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Dear Sonya

Re: Host Responsibility Programme Audit

Background

1. Thank you for your letter of 24 June 2020 concerning a May 2019 audit of the SkyCity Queenstown and SkyCity Wharf Host Responsibility Programme (**HRP**).
2. We note that DIA has found SkyCity Casino Management Limited (**SkyCity**) to be generally meeting the compliance requirements of the HRP and supported by engaged and enthusiastic staff.
3. Nonetheless, DIA has identified some areas where it believes improvement is required and has asked SkyCity to provide feedback on DIA's findings and recommendations.
4. Of the 12 areas reviewed, DIA found SkyCity to have 'achieved' its obligations in eight of those areas, 'partially achieved' its obligations in two areas and 'not achieved' its obligations in the two remaining areas. Our comments are limited to those areas where DIA found SkyCity to have only 'partially achieved' or 'not achieved' its obligations.

Identification of Problem Gamblers – Partially Achieved

5. Although DIA found that SkyCity has robust policy and some good processes in place to proactively use data to identify actual or potential problem gamblers, DIA is not satisfied that SkyCity is meeting all of its obligations to effectively identify problem gamblers based on the view that:

- (i) Auckland Surveillance staff report a significantly low number of problem gambling indicators (**PGIs**) relative to their monitoring of the Queenstown sites; and
 - (ii) reporting on the top five carded turnover and SQC win/loss of over \$2,000 does not adequately monitor for signs of problem gambling.
6. The number of PGIs reported by Auckland Surveillance Staff in relation to its monitoring of particular aspects of the Queenstown operations does not in our view provide grounds for asserting SkyCity is not meeting its obligations under the HRP. All staff who monitor the SkyCity casino operations are trained to be vigilant for signs of problem gambling and to report their observations where they occur in accordance with the Problem Gambling Identification Policy (**PGIP**). A low number of reported observations may simply mean that very few customers were observed by Surveillance displaying such indicators.
7. SkyCity remains of the view that the remote surveillance model, which operates in conjunction with the local surveillance function, continues to be most effective in satisfying the requirements of the Surveillance Standard approved by the Gambling Commission (**Commission**).
8. The report identifying the top five carded players and wins/losses exceeding \$2,000 is not a customised host responsibility report and is not one relied on to give effect to SkyCity's PGIP. Instead, the PGIP outlines the sources of data SkyCity is to rely on to identify problem gamblers. ITrak is the principal mechanism for recording, managing, reviewing and assessing all information about customers. Although SkyCity does generate reports such as frequency and expenditure to assist in identifying problem gambling indicators, in most cases, customer related gambling data is examined only after a customer comes to the attention of the Host Responsibility team.

Gambling Limitation – Not Achieved

9. DIA found that SkyCity is not meeting its obligations in relation to the voluntary pre-commitment system because the system does not appear to be promoted by SkyCity or proactively used outside of the VIP level.

10. The pre-commitment facility is in fact available to all customers at SkyCity and SkyCity staff proactively encourage the use of the facility where appropriate during interactions with customers.
11. The finding may possibly have been confused with the position at SkyCity Wharf which has traditionally offered a “VIP Agreed Limitation Programme” in the absence of the technology needed to offer pre-commitment. Following the installation of the Bally System in December 2019, that deficiency has now been addressed and the pre-commitment facility is also available at SkyCity Wharf, replacing the VIP Agreed Limitation Programme (although not used following the closure of SkyCity Wharf on 23 March 2020).
12. To avoid any confusion, we will update the HRP to reflect this position pursuant to condition 26 of SCML’s casino operator’s licence in respect of the operation of SkyCity Wharf.

Responsible Marketing – Not Achieved

13. DIA found that SkyCity is not meeting all its obligations in relation to responsible marketing because it does not assess spikes in spend and visitation data when running promotions and post-assessment of promotional material is not undertaken.
14. Clause 2.7 of the HRP requires SkyCity to *“ensure an internal process is followed to ensure harm minimisation issues are considered and addressed in the development of marketing initiatives, including those directed to members of SkyCity’s loyalty programme. This process includes consultation with Host Responsibility as well as the Regulatory team, with final sign-off by Legal” (all of which are based at SkyCity Auckland).*
15. The internal process in place for ensuring harm minimisation issues are considered and addressed in the development of marketing initiatives is strictly adhered to. Group Host Responsibility (**GHR**) has input and oversight of the final design of promotional activity as do the Legal and Regulatory teams (as provided for in the HRP).
16. Although the HRP does not require post-assessments of promotions, such assessments are nonetheless undertaken (once again by GHR) as a further

opportunity for gathering any adverse feedback that may not have been highlighted during the promotional period.

17. We do not measure expenditure by individual participants in promotions to identify changes in expenditure or visitation patterns – the HRP does not require such an analysis and there are no plans at this point to move in that direction. Such an undertaking would be a significant exercise and it is not clear how this would assist in the identification of problem gamblers.

Monitoring and Reporting – Partially Achieved

18. DIA found SkyCity is not meeting all the obligations in relation to monitoring and reporting because the HRP is not fully “embedded” into the business.
19. However, the process for measuring and monitoring SkyCity’s performance against the HRP is established in section 3 of the HRP and involves the submission of an annual report to the Commission which addresses and comments on a range of indicators as set out in the HRP.
20. In this regard, the suitability of the monitoring and reporting processes established by the HRP is an issue for the Commission when it reviews the annual report. To the extent the Commission has any concerns with regards to the content of any annual report, SkyCity will consider and address such concerns.
21. In addition, the three-yearly review of the HRP provides all stakeholders with an opportunity to propose changes for consideration by the Commission.

Required Actions and Recommendations

22. We set out our comments on DIA’s list of required actions and recommendations in the attachment, noting that:
 - (i) it is unclear to SkyCity as to which of the items in the list are “required actions” and which are simply “recommendations”;
 - (ii) SkyCity does not believe it is required to adopt actions/recommendations which are not compliance-driven; and

- (iii) SkyCity believes the most appropriate forum for proposing changes to the HRP is via the Commission's three-yearly review process which enables the pros and cons of adopting new processes to be debated.
- 23. That said, DIA is a key stakeholder of SkyCity's business and we value DIA's input.
- 24. SkyCity is also committed to continuous improvement of its practices and recent initiatives in this regard will hopefully provide DIA with confidence around our direction of travel pending the next review as outlined below.

12-month Roadmap of Improvements

- 25. Since the audit was undertaken, SkyCity has identified potential areas for improvement in the execution and evolution of operational policies and procedures at its various sites. This has led to the development of a 12-month roadmap to support the Group's Harm Minimisation Framework as **attached**. These documents have not yet been ratified by the Board and in that sense may be subject to ongoing refinement but in the context of DIA's audit of the HRP we thought it would be useful to share this with you now

Further Information

- 26. We remain committed to the delivery of a high quality and compliant HRP.
- 27. We are happy to discuss any matters in this letter where required.

Yours sincerely

Jonathan Browne
General Manager, Queenstown

Attachment 1

Area	Action/Recommendation
Identification of problem gamblers	<ul style="list-style-type: none"> • Embed intensity and frequency of play data as indicators of problem gambling • Auckland introduce a robust self-reporting system back to SCML on the nature and behaviour of its Horizon VIP and Junket patrons • Consideration is given to full venue surveillance being undertaken by Queenstown casino staff <p><i>Comment</i></p> <p><i>There are no plans for change in these areas at this time other than to apprise the Auckland Surveillance Team of the DIA concerns in this area. The use of a remote surveillance model to complement onsite surveillance processes ensures experienced operators can oversee international business operations and we believe it provides the most effective form of oversight in this regard</i></p>
Gambling limitation	<ul style="list-style-type: none"> • Encourage and proactively promote the voluntary pre-commitment system as per the requirements of the HRP/PGIP • SCML management issue regular communications to staff to remind them of the importance of pre-commitment and for it to be treated seriously <p><i>Comment</i></p> <p><i>Refer Roadmap of Improvements which includes specific initiatives in relation to the use of pre-commitment facilities and the development of an internal communications campaign for host responsibility</i></p>

Responsible marketing	<ul style="list-style-type: none">• Assess spend and visitation data when running promotions to determine whether there are indicators of additional gambling harm• Initiate post-promotion assessments that consider detailed feedback and considerations of gambling harm• SCML carry out their own due diligence checks on patrons (commission, international VIP and junket patrons) gambling in their venue or arrange for a robust reporting system back from the Group to ensure they meet their obligations under the HRP• SCML Host Responsibility Team should be directly involved in the assessments of Direct and Public Marketing promotions <p><i>Comment</i></p> <p><i>No immediate plans to introduce spend and visitation analysis on individual promotion participants</i></p> <p><i>Post promotion assessments will continue to be undertaken and Group Host Responsibility will be apprised of DIA's views in relation to the scope of the current process</i></p> <p><i>Queenstown floor staff currently monitor all patrons for signs of problem gambling indicators as do those who undertake the surveillance function whether remotely or onsite. The teams in question will be apprised of the DIA's views in relation to the need for greater communication between one another</i></p>

	<p><i>The assessment of promotional activity is undertaken by Group HR who may consult with local host responsibility staff where need be</i></p>
Monitoring and reporting	<ul style="list-style-type: none"> • Ensure the HRP is embedded into the business <p><i>Comment</i></p> <p><i>SkyCity is satisfied that its current practices around monitoring and reporting comply with its requirements under the HRP - the 12 month roadmap of improvements is expected to further embed the HRP within the business</i></p>
General	<ul style="list-style-type: none"> • SCML take a more proactive role in the monitoring and reporting of VIP junket play in their premises • SCML to take a more proactive role in assessing the risk associated with Junkets, VIP international play and credit arrangements and carry out robust due diligence around source of funds and associated credit arrangements at end of play <p><i>Comment</i></p> <p><i>VIP play is monitored via a combination of remote surveillance and floor staff deployed to deliver and oversee games. These teams will be apprised of the DIA's views that they should take a more proactive role in the monitoring and reporting of VIP junket play and the assessment of risk involving VIP international play</i></p>

Board oversight

Sustainability Committee governance and oversight of performance of harm minimisation framework
(AKL/HAM/QTN)

Senior management governance & oversight

Host Responsibility Senior Management Group (chaired by COO, meets monthly)
(AKL/HAM/QTN)

Host Responsibility Programmes

site-specific plans approved by Gambling Commission detailing host responsibility obligations (refer to over page for key components) **(AKL/HAM/QTN)**

Annual report to the Gambling Commission

annual report on the effectiveness of the Host Responsibility Programmes
(AKL/HAM/QTN)

CSAs (Customer Service Ambassadors)

dedicated personnel for customer care and host responsibility monitoring **(AKL only)**

Live Floor View

Bally feature for real time monitoring of continuous use of gaming machines **(AKL & HAM only)**

SkyCity Harm Minimisation Framework

Independent Assurance

external party to independently audit each site's compliance with approved HRP, every two years; independently managed continuous QA programme; and mystery shopping programme

Communications & brand

an internal brand communications campaign to promote awareness of host responsibility **(AKL/HAM/QTN)**

Facial recognition

facial recognition and alert technology used to detect banned patrons
(AKL/HAM/QTN)

Focal "Alert Bettor Protection"

application software for analysis and insight into player behaviour and spend/visitation traits, contributes to PGI identification **(AKL & HAM only)**

Learning & Development Framework

suite of host responsibility modules for all relevant staff, including online courses, in person courses, and annual refreshers
(AKL/HAM/QTN)

iTrak (monitoring & reporting)

record management tool for host responsibility incidents and assessments, including reports for ongoing oversight and
(AKL/HAM/QTN)



Key components of the Host Responsibility Programme include:

- **Policies and procedures** – including the Problem Gambling Identification Policy and SOPs: exclusion, unattended children, underage persons, responsible service of alcohol, long hours of play, undesirable behaviors, gambling limitations, information collection and collation, analysis and intervention, and exclusion.
- **Host responsibility information for customers** – range of host responsibility resources for customers, translated into variety of languages consistent with the cultural make-up of SkyCity customer base and displayed where appropriate in SkyCity gambling areas. The information is also available on SkyCity website in electronic form including the full HRP.
- **Employee gambling-related harm** – range of measures concerning the potential for employee gambling-related harm. These measures aim to: prevent and minimise gambling-related harm amongst SkyCity employees and in the community.
- **Stakeholder engagement** – constructive relationships with members of the local community, including: convening of a bi-monthly Auckland Host Responsibility Community Liaison Group, invitation of the government agencies, public health providers, treatment service providers and researchers.
- **Environmental design** – describes the safe environments put in place for responsible gambling and consumption of alcohol.
- **Provision of safe gambling environments** – includes the following steps: a customer plays no more than one gaming machine at a time, SkyCity does not permit loan transactions by third parties for financial gain at the SkyCity casino, Host Responsibility must monitor and record the activities of any customer who has credit arrangements with SkyCity.
- **Marketing practices** – describes the rules and process for development of marketing activities that comply with applicable laws, regulations and license conditions.
- **Display of signage and provision of gaming information to customers** – describes the content and process for provision of appropriate signage about host responsibility.
- **Staff learning and development** – outlines the learning & development requirements to satisfy host responsibility compliance.
- **Identification of problem gamblers** – Problem Gambler Identification Policy (“Policy”) outlining all reasonable steps to identify actual or potential problem gamblers and to act on that information.
- **Gambling limitation** – information or advice about problem gambling, including information about self-exclusion, issues an exclusion order if requested by a customer or issue an exclusion order without any request. Includes self-imposed gambling pre-commitment limits.







