

Submission to the Environment and Communications References Committee on gaming micro-transactions for chance-based items.

Developed by: The Institute of Games

Date: 21/07/2018

About the Institute of Games

Established in 2014, The Institute of Games works to keep video games safe and healthy for children and young people. We predominantly provide resources and seminars for parents, training and workshops for professionals and supportive groups for children and young people. To date over 250,000 parents have used our resources, 2,000 professionals have been trained and 400 children and their families have received support from us.

In 2017 The Institute of Games received funding from the Victorian Responsible Gambling Foundation to explore the links between video games and gambling. 20 recent academic papers were studied and a background document was developed. A more practical document illustrating the links between gambling and gaming was also developed. These documents can be downloaded from our websites www.videogames.org.au or www.instituteofgames.com

Aside from the study of academic evidence, our knowledge and expertise comes from discussions with gamers, game developers, parents, health promotion professionals and psychologists.

Steven Dupon also holds the position of National Youth Empowerment Coordinator for YMCA Australia.

Does the purchase of chance-based items, combined with the ability to monetise these items on third-party platforms, constitute a form of gambling?

Gambling is defined in the Victorian Gambling Regulation Act 2003 as an activity which includes all of the following:

- a prize of money or something else of value is offered or can be won;
- a person pays or stakes money or some other valuable consideration to participate; and
- the outcome involves, or is presented as involving, an element of chance.

An activity is defined as 'gambling' if it involves an element of chance. This applies even if the outcome of the activity may be influenced by a person's skill.

As outlined in Drummond and Sauer's study: 'Video game loot boxes are psychologically akin to gambling' there are video games that offer lootboxes. Lootboxes are digital containers that contain random rewards.

A lootbox constitutes a form of gambling if both of the following conditions are met:

- **An amount (usually between \$0.99 and \$2.99) must be paid to obtain or open the lootboxes. Once opened one or more virtual items are received by the player. The value of these virtual items ranges between \$0 and thousands of dollars.**
- **An online marketplace is available to the player on which the virtual goods can be traded, sold or gambled with; regardless of whether this is within the game or on a standalone website separate to the game**

When these conditions are met, the virtual goods obtained through the lootbox mechanism hold a real money value. By using a lootbox the player pays money for an uncertain outcome involving an element of chance and has the ability to cash in their winnings.

Consideration: Should time be considered as 'value'?

Variant 1:

Certain video games use lootboxes as described above but offer acceleration of the gameplay as prize instead of a virtual item. For example: instead of having to wait for your crop to grow in your virtual farm you can pay to speed up this (boring) part of the game.

In this case, arguably, time has a value. Especially if accelerated gameplay is also offered for purchase in the game's online store.

Variant 2:

Chance based elements are prevalent in many games (e.g. rolling of the dice in Monopoly). However in today's games, with modern technological functionalities combined with the capability of analyzing a player's data, it could be argued that chance based elements of today's video games are much more powerful than before.

Children haven't yet fully developed higher thinking skills like self-regulation and moderation. They may not be equipped to adequately manage this technology and therefore at risk of unhealthy technology use or even Gaming Disorder as defined by the World Health Organisation.

Further investigation is needed to clearly define the impact of (modern) chance based elements on children and young people. However, from our experience in talking to parents, professionals and children, educational and preventative efforts to reduce the risk should increase immediately.

Is the current consumer protection and regulatory framework for in-game micro transactions for chance-based items adequate, including international comparisons, age requirements and disclosure of odds.

The Institute of Games polled 300 parents on their awareness of the links between gambling and video games.

- Only 5 parents were aware of the existence of lootboxes.
- 100% of parents reported they wanted to see more resources to raise awareness about the links between gaming and gambling
- 100% of parents reported they wanted to see more education to their children about the risks of gaming and how to deal with these risks.

The Institute of Games has ongoing conversations with Teachers, Social Workers and other professionals that support children and young people. An overwhelming majority are almost completely unaware of the links between gaming and gambling.

The Institute of Games has ongoing conversations with gamers and has studied online forum conversations between gamers on platforms like Reddit. The majority of gamers question the morality of offering chance based items for purchase.

This information leads us to believe that community sentiment is right to improve the consumer protection and regulatory framework.

The Institute of Games recommends to improve the consumer protection and regulatory framework by:

- **developing an ethical framework for the video game industry to ensure children's rights are upheld and child safety standards are applied in online environments;**
- **delivering prevention resources and workshops for parents and children;**
- **amending the classification system to include clearer information about gambling in the game;**
- **regulating chance based microtransactions as described above under gambling regulation.**

At all stages of our study and work in this space we have collaborated with IGEA (Interactive Gaming and Entertainment Association) and other representatives of the video game industry. We strongly recommend to include video game industry representatives in all future consultations and discussions.

Upholding children's rights and safety is everybody's responsibility and solutions need to be co-designed and co-delivered by all stakeholders.