

Proposed new mandatory minimum classifications for gambling-like content in computer games

Introduction:

The Alliance for Gambling Reform (The Alliance) has been concerned about the impact of gambling-like features in both computer games and phone apps for many years. It is not only one element of Australian children being groomed to become gamblers, but it is also being impacted by harm very similar and on-par with gambling harm due to loot boxes. There are a number of useful studies as well as international case studies that provide the Australian Government with the evidence it needs to go further when it comes to classifications of video games, and the Alliance would strongly urge the government to ensure this legislation includes phone apps.

The Alliances four key recommendations:

1. Mandatory classifications of R 18+ for both games which contain simulated gambling and for computer games containing loot boxes which can be purchased, or any other in-game purchases linked to chance.
2. Although phone apps don't have classifications, they do have recommendations of age suitability of apps. Therefore, it is recommended that all apps with simulated gambling, loot boxes or in-game purchases linked to chance are given an 18+ age recommendation at a minimum and contain age verification on these products.
3. There needs to be a national approach taken to strictly define gambling and gaming in legislation. Often when it comes to real-world gambling (such as Electronic Gaming Machines, otherwise known as pokies) it is often referred to as 'gaming' ie. Gaming Ministers and Gaming Rooms in venues. This blurs the lines between gambling and gaming in Australia and needs to be changed to distinguish when a product is gambling. Gaming is entertainment via video games and apps, gambling is a harmful product that has a range of negative consequences which include financial, relationship, social, health and emotional/ psychological harms.
4. National legislation that is fit-for-purpose and regulates all products and the industries that produce them with gambling like features such as video games and apps and can adapt to emerging technologies including the metaverse and AI.

Research:

The Australian Institute of Family Studies (AIFS) recently found a causal link between playing simulated gambling in video games and the take up of gambling later in life. This is due to the fact that simulated gambling products have the potential to normalise and encourage monetary gambling from a very young age. The study found that young people who had played a game with simulated gambling between the ages of 16 and 17 had a 40% higher probability of spending real money on gambling by the time they were aged 18-19¹. The need for simulated gambling in games to be classified for adults is clear and this has been addressed. However, only minimal classification measures have been applied to loot boxes when there is research (albeit limited in Australia) as well as international case studies that highlight the need for a much firmer approach.

Although there is no evidence showing a causal link between loot boxes and harm (whether that be defined as gambling or gaming harm) there is research that shows that viewing, opening and critically purchasing loot boxes was associated with problem gambling and internet gaming disorder. This can lead to things like increased psychological distress and financial harm, and when it comes to other in-game purchases, can lead to emotional and behavioural problems among adolescents. The AIFS literature review found that from the studies on loot boxes and simulated gambling in games available, there was an area of consensus that these features should be restricted to adults and age verification was recommended². 64 sources of literature were analysed for this literature review and most of them had been published from 2020 onwards.

In 2020, expenditure on loot boxes was estimated to be around \$15 billion worldwide and is expected to grow annually by 5% meaning that by 2025, loot boxes spend will be over \$20 billion³. Some European countries have seen the risk of harm and banned loot boxes, something that even gamers are pleased with⁴. Belgium banned loot boxes back in 2018 however, the laws have been ineffective and given consumers and parents a false sense of security⁵. If Australia were to take this option on loot boxes, as is expected to happen in many European countries in the coming years, there would be beneficial lessons to learn from Belgium's experience. The Netherlands looks to be the next to ban loot boxes and they are already regulated as a form of gambling⁶.

¹ Sakata, K., & Jenkinson, R. (2022). *What is the link between video gaming and gambling? (Growing Up in Australia Snapshot Series, Issue 7)*. Melbourne: Australian Institute of Family Studies.

² Greer, N., Boyle, C., Jenkinson, R. (2022) Harms associated with loot boxes, simulated gambling and other in-game purchases in video games: a review of evidence. Australian Gambling Research Centre. Australian Institute of Family Studies

³ [https://www.juniperresearch.com/press/video-game-loot-boxes-to-generate-over-\\$20-billion](https://www.juniperresearch.com/press/video-game-loot-boxes-to-generate-over-$20-billion)

⁴ <https://www.bbc.com/news/newsbeat-49674333>

⁵ Xiao (2022) Breaking Ban- Belgium's Ineffective Gambling Law Regulation of Video Game Loot Boxes

⁶ Russell, AMT, Armstrong, T, Rockloff, M, Greer, N, Hing, N & Browne, M 2020, Exploring the changing landscape of gambling in childhood, adolescence and young adulthood, NSW Responsible Gambling Fund, Sydney

The similarities between loot boxes and gambling are clear. They are purchased with real-world money, it's a game of chance, they can vary in value, they can be directly exchanged for cash or gambled as currency, expose people to gambling-like harms and have the potential to be addictive⁷. There is also research that shows that one in three adolescents and young people who play video games with loot boxes, made a purchase of a loot box and the median monthly spend for adolescents who purchase them is \$50 or \$72 for young adults⁸.

As highlighted above, although there is not a causal link between buying loot boxes and then the real-life take up of gambling in adulthood similar to video games which have simulated gambling, there is evidence to show that adolescents and young people are being harmed by this product and there is a need for a firmer approach than is currently being taken in Australia. That is why the Alliance urges, at a minimum, that games with loot boxes be classified as R18+ and contain age verification.

The interchangeable discourse around gaming and gambling in Australia:

In Australia, there is a confusing and worrying use of the word 'gaming' for gambling products. This plays a role in the normalisation of gambling for young people when harmful products such as online gambling and poker machines are referred to as 'gaming.' The opportunity to provide feedback on classifications of games with gambling-like features is an opportunity to raise this issue and urge the federal government to also work with state and territory counterparts to urgently address this issue so that young people can clearly identify the difference between a 'game' and 'gambling.'

Examples of this include:

- The Minister for Gaming and Liquor in NSW
- Gaming and Wagering Commission, WA
- Liquor and Gaming Commission, Tasmania
- Responsible Service of Gaming Training for venue staff in Victoria
- Poker machine rooms regularly being called 'gaming rooms' by MPs and Department staff

⁷https://responsiblegambling.vic.gov.au/documents/1035/VRGF_SchoolEdProgram_Infographic_LootBoxes_Final_A4.pdf

⁸ Ibid.

Phone apps and gambling:

While the research and evidence around gambling-like features in video games is maturing, the concerning nature of gambling-like features in phone applications seems to be lagging. There is a need for this to be addressed.

In Australia it is illegal for online gambling products to include online casinos, casino-style games and slots or pokies⁹. However, there is a proliferation of apps which provide gambling-like features, such as poker machines, and instead of it being gambling per spin, people can buy additional chips to continue playing. A recent article by the *Sydney Morning Herald* highlighted that pokies simulator '[Lightning Link Casino](#)' has made 'more money than any other game in Australia almost every day for at least three years' according to app store analyst Sensor Tower¹⁰. The loophole that exists means that people cannot win money, allowing the app manufacturers (often Aristocrat) to keep the profits and avoid being classified as gambling. However, clearly people are losing significant amounts of money on these apps.

Importantly, the manufacturer of many of these poker machine and gambling-like games is Aristocrat (they are the makers of Lightning Link Casino mentioned above) who are also Australia's biggest poker machine manufacturer. Often these apps are nearly identical in graphics and sounds to their respective poker machines (see [here](#)) yet these apps are legal, and unregulated.

If there are changes when it comes to gambling-like features on video games it needs to extend also to phone applications. Children and young people are equally, if not more exposed to phone apps with gambling-like features. A lack of literature in this area does not mean that there is not a need for a clear, common-sense approach to broader legislative change for phone apps. The Alliance urges the Australian Government to mirror the changes as closely as possible, made to video games to be replicated with app classification and age verification.

⁹ <https://responsiblegambling.vic.gov.au/resources/legislation-and-regulation/online-gambling/>

¹⁰ <https://www.smh.com.au/national/australians-spend-millions-playing-the-pokies-on-their-phone-but-they-ll-never-win-a-cent-20230201-p5ch7s.html>

The rapid growth of technology:

Australia lacks appropriate legislation which is agile and able to respond to the challenge of emerging technologies. The Interactive Gambling Act 2001 needs to include legislation that covers gambling-like products in video games and phone applications as well as foreshadow incoming technologies including the metaverse and AI. Changing the classifications of these products does not go far enough to mitigate harm from gambling for future generations. Technology is evolving rapidly and people who are designing products with gambling-like features in gaming can evade current Australian laws designed to capture exposure to children gambling.

There are a number of emerging global trends including virtual racehorses and greyhounds that can be bought and raced, the rise of esports and [Aristocrat's most recent acquisition of NeoGames](#) (content and technology solutions for the Real Money Gaming industry) which provide stark evidence of the urgent need for robust, fit-for-purpose and agile legislation to ensure these products and industries— as well as existing gambling-like features in products - are able to be regulated to prevent harm.

Conclusion:

The Alliance welcomes the opportunity to provide feedback to the proposed new mandatory minimum classification for gambling-like content in video games.

The evidence outlined in this submission provides a clear demonstration of for the need for further action than what is currently proposed.

In order for any change in regulation to have the greatest impact to prevent and reduce gambling harm, there must be significant changes to both video games and phone apps classification and age verification. This will involve new legislation to ensure that these features and the industries producing these products do not fall outside of existing regulation.

Further, there needs to be a commitment from the federal government to work with states to ensure gaming and gambling are appropriately defined and that there is a consistent national regulatory approach to these products to protect current and future generations of gambling related harm.