R. M. Price
TICKETRON PRESENTATION
November 13, 1970
Board of Directors Meeting (CDC)

One of the lessons which has become very obvious to the computer industry in the last 18 months is the lack of attention paid to the cost of computer hardware during the development and early production phases of new applications. I referred to that in my previous comments as part of the "presence problem."

Nowhere is the lesson more clear than in applications relying heavily on communications lines. Not only are the hardware / software expenses there along with the expense of marketing build-up, but each user has developed his own communications network as well.

This has recently been painted in bright red colors for us as we looked at such companies as TELEMAX -- a company established to provide a hotel/motel reservation service, ATARS in the airline reservation/travel agent field, RESERVATIONS WORLD -- another company in the hotel reservation field.

Meanwhile, we have been working on this same aspect with respect to TICKETRON. At the same time, we have been working since July on centralizing Control Data's own internally owned and operated computers.

In July we formed a task force to look into the problem of ever proliferating internal computers. It seemed that every nook and cranny was being filled up with computers being used inefficiently and sporadically. The task force recommended that a common source of computing power be set up for Control Data. This organization has been established. It operates the CYBERNET system, our internal data processing computers, and the Telecommunications system. Ultimately, it will assume responsibility for all operations other than factory test computers and some development computers.

It now seems clear that we can achieve significant benefits by having this latter operation take over TICKETRON'S computer network and sell to them the compute power they need on a per transaction basis.

This is summarized in the following table.

{TRANSPARENCY 1}

TICKETRON

COMPARATIVE P & L STATEMENTS

FY 1970 & 1971

	1970	1971	REV. 1971
REVENUE	1 715	5 715	5 715
COST OF REVENUE			
OPERATIONS			1 260 (1)
Computers	1 200	975	-
Communications	665	865	-
Terminals	1 075	800	800
Customer Service	900	900	1 078
Other	1 360	1 345	-
Total Operations	5 800	4 785	3 138
MARKETING	2 650	2 340	2 340
SYSTEMS & RESEARCH	670	415	415
GENERAL & ADMIN.	1 753	1 820	1 820
INTEREST EXPENSE	570	1 440	1 125
TOTAL EXPENSE	11 463	10 700	8 838
NET PROFIT (LOSS)	(9 748)	(5 065)	(3 123)

(1) 021 million tickets at 0.06 per ticket

COMMENTS ON TRANSPARENCY 1

1. 1970 is actual through September with October forecast.

2. 1971 -- the middle column -- was the planned budget for 1971 as of November 1.

3. Rev. 1971 -- the last column -- is the currently proposed budget based on CDC taking over operations.

None of these figures, incidently, include the revenue from the New Jersey Lottery operations or the potential contract with PSA.

4. Looking at the first two columns, you can see major cost reductions were already planned.

Significant items were:

a.	Close the Chicago Center and do work on L.A. and N.Y.	-- 225K
b.	Sell terminal inventory to SRS (U.K.) and other places	-- 275K
c.	Space and people adjustments	-- 535K
	TOTAL	1,035K

5. By Control Data taking over operations, we can eliminate a further $2,985K. TICKETRON then buys on a transaction basis. Based on expected ticket volumes, this will be a charge over the year of $1,260K or a net savings of $1,725K.

6. Just as important, the computer charges will be directly geared to revenue production and thus there is a significant beneficial impact to cash flow above and beyond the actual savings. This further saves interest expense.

7. Control Data has then assumed the responsibility for the $1.7 million differential between revenues paid to it on the per ticket basis and the actual cost incurred. Some reductions in this 1.7 million are immediate and obvious. Computer depreciation versus rental maintenance charge reduction, communications sharing with CYBERNET, and so on. Through facilities consolidation and other reductions, we should be able to reduce the cost impact so that the actual result will be about 1/2 of the 1.7 million figure.

This change has other benefits to Control Data. It gives us a network which combined with CYBERNET's communication system, provides both high speed long distance communications as well as slower speed local communications. Thus, hotel/motel as well as travel agent services can be more easily added. Psychologically speaking, the move has been of tremendous benefit to us in that the other stockholders of TRS -- seeing the company relieved of this technical and financial burden -- are once more willing to carry their share of the financial burden.

Most important, however, is the improved financial picture of TRS. The next transparency shows the resulting TICKETRON P&L by month for 1971.

{TRANSPARENCY 2}

By the last quarter of the fiscal year, you can see that TICKETRON is nearing breakeven.

The $3,123K is to be financed through further guaranteed bank loans. CEMP has agreed to guarantee their share {assuming CDC participation for its share} and we have some hope that some of the minority stockholders will participate this time -- they did not in April. Marv Rogers will review for you the exact plan which we used last time with respect to the guarantee of the loan and which we will use this time, also.

pbe

T I C K E T R O N

FY 1978 PROJECTION

	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	TOTAL
REVENUE	205	235	280	325	350	470	525	585	695	695	670	670	5 715
COST OF REVENUE													
OPERATIONS:													
Ticket Cost	63	66	91	96	103	105	97	118	130	137	133	119	1 260
Terminals	70	70	66	66	66	66	66	66	66	66	66	66	800
Customer Serv.	96	96	96	90	90	90	90	86	86	86	86	86	1 078
SYSTEMS & RESEARCH	34	35	34	35	34	35	34	35	34	35	35	35	415
MARKETING	195	195	195	195	195	195	195	195	195	195	195	195	2 340
GENERAL & ADMIN.	155	155	151	151	151	151	151	151	151	151	151	151	1 820
INTEREST EXP.	90	90	90	95	95	95	95	95	95	95	95	95	1 125
TOTAL EXPENSE	703	707	723	730	734	737	728	746	757	765	761	747	8 838
NET PROFIT (LOSS)	(498)	(472)	(433)	(405)	(384)	(267)	(203)	(161)	(62)	(70)	(91)	(77)	(3 123)

11/03/78
MCB