's leading integrated resorts, complex-wide refurbishment and expansions have been undertaken and include:

- Extensive refurbishment of existing hotels, resulting in Crown Towers being awarded Australia's 'Best large luxury hotel 2012'¹
- Significant upgrade to the VIP salons and villas resulting in Crown being awarded the '2012 VIP Gaming Room of the Year'²
- Extension and refurbishment of the premium gaming offering the Mahogany Room and Club 23
- Development of the West End – a 15,000 sqm, all-encompassing entertainment precinct including a number of restaurants, bars and gaming options
- Ongoing floor wide refurbishment of the main gaming floor

¹Awarded as part of the Reader's Choice Gourmet Traveller 2012 Travel Awards.

²Awarded at the International Gaming Awards 2012.

The scale and quality of the capital expenditure program undertaken has cemented Crown Melbourne's reputation as a world class integrated resort. As one of Australia's most visited tourist destinations, both the Victorian and Australian tourism industries have benefited from this large scale investment program.



Southbank post the development of Crown Melbourne

Crown Melbourne served as the catalyst for both residential and commercial development. Today Southbank is one of the primary business and entertainment precincts in Greater Melbourne. The Southbank Promenade and Southgate Arts and Leisure Precinct is one of Melbourne's major arts and cultural destinations.

Crown Perth

Crown acquired Crown Perth in 2004. In the years prior to Crown taking control of Crown Perth, minimum capital had been invested in the property. Since acquisition, Crown has committed to modernising and expanding the facilities at the complex to bring it up to the standard of a world class integrated resort capable of competing in an expanding and increasingly competitive global entertainment and tourism market.

The developments to-date have taken the form of upgraded accommodation to five and six star standard in and adjacent to Crown Metropol Perth (previously the InterContinental hotel), expanding the outdoor resort swimming pool taking advantage of Perth's natural environment and climate, new internationally acclaimed restaurants, such as Rockpool Bar & Grill and Nobu, expanded conference and meeting facilities and an expanded and modernised casino and accompanying food and beverage outlets to meet world standards.

In August 2012, Crown further demonstrated its long term commitment to Australian tourism, with the decision to undertake the development of a new six star, luxury hotel to be known as Crown Towers Perth, with total investment estimated at \$568 million. The development of the new hotel will take Crown's investment in the Crown Perth complex to over \$1.3 billion since acquisition.

Upon completion, Crown Towers Perth will be the largest hotel in Perth and take the total hotel room capacity at Crown Perth to nearly 1,200 rooms. Construction is expected to commence in early 2013 and the hotel, which will take approximately 3 years to complete, will comprise 500 rooms and include restaurants, bars, resort and convention facilities.

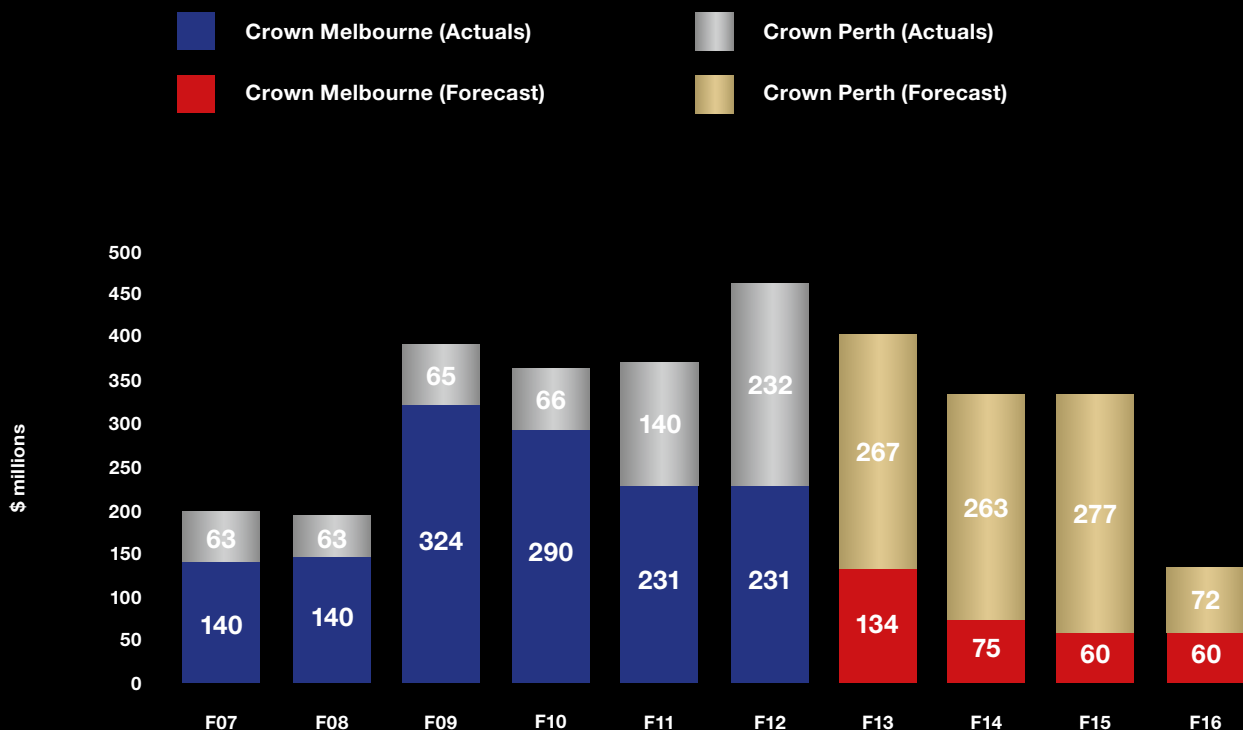
In September, Burswood was rebranded 'Crown Perth'. This change will allow Crown Perth to utilise the internationally recognised Crown brand in order to increase the number of international and interstate visitors to Perth, especially from the strategically important China market.

Crown's ongoing investment at Crown Perth illustrates a commitment to making it a world class entertainment precinct to compete not only in the region, with the mega resorts in Singapore and Macau, but also globally, where large integrated resorts are increasingly being developed in an endeavour to capture a share of the expanding tourism market, particularly out of China.



Ongoing Investment

Australian investment in large scale tourism attractions has been relatively modest in recent years. In contrast, Crown has been and continues to be a significant investor in Australian tourism infrastructure. Between F07-F16, Crown has announced capital expenditure of approximately \$3.2 billion in maintaining, improving and expanding its facilities at both Crown Melbourne and Crown Perth. This significant and ongoing program illustrates Crown's commitment to ensuring its properties remain among the leading integrated resort offerings in the world and able to compete in the increasing competitive global tourism market.



Altira Macau

Through Crown's joint venture in Macau, MCE, Crown played a leading role in the development of Altira Macau (previously Crown Macau). Altira Macau opened in 2007 and cost approximately US\$500 million. Situated in the heart of Taipa, Macau, Altira Macau offers panoramic views of the Macau Peninsula. The extraordinary 38-storey complex features 216 lavishly appointed guest rooms, including 24 deluxe suites and 8 astounding villas, all showcasing an unforgettable skyline. Altira Macau combines comfort and style to elegant effect, offering impeccable service tailored to each guest. The hotel is home to a host of world-class culinary experiences, chic clubs and an award-winning day spa.

City of Dreams, Macau

Through MCE, Crown played a leading role in the development of City of Dreams. City of Dreams is an integrated resort in Cotai, Macau which opened in June 2009 following three years of construction at a cost of US\$2.2 billion. City of Dreams targets premium mass market and VIP players from regional markets across Asia. The integrated resort features a gaming area, the Crown Towers hotel and the Hard Rock Hotel each offer approximately 300 rooms, and the Grand Hyatt Macau hotel offers approximately 800 rooms. City of Dreams includes over 20 restaurants and bars, approximately 70 retail outlets, an audio visual multimedia experience, recreation and leisure facilities, including health and fitness clubs, swimming pools, spa and salons and live entertainment space.

The Dancing Water Theatre, a wet stage performance theatre with 2,000 seats, opened in September 2010 and features the internationally acclaimed 'The House of Dancing Water' show.

Studio City Macau

Through MCE, Crown expects to play a central role in the development of the Studio City project, an integrated resort in Cotai, Macau. MCE has a 60% equity interest in the Studio City project. Studio City is expected to include a variety of interactive, production studio-derived attractions designed to captivate their target market and significantly expand Macau's appeal as a multifaceted tourism destination.



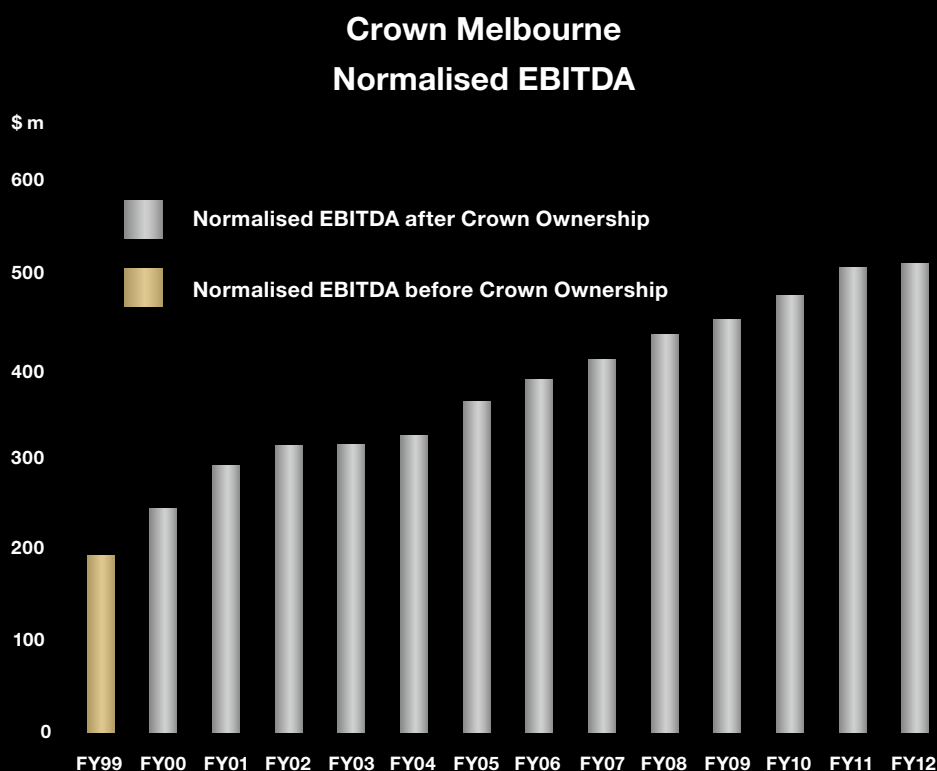
iii. Past performance operating similar project

Crown is widely acknowledged as the best operator of integrated resorts in Australia. Both Crown Melbourne and Crown Perth continue to perform well despite the softening consumer economy. Crown's contribution extends beyond the operation of these two properties as businesses. Crown provides significant investment in tourism infrastructure, extensive employee training, considerable tax revenues for the relevant governments and makes an invaluable contribution to Australia's tourism offering.

Crown Melbourne

Crown Melbourne attracts 18 million visitors each year, making it one of Australia's most visited tourist attractions. It is also Victoria's largest single-site employer with more than 6,500 employees and contributes over \$1.5 billion per annum of value-added to the Victorian economy.³

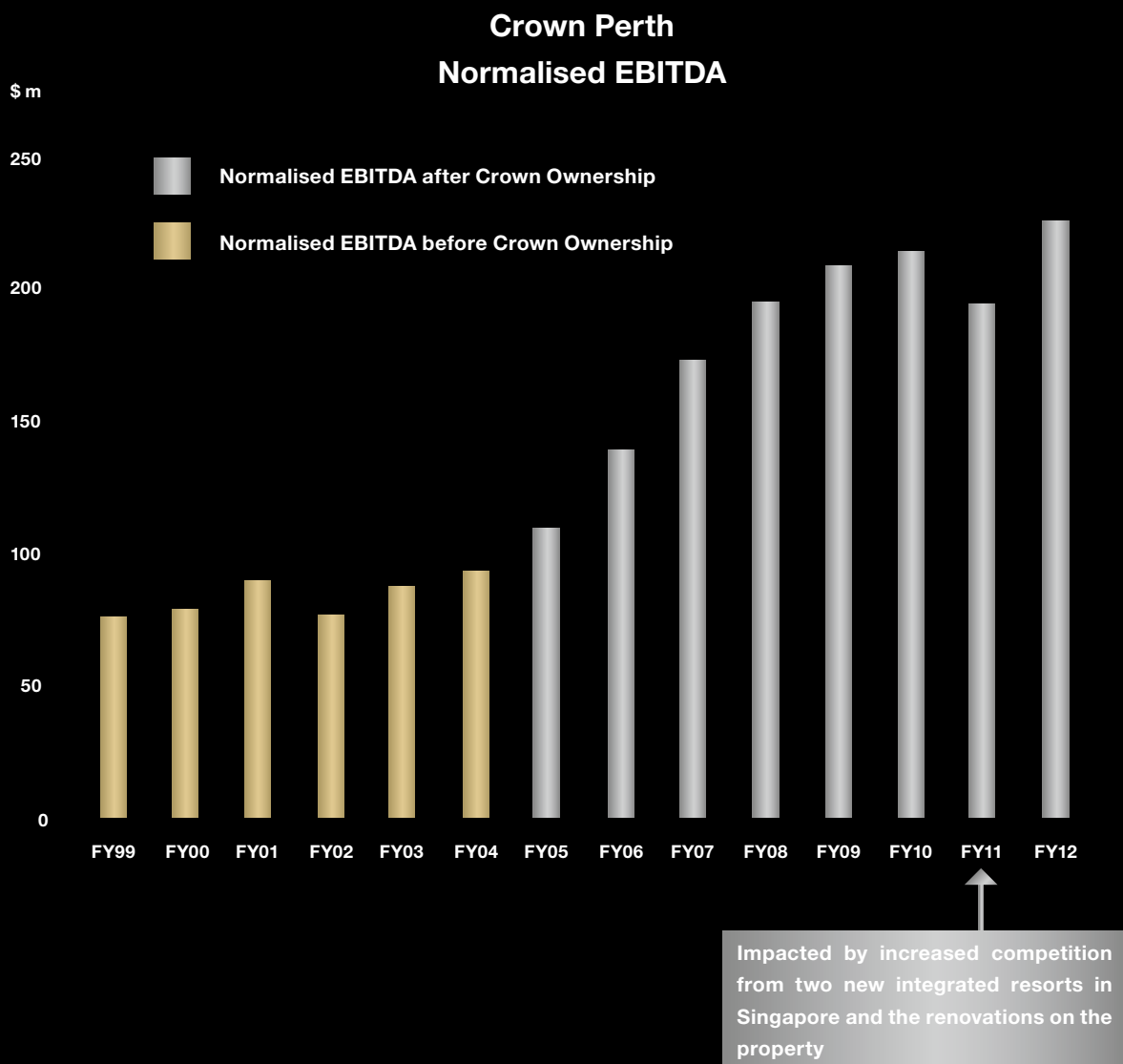
³KPMG Econtech Modelling 2010.



Crown Perth

Crown Perth is a major Western Australian tourist attraction with more than seven million visitors each year. It is the state's largest single-site employer, with more than 4,600 employees and contributes \$510 million per annum of value-added to the Western Australian economy.⁴

⁴KPMG Econtech Modelling 2010.



iv. Facilities to be used (e.g. land owned by proponent or Government land)

Crown does not require any government facilities to construct and operate the Crown Sydney Resort.

Crown has an exclusive right to negotiate with Lend Lease Corporation Limited (“Lend Lease”) to develop the Crown Sydney Resort on the Barangaroo South site, over which Lend Lease is the exclusive developer.

Crown intends negotiating with Lend Lease and the Barangaroo Delivery Authority to agree the price and terms on which Crown (or its nominee) would acquire that part of the Barangaroo South site on which the Crown Sydney Resort is to be located.

Intellectual property

i. Inventory of each item of intellectual property

The Crown brand, including the distinctive Crown logo, is synonymous with luxury experiences, world’s best service standards and diverse entertainment. The brand is well recognised throughout Australia and internationally, in particular in Asia.



Crown has intellectual property in the form of know-how in relation to its VIP business, in particular:

- Information in relation to casino patrons (including but not limited to customer lists)
- Knowledge of how to attract “high rollers” through the VIP business

Crown caters to the unique needs of its VIP gaming guests by offering flexible and personalised service and by having the highest quality facilities. Individual client’s profiles, needs, preferences, gaming habits, past gaming data are documented, captured, stored, updated and utilised on a real time basis. Understanding the service and cultural needs and expectations of the VIP customer on the basis of this information and knowledge is paramount and critical to the success of the business.

The financial performance and the financial modelling associated with Crown’s VIP gaming business is proprietary and confidential to Crown.

Crown is a party to an Exclusive Dealing Agreement with Lend Lease to exclusively negotiate the design and construction of the Crown Sydney Resort at Barangaroo.

The Allen Consulting Report is proprietary and confidential to Crown.

ii. Nature of the intellectual property claimed (e.g. copyright, patent, etc.)

Crown has numerous trademarks registered in Australia, Asia (including Macau, Hong Kong and China) and internationally to protect its brand. The trademarks are supported by business name, domain name and corporate name registrations.

VIP patron data is retained on proprietary developed software applications such as SYCO and CDW.

Crown has exclusive contractual rights to negotiate the development of the Crown Sydney Resort at Barangaroo.

iii. The owner(s) of the intellectual property claimed

Crown Limited through its wholly owned subsidiary Crown Melbourne Limited owns all the registered trade marks. Where appropriate, Crown Melbourne Limited has granted licences to use some of these trade marks to other subsidiaries and joint venture partners.

The intellectual property in Crown's VIP customer data and the details of the financial performance and the financial modeling of Crown's VIP gaming business is owned by Crown through a number of its wholly owned subsidiaries which operate VIP gaming facilities, including Crown Melbourne Limited, Burswood Nominees Limited and Aspinall's Club Limited.



iv. Registration details (where applicable)

Crown Melbourne Limited is registered owner of over one hundred trade marks in Australia and internationally. Full details of registration details of relevant trademarks can be provided on request.

The intellectual property in Crown's VIP customer data and know-how is not capable of registration.

v. Details of any items for which confidentiality is wholly or partly claimed.

Crown's know-how in relation to its VIP gaming business, in particular the identity and personal particulars of its VIP gaming customers is highly confidential and commercially sensitive.

The financial performance and the financial modelling associated with Crown's VIP gaming business is proprietary and confidential to Crown.

The terms of the Exclusive Dealing Agreement between Crown and Lend Lease are strictly confidential and Crown is not permitted to disclose these terms without Lend Lease's consent.

The Allen Consulting Report is confidential to Crown and Crown reserves the right not to publicly release the Allen Consulting Report.



Other statements

Environmental Impacts

The New South Wales Government intends that Barangaroo will be a great opportunity to showcase Sydney as a world leader in sustainability. Sustainable designs and initiatives are being created throughout the delivery of the program - environmentally, socially and economically.

Barangaroo's goal is to be the first precinct of its size in the world and certainly the first CBD precinct in Australia, to be climate positive.

The plan is to generate more renewable energy than is used at Barangaroo, recycle and export more water than is used and reuse, reduce and recycle more waste from the city than is generated.

The project will be carbon neutral, water positive, generate zero waste and enhance the wellbeing of the community.

The project will provide affordable housing for key workers as well as green skilling and local employment opportunities. Just over 50% of Barangaroo will be dedicated public space, including a 2.2 kilometre foreshore walk and the vibrant, naturalistic Headland Park.

To achieve these goals, Barangaroo infrastructure will be developed and implemented by the BDA and the site's developers across the whole district.

Crown will work with all stakeholders, in particular the BDA and Lend Lease, in negotiating and agreeing the design and development of the hotel resort to ensure the hotel resort plays its part in meeting Barangaroo's environmental ambitions.

Preferred contractual arrangements

i. Casino Licence

In order to operate VIP only gaming facilities at the Crown Sydney Resort, Crown (or its relevant subsidiary) will require a casino licence to be issued by the New South Wales Government, subject to necessary probity and financial due diligence on Crown conducted by ILGA. The issuing of a new casino licence would require amendments to the Casino Control Act 1992 (NSW).

ii. Casino Agreement

Crown assumes that if this project proceeds it will be required to enter into a Casino Agreement between Crown (or its relevant subsidiary) and either the State of New South Wales or ILGA which records the parties' agreement and which may or may not include the following:

- Crown's development deliverables;
- The rate of any gaming taxes or other levies;
- The number and type of gaming products permitted in the casino;
- Requirements as to casino operations; and
- Licence terms and conditions.

iii. Design and Construct Agreement

Under the Exclusive Dealing Agreement between Crown and Lend Lease, Crown is required to enter into a Novated Design and Construct Agreement with Lend Lease or one of its subsidiaries to construct the Crown Sydney Resort.

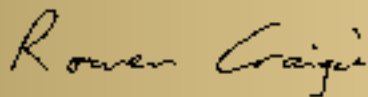
APPENDIX

Memorandum of Understanding between Crown Limited and United Voice – New South Wales Branch

1. United Voice – NSW Branch (“UV”) is a project partner in the Crown Limited (“Crown”) proposed project to develop a six star hotel resort (including VIP gaming facilities) at Barangaroo South in Sydney (“Crown Sydney Resort”).
2. As a project partner, Crown will consult and work with UV to deliver the Crown Sydney Resort project and in the development of workforce planning, training and development.
3. UV has the right of coverage with respect to frontline (non-management) hospitality/ gaming employees and any other employee UV represents in NSW, engaged at the Crown Sydney Resort.
4. Crown acknowledges that UV has rights of access to those employees in accordance with the Fair Work Act 2009 (Cth) as amended or replaced from time to time.
5. Crown will:
 - allow UV representatives to make a presentation to new employees of the Crown Sydney Resort during their induction training (subject to terms to be agreed);
 - provide UV with an office to service its members employed at the Crown Sydney Resort at a location to be agreed between Crown and UV;
 - supply all new employees for the Crown Sydney Resort with a UV membership form in their pre-employment packs; and
 - facilitate payroll deductions for employees at the Crown Sydney Resort for union fees or facilitate bank account details of individual employees who may use direct debit facilities, for those employees who have agreed to such arrangements.
6. The parties agree to negotiate an enterprise agreement to cover the frontline (excluding management) hospitality / gaming employees at the Crown Sydney Resort and any other employees agreed between UV and Crown. The objectives of the agreement would include, but are not limited to:
 - the development of harmonious and productive working relations and an adherence to issue resolution procedures to avoid any disruption to customers, business or services provided by Crown;
 - the provision of terms and conditions of employment which are fair and reasonable;
 - the development and introduction of flexible working arrangements, having regard to the 24 hour, 7 day operation of the business and the fluctuations in demand for labour which occur; and

- consultation on relevant employment issues with a recognition of the respective roles management, employees and the union play in the workplace under the proposed agreement and the requirements to operate a commercially viable and prosperous business for the benefits of both the operator and employees.
7. It is intended that the enterprise agreement would cover, but not be limited to, the following topics:
- wages;
 - conditions of work;
 - hours of work;
 - change consultation;
 - dispute resolution; and
 - union delegates and union recognition.
8. UV acknowledges the commercial necessity of gaming smoking exemptions for areas used by VIPs in the proposed Crown Sydney Resort. Crown acknowledges the need for state of the art air quality technology together with appropriate rostering practices to appropriately manage the air quality in smoking exemption areas in VIP gaming areas.
- 9 UV acknowledges the 24/7 nature of the operational needs of the Crown Sydney Resort and will work to ensure this is not interrupted nor hindered.
10. UV will work with Crown in developing and supporting an indigenous employment program for Sydney including (subject to Crown's and UV's legal obligations) job targets, specialised training, school based apprenticeships, support and mentoring.
11. This Memorandum of Understanding ("MOU") will be wholly replaced and superceded when Crown and UV enter into a binding enterprise agreement covering the relevant employees at the Crown Sydney Resort.
12. This MOU will automatically terminate if the Crown Sydney Resort does not proceed or when the parties mutually agree to its termination.
13. This MOU shall be governed by the laws in place in NSW and the parties submit to the non-exclusive jurisdiction of the courts in NSW.

Signed 4th September 2012:



For and on behalf of Crown Limited



For and on behalf of United Voice – NSW Branch

APPENDIX

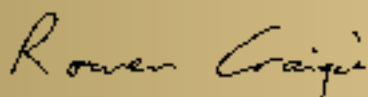
Memorandum of Understanding between Crown Limited and National Centre for Indigenous Excellence

1. National Centre of Indigenous Excellence (“NCIE”) is a Project Partner with Crown Limited (“Crown”) in the proposed project to develop a six star hotel resort at Barangaroo South in Sydney (“Crown Sydney Resort”).
2. As a Project Partner, Crown will work with NCIE to develop and deliver Indigenous employment programs for the hospitality areas of the Crown Sydney Resort, including: workforce planning, recruitment, school based trainees, pre employment training, qualified certification cross-cultural competency and career development or up skilling.
3. NCIE will provide Crown access, at agreed rates, to its facilities at Redfern to establish the Crown Sydney Indigenous Training College. Crown would utilise the NCIE’s commercial kitchen areas, serving facilities, training rooms, administration areas and dormitories for the training of its Indigenous and non indigenous staff. This work will be undertaken in such a way as to not impede the NCIE’s other program delivery activities.
4. Crown will become a Platinum Partner of NCIE receiving all the opportunities arising from that status. A separate commercial contract will be put in place to support this training facility prior to the commencement of courses.
5. As a registered training organisation (RTO) Crown or its wholly owned subsidiary will be the primary training provider on the Redfern site for the courses for which Crown or its subsidiary is accredited, but it is agreed that NCIE may decide in future to apply for RTO accreditation and Crown could assist in the training of NCIE staff and the boosting of NCIE capacity in this area. With agreement Crown may determine to contract training to other RTOs with experience in delivering Indigenous training programs.
6. Crown trainees and training staff will have full access to the recreational facilities at the NCIE while participating in training at the College.
7. A pathway from school to employment in hospitality will be established by Crown and NCIE with local high schools to develop employment pathways through Crown sponsored school based traineeships.
8. While training for Crown Sydney Resort would not commence until the Crown Sydney Resort was closer to opening, both parties will investigate possibility of the NCIE training staff sooner to work at Crown’s Melbourne and Perth resorts.
9. The NCIE and Crown will work together to investigate the possibility of establishing a similar training facility in Western Sydney for Indigenous and non indigenous job seekers.

8. While training for Crown Sydney Resort would not commence until the Crown Sydney Resort was closer to opening, both parties will investigate possibility of the NCIE training staff sooner to work at Crown's Melbourne and Perth resorts.
9. The NCIE and Crown will work together to investigate the possibility of establishing a similar training facility in Western Sydney for Indigenous and non indigenous job seekers.
10. Crown and the NCIE agree to work together with Crown's Trade Union Project Partner, United Voice – NSW Branch, on Indigenous Employment programs.
11. Crown will provide executive and non executive staff to provide mentoring and career development programs for NCIE staff at times that are mutually agreeable. Crown and NCIE will also establish a program for staff from both organisations to be seconded into each other's facilities to help develop the skills, business and cultural expertise of both organisations.
12. Crown and the NCIE will acknowledge each other as partners in selected marketing and publicity materials, newsletters, websites etc. as agreed by both partners on a case to case basis.
13. Crown will provide staff with the opportunity to support NCIE directly through workplace giving and other direct individual donation schemes.
14. Crown and NCIE will jointly collect data resulting from the partnership and agree that NCIE will use the data to contribute to NCIE's broader impact measurement framework.
15. This MOU will automatically terminate after two years if the Crown Sydney Resort does not proceed or when the parties mutually agree to its termination. On the successful approval of the Crown Sydney Resort by the NSW Government and relevant authorities, the Project Partnership will continue as agreed by the parties.
16. This MOU shall be governed by the laws in place in NSW and the parties submit to the non-exclusive jurisdiction of the courts in NSW.

DATED this 6th day of September 2012

SIGNED:



For and on behalf of Crown Limited



For and on behalf of NCIE

Forward Looking Statements Disclaimer

This document may include forward looking statements. Forward looking statements, by their nature, involve inherent risks and uncertainties. Many of those risks and uncertainties are matters which are beyond Crown's control and could cause actual results to differ from those predicted. Variations could either be materially positive or materially negative.

This document has not taken into account any particular investor's investment objectives or other circumstances. Investors are encouraged to make an independent assessment of Crown.



For further information please contact:

John Bresnan

General Manager

Investor and Government Relations

Crown Limited

Ph: (03) 9292 8851