



Australian Government

Australian Government response to the
Senate Environment and Communications
References Committee report:
Gaming micro-transactions for chance-based items

March 2019

Overview

The Australian Government notes the report by the Senate Environment and Communications References Committee (the committee) into gaming micro-transactions for chance-based items released on 27 November 2018.

The Australian Government recognises that the video game industry is a creative industry that provides interactive entertainment to millions of Australians of all ages. The video game industry has evolved dramatically over the last few decades, with games no longer just being used for entertainment but also for innovation in the education and health sectors among others. The games industry is growing, with Australian game development studios generating \$118.5 million in income in 2016-17.¹ Consumer demand for games is also growing – in 2017 Australians spent \$3.23 billion on games, a 9% increase from 2016, driven by digital sales of games and in-game purchases.²

Some games feature loot boxes, where there is an element of chance as to what item a player receives or buys. The report noted that loot boxes are heterogeneous and there are many variations of the mechanism. Loot boxes can be found throughout a game and/or players can buy additional loot boxes through in-game purchases. For example, a player may receive 1 loot box for each level they advance within a game. Additional loot boxes may also be available for purchase, for example \$2.00 for 2 loot boxes and \$45.00 for 50 loot boxes. Loot boxes can contain items that customise the player's in-game character, such as different outfits, weapon skins, voice lines or poses. There is no guarantee that the player will get what they want from the loot box, and players may choose to buy additional loot boxes to obtain the virtual items they are after. Some items can be cosmetic, but other items may help advance a player more quickly through the game.

While not all loot boxes are a cause for concern, the report noted that there were some concerns that certain types of loot boxes may have the potential for gambling-related harms. The report noted that the research on gambling-related harms experienced as a result of interaction with loot boxes in games is in its infancy and that further research is required.

¹ Interactive Games and Entertainment Association (IGEA), 'Australian Video Game Development: An industry snapshot FY 2016-17', 17 January 2018. Available from: www.igea.net/2018/01/australian-game-developers-march-generating-118-5m-spice-limited-recognition-support/

² IGEA, 'Australian Video Game Industry Value: An industry snapshot 2017', 22 February 2018. Available from: www.igea.net/2018/02/australian-consumer-spend-video-games-cracks-3-billion/

Australian Government response

The Australian Government's response to the report on Gaming micro-transactions for chance-based items is set out in detail below.

Recommendation 1:

- 5.16 The committee recommends that the Australian Government undertake a comprehensive review of loot boxes in video games. This review should be led by the Department of Communications and the Arts in conjunction with the ACMA, the ACCC, the Office of the e-Safety Commissioner, the Classification Board, and the Department of Social Services.
- 5.17 This review should commission further research into the potential for gambling-related harms to be experienced as a result of interaction with loot boxes; identify any regulatory or policy gaps which may exist in Australia's regulatory frameworks; examine the adequacy of the Classification Scheme as it relates to video games containing loot boxes; consider if existing consumer protection frameworks adequately address issues unique to loot boxes; and ensure that Australia's approach to the issue is consistent with international counterparts.

The Australian Government **notes** this recommendation.

The Australian Government recognises that gambling is a serious public health concern and it treats gambling issues with the utmost importance. At the same time, the Australian Government acknowledges the committee's observation that research on gambling-related harms experienced *as a result of loot boxes in games* is in its infancy, and that developing an evidence-based regulatory approach to mitigate against any harms is challenging until further research is complete.

Recognising that a robust evidence base is still to be developed, the committee noted the current regulatory oversight that applies to loot boxes in video games. While the Australian Government considers that a formal departmental review of loot boxes in video games immediately after the inquiry is not warranted at this point in time, the Department of Communications and the Arts will continue to examine regulatory frameworks, working with other Australian Government agencies. As part of this, it will monitor academic research and consider the need for further research; continue conversations with international counterparts and industry; gather further views from public interest groups; and monitor changes in the video game industry as game developers' monetisation strategies evolve. It will also consult with the Department of Social Services with respect to potential harm minimisation measures applicable to gaming micro-transactions for chance-based items, as well as any linkages to the National Consumer Protection Framework for online wagering announced in November 2018.

The Australian Government acknowledges that while research is in its infancy, steps are being made to consider the impacts on children in relation to social gaming. The Department of Social Services and the Australian Gambling Research Centre took steps to include questions on gambling, including social gaming, in Wave Seven of the Longitudinal Study of Australian Children (LSAC), with results recently released.

Furthermore, the Department of Communications and the Arts has started canvassing community views on loot boxes. It conducted qualitative and quantitative research in 2018 in relation to loot boxes and other games content, focussing on the views of the gaming community and parents of children who play computer games. This research is part of ongoing work to understand community attitudes related to classification, which informs policy advice and the Classification Board's future work. This research is now available on the Australian Classification website at www.classification.gov.au.

It is important that parents and carers are aware of strategies to encourage safe gaming behaviours among children and young people. The Office of the eSafety Commissioner will continue to review information on its iParent website in response to developments in the games industry.

Australian Greens Recommendation 1:

- 1.33 The Australian Greens recommend the Australian Government review the definition of 'gambling service' contained in the *Interactive Gambling Act 2001* to ensure that it continues to be fit for purpose, particularly with regard to micro-transactions for chance-based items.

Australian Greens Recommendation 2:

- 1.34 The Australian Greens recommend that games which contain loot boxes that meet the psychological definition of gambling, and where virtual items can be monetised, be rated as R 18+.

Australian Greens Recommendation 3:

- 1.35 The Australian Greens recommend that games which contain loot boxes that meet the psychological definition of gambling but where virtual items cannot be monetised, be rated as MA 15+.

Australian Greens Recommendation 4:

- 1.36 The Australian Greens recommend that games containing loot boxes be required to clearly display 'Contains Simulated Gambling' in the video game content rating label.

Australian Greens Recommendation 5:

- 1.37 The Australian Greens recommend that a consumer protection framework be developed in collaboration with the video game industry and community groups. This framework should include risk assessment processes to identify risks to children, reporting mechanisms for concerns, policies and processes for developers and publishers to respond to safety concerns, and information to assist consumers and parents and guardians.

The Australian Government **notes** these recommendations.

The Australian Government takes consumer protection for Australians of all ages seriously. The Australian Government acknowledges these recommendations and will continue to examine regulatory frameworks that apply to loot boxes in video games and will consider appropriate policy responses.

The Australian Government recognises that the video game industry also has a significant role to play in protecting consumers. Game developers and online gaming storefronts provide a range of consumer protection tools, such as parental controls, purchase restrictions and spending limits. The Australian Government notes that many games developers are responding to the debate around loot boxes, taking steps to remove loot boxes from games or choosing to release new games without loot boxes.

