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I am writing from the perspective of a father of two young boys who are yet to be fully educated on statistics and what a 'Skinner Box' is. I grew up with games and I am confident in my ability to control my children's spending on randomised virtual rewards but I am concerned with the seemingly deliberate lack of controls implemented to assist me in this task. I am also concerned with the quite deliberate pressure applied to my children to spend on randomised rewards by these companies and the impact it could have on their finances should some of the more deceptive business practices become normalised in the decades to come.

(a) whether the purchase of chance-based items, combined with the ability to monetise these items on third-party platforms, constitutes a form of gambling; and

If you have not, please watch the old news story on the CSGO betting scandals <https://www.kotaku.com.au/2016/09/meet-the-anonymous-watchdog-who-broke-the-csgo-betting-scandal/>. While a relatively old story this highlights the fact that there is serious money out there and that there is money to be made from dishonestly representing the odds of winning a sellable item. I will disagree that the ability to monetise the item is a key determiner of whether this is gambling or not, money has value and to the gamer the virtual item also has value. The key gambling aspect is the randomised rewards for a cost. Another problem is the psychological techniques used to encourage the user that the next big score is just around the corner. I would suggest you watch some of the animations used in games when 'opening a loot box', try to divorce them from similar animation and sound techniques used on poker machines, you probably won't be able to.

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

There are currently no consumer protections around these items and it is worrying. The user has literally no idea what they are purchasing for their money and companies will incentivise bulk purchasing as well. This lack of protection for fraudulent purchases is similar to what happens should someone gamble my money away at Crown Casino and not spending it at Harvey Norman or the Microsoft Store. There is usually no way to assist in imposing caps on spending or track it within the app.

Finally, at least with other forms of gambling significant taxes are levied to assist with any societal impact they may have. These gambling payments made on virtual platforms are usually paying no tax or at a maximum, GST of 10%. I would recommend taxation be a requirement on any game wanting to sell randomised virtual goods to customers.

Sincerely,

Glen Bruton

