

18 October 2022

Secretary
House of Representatives Standing Committee on Social Policy and Legal Affairs

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Dear Committee,

What follows is The Australia Institute’s submission to the House of Representatives Standing Committee on Social Policy and Legal Affairs’ inquiry into inquiry into online gambling and its impacts on problem gamblers. We have given a short response below to the most relevant terms of reference (points (f) and (i)), while more relevant research can be found in our papers, *Gambling on games* and *Polling – Advertising on TV*, both of which are attached to this covering letter.

(f) the appropriateness of the definition of ‘gambling service’ in the Interactive Gambling Act 2001 (Cth), and whether it should be amended to capture additional gambling-like activities such as simulated gambling in video games (e.g. ‘loot boxes’ and social casino games)

Our report *Gambling on games* makes the distinction between four categories of gambling–gaming crossover, with their own potential harms, though later categories also have many of the potential harms of earlier categories.

Table 1: Four categories of gambling–gaming crossover

Category	Features	Potential harms	Potential regulation
Immersive and addictive technologies	The “slotification” of games that have no thematic link to gambling: intermittent rewards, no real progress or changing stages, lack of player agency, ready availability, micro-transactions, etc.	Gaming disorder/video game “addiction”; spending too much time or money on the game.	Self-exclusion; transparency around time played (by session and in total) and money spent; transparent systems.
Simulating gambling	Video games that ape real-world gambling, in some cases operated by or promoting real-world gambling providers (e.g. virtual slots, social casino games).	Normalisation and romanticisation of gambling; players prompted to claim rewards at real-world gambling venues; misleading odds; collection of player data.	Age limits for simulated gambling; banning gambling providers from owning or dealing with simulated gambling providers.
Buying chance-based items	Video games that allow players to spend real-world money on chance-based virtual items of value (e.g. “loot boxes”, “gacha games”).	Correlation with problem gambling (causing or taking advantage of); enabling under-age gambling.	Age limits for buying loot boxes; transparent odds; refunds or rerolls for undesirable loot boxes; direct purchase always an option; spending limits; no pay to win provisions.
Gambling via games	Placing bets on the results of esports matches or games of chance using virtual currencies or virtual items with real monetary value (“skin betting”).	As with in-game gambling; match fixing; unlicensed operators; scams.	Liability on game developers for third-party gambling; age limits for trading virtual items.

Social casino games fall into the second category “simulated gambling”, but are a particularly egregious example of the category because:

- They are exclusively focused on gambling (whereas other games may include simulated gambling as a small element in the overall game).

- They can be affiliated with real-world poker machine brands or even offer promotions to visit real-world casinos.
- They may collect player data, which could be used by real-world gambling providers.

Loot boxes fall into the third category “buying chance-based items”, although their role in a game can enable category four, “gambling via games”, as they produce scarce assets that can be wagered.

Category four, “gambling via games” or “skin betting”, is the category that most closely resembles existing gambling services. Within this category, the gaming platforms where the wagered assets are held should be distinguished from the third-party sites where wagers are placed. If the latter do not already count as gambling services, it would make sense to include them.

In our submission to the Department of Communication and the Arts’ review of Australian classification regulation, we made four recommendations:

- Updating the classification scheme to include details on how gambling themes (especially those with “incentives and rewards”) should affect a game’s classification.
- An R18+ rating for games that replicate the psychological elements of gambling, for example through loot boxes.
- An R18+ rating for games that feature real-world gambling branding or cross-promotions.
- Expanding the classification scheme to better address video games sold online, including via mobile phone app stores.

These recommendations are not incompatible with expanding the definition of “gambling service” under the *Interactive Gambling Act*, but we think changes to the classification scheme and other more targeted regulations would be a better starting point for regulating most gambling-like activity online. The exception is for skin betting sites, which if they are not already gambling services should be counted as such.

(i) the effectiveness of current gambling advertising restrictions on limiting children’s exposure to gambling products and services (e.g. promotion of betting odds during live sport broadcasts), including consideration of the impact of advertising through social media, sponsorship or branding from online licenced gambling operators

Recent polling research from the Australia Institute finds strong support for a ban on gambling advertisements on TV, with seven in 10 Australians (71%) agreeing with a ban and only 11% opposed. More details are in the attached polling brief.

Conclusion

More regulation of gambling-like activities in games is needed, but we recommend starting with the national classification scheme. There is broad popular support for banning gambling advertising on TV, which would help limit children’s exposure.

The Institute would welcome the opportunity to discuss research findings in further detail at any committee hearing, should there be one.

Regards,

Bill Browne
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The Australia Institute