7 June 2023

Director
Reform Policy, Classification Branch
Department of Infrastructure, Transport, Regional Development, Communications and the Arts
GPO Box 594
Canberra ACT 2601

Submission: Guidelines for the Classification of Computer Games 2023

The Australian Gambling Research Centre (AGRC) at the Australian Institute of Family Studies (AIFS) welcomes the opportunity to provide a submission to the public consultation on *Guidelines for the Classification of Computer Games 2023* ('the Guidelines').

The AGRC was established under the Commonwealth Gambling Measures Act 2012 and conducts nationally relevant research on gambling behaviour, trends, harms, prevention and policy. The AGRC seeks to enhance understandings of the nature and extent of gambling participation and related harm in Australia, and advance knowledge of ways to prevent and reduce gambling harm among people who gamble, their families and communities.

In preparing our submission we considered whether the proposed changes to the Guidelines reflect the available research evidence, and whether the proposed changes to the Guidelines will help to protect Australian children and young people from gambling harm.

Thank you for the opportunity to provide this submission. Please do not hesitate to contact Dr Rebecca Jenkinson, Executive Manager, AGRC, at rebecca.jenkinson@aifs.gov.au for further information.

Yours Sincerely,

The Hon. Dr Sharman Stone
Director
Australian Institute of Family Studies

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The Australian Institute of Family Studies acknowledges the traditional Country throughout Australia on which we gather, live, work and stand. We acknowledge all traditional custodians, their Elders past, present and emerging, and we pay our respects to their continuing connection to their culture, community, land, sea and rivers.

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Submission made by the
Australian Gambling Research Centre (AGRC),
Australian Institute of Family Studies (AIFS)

Guidelines for the Classification of Computer Games 2023

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1. Introduction

On 29 March 2023, the Minister for Communications, the Hon Michelle Rowland MP, announced that the Commonwealth would seek the agreement of the states and territories for stronger regulation of gambling-like content in computer games, via changes to the existing *Guidelines for the Classification of Computer Games 2012*. The Australian Gambling Research Centre (AGRC) at the Australian Institute of Family Studies (AIFS) welcomes the opportunity to comment on the *Consultation Draft - Guidelines for the Classification of Computer Games 2023 ('the Guidelines')*.

The AGRC has a strong track record in research into young people's engagement with simulated gambling games (e.g., social casino games) and loot boxes in video games, and we are pleased to see that the findings of our research have been useful for informing the proposed changes to the Guidelines. Our submission is organised into two main sections. First, we summarise the key findings from our most recent research which provides background and context to our comments on the Guidelines. Second, we provide some comments on the proposed changes to the Guidelines, including the new mandatory minimum classifications and new definitions.

2. Background

2.1 Risks associated with simulated gambling games

Video gaming is a popular form of entertainment in Australia. Gaming and gambling are defined as separate activities, but they share similarities in appearance, interactive features and elements of skill and chance. Games that structurally resemble traditional gambling activities ('gambling-like' video games) are commonly referred to as 'simulated gambling'. Simulated gambling appears in many forms in video games, but social casino games are the most common.

Previous research has found a link between video gaming and gambling. Simulated gambling products have the potential to normalise and encourage monetary gambling, especially among children and young people, yet few studies have examined this relationship. Gambling can lead to a range of negative consequences or gambling harms, including financial, relationship, social, health and emotional/psychological harms.

In this context, the AGRC recently undertook research investigating the link between playing video games during adolescence and gambling with real money as a young adult (Sakata & Jenkinson, 2022).

The research explored whether young people who played video games frequently or played certain types of video games in their adolescent years, later engaged in real money gambling when they reached the legal age for gambling in Australia (18 years). The full report from this research is available at: https://growingupinaustralia.gov.au/research-findings/snapshots/what-link-between-video-gaming-and-gambling

A key finding from the research is that young people who played video games daily during adolescence (aged 16-17 years) were not necessarily more likely to gamble as young adults (aged 18-19 years). However, the research found a **causal link** between playing simulated gambling games (such as Zynga Poker, Slotomania and Big Fish Casino) and real money gambling. That is, young people who played **simulated gambling games during adolescence** (aged 16-17) had a 40 percentage points higher probability of spending **real money on gambling as young adults** (aged 18-19).

The research also examined links by product and found a higher probability of 29 percentage points for betting on horse or dog racing, of 26 percentage points for gambling on casino table games, and of 21 percentage points for betting on sports as young adults. Simulated gambling games also appeared to have more effect on young men than young women.

2.2   Risks associated with computer games containing loot boxes

The past decade has seen an increase in the monetisation of video games, games with chance-based outcomes (e.g., loot boxes), and simulated gambling. Policy makers, researchers and the general community have raised concerns that these products have the potential to expose, normalise and encourage monetary gambling, especially among children and young people, and that people who engage with these products may be at risk of gambling problems and other types of harm (e.g. internet gaming disorder). While in-game purchases have many of the distinguishing features of gambling, they are not currently regulated as gambling in Australia.

In this context, the AGRC was recently commissioned by the Department of Infrastructure, Transport, Regional Development, Communications, and the Arts (DITRDCA) to undertake a literature review on the harms associated with loot boxes, simulated gambling and in-game purchases (Greer, Murray-Boyle & Jenkinson, 2022). The full report from this research is available at: https://www.classification.gov.au/sites/default/files/documents/agrc_literature_review_final_20220906_accessible.pdf

The study involved a review of the current (January 2011 – December 2021) Australian and international literature, with a total of 64 research outputs reviewed and assessed on their strength and value of evidence on the harms associated with these products, as well as the generalisability of the findings to the Australian context. The primary outcomes examined in the reviewed studies were 'problem'/at-risk gambling, internet gaming disorder, and other harms (e.g., psychological distress). These were often defined by DSM-V diagnostic criteria and measured by validated scales, such as the Problem Gambling Severity Index (PGSI), Internet Gaming Disorder Scale (IGDS), and Kessler's Psychological Distress Scale (K-6).

The literature review found <u>reliable evidence</u> that:
- **Loot box** engagement, including viewing, opening, and especially purchasing, was associated with problem gambling and internet gaming disorder.
- **Simulated gambling** engagement, especially in-game purchasing in social casino games, was associated with problem gambling.
- **Other in-game purchasing** (not including expenditure on loot boxes or in simulated gambling games) was associated with problem gambling.

In addition, there was some evidence of an association between:
- **Loot box** purchasing and increased psychological distress and financial harm.
- **Simulated gambling** engagement with internet gaming disorder, psychological/emotional harm, and other negative consequences.
- **Other in-game purchasing** and internet gaming disorder, financial harm and emotional and behavioural problems among adolescents.

The literature review identified a range of important risk mitigation and regulation responses to prevent and reduce the potential harm from loot boxes, simulated gambling, and in-game purchases. Many of these centred around consumer protection measures, and included:
- **Age restrictions** for people aged under 18 years, especially for spending money on loot boxes, simulated gambling, or other in-game purchases in video games.
- Options for **limit setting** and self-exclusion, e.g., deposit limits, self-exclusion register.
- **Removing or reducing game features** that encourage excessive expenditure and gameplay, e.g., pay-to-win features, rare items, item selling or trading.
- Prominently **displaying the odds** of obtaining chance-based rewards.
- **Clear labelling** of gambling-like products and features in video games and messages on the potential risks associated with these products.
- Provision of **support information**, e.g., help services, educational material.

Other recommendations in the literature for the mitigation and regulation of these products included: education and public awareness campaigns/strategies; identification and intervention for those at risk of harm; the gaming industry's role to engage in prevention and harm minimisation strategies; and regulation of products via existing gambling laws.

3. Comments on the proposed new mandatory minimum classifications

The research evidence summarised above highlights the need for stronger measures to protect Australian children and young people from exposure to all games containing simulated gambling, as well as games containing in-game purchases linked to elements of chance (e.g. loot boxes or other in-game items/microtransactions).

Based on the evidence, we suggest that a proposed new mandatory minimum classification of R18+ be applied to all simulated gambling games <u>AND</u> all games containing in-game purchases linked to elements of chance (e.g., loot boxes obtained either with real money or free-of-charge). We suggest including both free-of-charge simulated gambling games and in-game purchases (loot boxes) given our research findings that free products also pose a risk of harm to children and adolescents.

We consider a minimum classification of R18+ to be appropriate for reducing risk and preventing gambling harm among Australian children and adolescents, and a consistent alignment with existing age-based restrictions for real world gambling in Australia.

Proposed changes to G and PG classifications

We <u>support</u> the addition of classifiable elements in the 'G – GENERAL' classification and in the 'PG – PARENTAL GUIDANCE' classification, as proposed:

"In-game purchases linked to elements of chance and simulated gambling are not permitted." [pages 9 and 11 of *Guidelines for the Classification of Computer Games 2023*]

Proposed changes to M and MA15+ classifications

We <u>partially support</u> the addition of classifiable elements in the 'M – MATURE' classification and in the 'MA 15+ – MATURE ACCOMPANIED' classification, as proposed:

"In-game purchases linked to elements of chance are permitted. Simulated gambling is not permitted." [pages 13 and 15 of *Guidelines for the Classification of Computer Games 2023*]

Regarding the above, we consider the proposed Guidelines to be appropriate in not permitting simulated gambling games that are classified as M or MA15+ as this aligns well with real world age-based restrictions on accessing gambling for children and adolescents aged under 18 years.

However, we suggest in-game purchases linked to elements of chance (either free-of-charge or obtained with real money) should not be permitted in games classified as M or MA15+. Allowing such gambling-like elements in M or MA15+ overlooks the serious potential risk of harm for children and adolescents who use these games, as found in the research summarised above in our submission.

Proposed changes to R18+ classifications

We <u>support</u> the addition of classifiable elements in the 'R 18+ – RESTRICTED' classification, as proposed:

"In-game purchases linked to elements of chance and simulated gambling are permitted." [page 17 of *Guidelines for the Classification of Computer Games 2023*]

The above change appears broadly aligned with real world restrictions on accessing gambling, given any material in Australia that is classified as R 18+ is legally restricted to adults. However, we suggest that the scope of this be clarified to include games that are both free-of-charge and involving real money.

4. Summary

In summary and based on the research evidence, we welcome and support most of the proposed changes to classifications in the 2023 Guidelines. However, we suggest that any games that involve simulated gambling and any games with in-game purchases linked to elements of chance (e.g., loot boxes) should ALL be classified as R18+. This more comprehensive protection would better align with real world restrictions on gambling and provide a greater safeguard from the risk of gambling harm for Australian children and adolescents.

We are concerned that the proposal to permit games with in-game purchases linked to elements of chance (e.g., loot boxes) within M and MA+ classifications will put children and young people at risk of gambling harm, as indicated by the research evidence we have presented in this submission.

We also suggest that regardless of whether simulated gambling games and loot boxes/other in-game purchases are free-of-charge or involve real money, they should be subject the same R18+ classification, and we suggest the new definitions in the Guidelines make this clear.

Acknowledgements