



Guidelines for the Classification of Computer Games

Submission by the Alannah & Madeline Foundation

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Executive summary

The Alannah & Madeline Foundation (the Foundation) welcomes the opportunity to provide feedback on the new draft Guidelines for the Classification of Computer Games.

As an organisation driven by our commitment to the rights of the child, we want children to be free to play in age-appropriate digital spaces without exploitation. This means seeking an appropriate balance between children's rights to recreation and their right to be protected from exploitation, including via gambling or gambling-like features which prioritise commercial gain over the best interests of the child.

We think it is appropriate that simulated online gambling is kept away from children and that safeguards are put in place around loot boxes, without removing children's access to enjoyable, age-appropriate gaming experiences.

Broadly, we see the proposed classification changes as a positive step forward. The classification guidelines currently in use do not explicitly address simulated gambling, loot boxes or other in-game purchases linked to elements of chance. This is a major gap, given how significant these features have become in the digital world. It seems reasonable that the classification guidelines should define these features, and that mandatory minimum classifications should be applied.

However, we recognise that questions remain, especially about the most appropriate classification(s), for games containing loot boxes and other in-game purchases linked to chance. We trust this issue will continue to be considered, guided by further high-quality research. This research should consider not only the (contested) relationship between loot boxes and gambling, but also any other impacts loot boxes have on children and young people – financial or personal.

Furthermore, children's access to gaming is not determined by classification alone eg. many children play games classified as unsuitable for their age group. Wider, ongoing work is needed to uphold children's rights via education and regulation.

For example, we refer to the findings of the 2020 parliamentary report 'Protecting the Age of Innocence', which called for risks to children associated with simulated gambling and loot boxes to be addressed through a mix of parent resources and regulation, potentially including age verification. We trust that the work of eSafety in these spaces will be supported through the welcome increase in funding in the 2023 Federal Budget and through the insights that will emerge from eSafety's work with the Australian Government to create a roadmap to age verification for online pornography.

It is equally important to invest in high-quality education to support children and young people to become positive digital citizens. The Foundation is proud to partner with the Australian Government in this space. We recognise that ongoing work will be needed to address the specific risks posed by online gambling and gambling-like features. Interventions will need to engage effectively with the cohorts of young people who are at highest risk with regard to this issue: namely, young men, students in their mid to late teens, and young people living with disability, mental health issues or family adversity.

Finally, it is vital that Australia prepares for the growth of extended reality or the 'metaverse' over the next 5-10 years. As digital spaces become more immersive and interconnected, and as digital property becomes more transferrable and meaningful, this will lead to changes in gambling and gambling-like features. At present, Australian law distinguishes firmly between gambling services, which involve real-world money; simulated gambling; and loot boxes, whose rewards can only be enjoyed inside a game. In a 'metaverse', these distinctions may become blurred and new risks may arise for young users.

Australia needs mechanisms and resourcing in place to ensure that our legislators, regulators and policy-makers can respond promptly and expertly to rapid, transformative changes in the digital world.

Recommendations

1. As proposed, amend the Guidelines for the Classification of Computer Games to include definitions of in-game purchases linked to elements of chance; loot boxes; real world currency; and simulated gambling.
2. As proposed, amend the Guidelines for the Classification of Computer Games to include mandatory minimum classification of R18+ for games which contain simulated gambling and mandatory minimum classification of M for games containing loot boxes that can be purchased or other in-game purchases linked to elements of chance.
3. Continue to invest in high-quality longitudinal research into the impacts of loot boxes and take into account any recommendations to review or adjust classifications in response. This research should consider any unreasonable financial or personal costs to children, young people and/or their families from paying for loot boxes, as well as any dynamics between loot boxes and gambling.
4. Work with eSafety to support a continued response to the findings of the 2020 report of the Standing Committee on Social, Policy and Legal Affairs, 'Protecting the Age of Innocence'. The report called for development of educational resources for parents about online gambling and simulated gambling (eSafety has created some of these, but the space will continue to evolve); and for investigation of options for restricting children's access to loot boxes and simulated gambling, including via age verification.
5. Invest in policy development to address the potential impacts of extended reality or the 'metaverse' on gambling, simulated gambling, loot box style features, and gaming in general. Expert, timely regulation will be needed, backed by legislation and appropriate resourcing.
6. Continue to invest in initiatives which build the digital literacy of Australian students, including in relation to online gambling, simulated gambling and loot box style features. It is particularly important to engage effectively with cohorts prone to higher risk in this space: adolescent males, students in their mid to late teens, and vulnerable, marginalised students.

About us

The Foundation was established the year after the Port Arthur tragedy, by Walter Mikac AM in memory of his two young daughters, Alannah and Madeline. Our vision is that all children and young people are safe, inspired and have freedom to flourish.

Over the last 25 years our work has grown and evolved but our purpose remains the same. We have three program streams:

- **Safe and Strong: recovering and healing from trauma.** Very much linked to our origin story, we have a specialist trauma recovery and therapy service for children who have experienced significant trauma. This has grown in recent years to include working with early childcare providers, kindergartens and now primary schools to help them build their trauma informed capability and practices. Most of our work in trauma healing and recovery is Victorian based, with our therapists and consultants working from our client's homes, education and care settings and places of work.
- **Safe and Strong: building positive digital citizens.** The Foundation works with schools, families and communities nationally to help children build the digital intelligence, skills and competencies they need to stay safe online and to be active, positive digital citizens. With over 10 years' experience working in online bullying and wellbeing, as technology has become ubiquitous, our work has developed into building digital intelligence, digital ethics and media literacy for all children aged 3-18.

- Safe and Strong: bringing children's rights to life. As a rights-based organisation, this is our policy and advocacy work. Since inception, we have advocated for firearms safety, and we convene the Australian Gun Safety Alliance. In other key policy matters related to our programs, we work closely with the Officer of the eSafety Commissioner, the Prime Minister's National Office for Child Safety, and other major agencies such as the Australian Federal Police.

In 2018, we partnered with Kate and Tick Everett, after the tragic suicide of their daughter, Dolly. With them we worked to establish Dolly's Dream.

- Safe and Strong: Dolly's Dream, changing the culture of bullying. The purpose is the same, but the programs and services (Parent Hub, telephone help line, school and community workshops etc.) are specifically designed for remote, rural and regional families and communities, to meet their unique needs and contexts.

Proposed changes to the classification guidelines

The Australian Government proposes that the Guidelines for the Classification of Computer Games be amended to include:

- new mandatory minimum classification of R 18+ for games which contain simulated gambling.
- new mandatory minimum classification of M (not recommended for persons under 15) for games containing loot boxes that can be purchased or other in-game purchases linked to chance. This classification would only apply to games containing loot boxes which can be purchased with real money or other in-game purchases linked to chance. It is not intended to capture chance-based features of games that do not involve monetary transactions.

The proposed changes would also include insertion of new definitions into the Guidelines:

- In-game purchases linked to elements of chance: digital goods or services purchased directly or indirectly using real world currency within a game which are determined by chance, including loot boxes.
- Loot box: a virtual container, however described, that rewards players with functional cards or items or cosmetic and other modifications which are determined by chance.
- Real world currency: physical and digital currency, including cryptocurrency.
- Simulated gambling: simulated gambling that: a) resembles or functions like a gambling service;^{*} and b) has a closed loop economy where rewards cannot be redeemed for real world currency or traded to other players in-game. For example, gambling within games that resembles or functions like real world commercial casinos, slot machines, lotteries or other betting services, including betting on sports will be simulated gambling.¹

^{*} The Interactive Gambling Act 2001 defines a gambling service as (a) a service for the placing, making, receiving or acceptance of bets; or (b) a service the sole or dominant purpose of which is to introduce individuals who wish to make or place bets to individuals who are willing to receive or accept those bets; or (c) a service for the conduct of a lottery; or (d) a service for the supply of lottery tickets; or (e) a service for the conduct of a game, where: (i) the game is played for money or anything else of value; and (ii) the game is a game of chance or of mixed chance and skill; and (iii) a customer of the service gives or agrees to give consideration to play or enter the game; or (f) a gambling service (within the ordinary meaning of that expression) that is not covered by any of the above paragraphs.

The case for change

The present classification guidelines, which date back to 2012, do not explicitly address gambling, loot boxes or other in-game purchases linked to elements of chance.² This gap needs to be addressed.

Gaming is very popular among children and young people. A 2022 survey of young Australians aged 8-17 found that 61% played online games alone at least once a week and 56% played online games with others.³ In 2018, around 40% of young Australians aged 14-16 described making in-game purchases.⁴

By 2020, 58% of the top games in the Google Play store contained loot boxes, as did 59% of the top iPhone games.⁵ One 2020 study estimated that loot boxes were worth \$15 billion a year to the gaming industry.⁶

Controversy rages over whether there is a casual link between loot boxes and gambling. However, broader questions also exist about the ethics of making in-game purchases highly appealing and accessible to children. For example, we note the work of 5Rights Foundation, a charity dedicated to children's rights online, and Australia's 2018 inquiry into gaming micro-transactions for chance-based items (Environment and Communications References Committee).⁷ Both reports identified aspects of loot boxes as risky by design, at least for children. Loot boxes are presented via attractive, exciting graphics; they offer in-game advantages; and their uptake may be encouraged via a 'variable ratio reinforcement schedule': a psychological principle by which people are nudged to repeat an action by winning the rewards they want only sometimes. One-click purchases and fantastical in-game currency (purchased originally with real-world money) raise the risk that some players will lose awareness of their spending.

Most expenditure on loot boxes may be fairly modest. For example, a 2020 survey of 1,954 young people in NSW found that the median monthly spend on loot boxes was \$50 for teens and \$72 for young adults.⁸ However, we hold concerns for the more vulnerable young players eg. those on very low incomes and those showing dysregulated behaviours while gaming.

We also note research conducted via the Longitudinal Study of Australian Children (LSAC), which claimed a statistically significant pathway between simulated gambling at age 16-17 and gambling with money at age 18-19.⁹ This adds to an evidence review for the Australian Gambling Research Centre and Australian Institute of Family Studies which found that loot box consumption and simulated gambling were associated with problem gambling, although a causal relationship was difficult to prove.¹⁰

The 'Protecting the Age of Innocence' report (House of Representatives Standing Committee on Social Policy and Legal Affairs, 2020) recommended that eSafety report on options for restricting access to loot boxes and simulated gambling to over-18s, including via age verification. The Committee also recommended that eSafety develop educational resources to inform parents about the risks and harms associated with online gambling, adding 'The Committee expects that these educational resources would also seek to raise awareness among parents of the potential for children and young people to be exposed to simulated gambling through video games'.¹¹ The then-government responded by supporting in principle the calls to develop eSafety parent resources and standards of age verification for age-restricted products and services. They preferred that loot boxes and simulated gambling be dealt with via the classification system and Basic Online Safety Expectations.¹² Given the recent research, however, this position is worth reviewing.

Upholding children's rights in the digital world

It is difficult but important to appropriately balance children's various rights to protection, participation and provision as set out in the United Nations Convention on the Rights of the Child. These include:

- The right of the child to rest and leisure, to engage in play and recreational activities appropriate to the age of the child. (Article 31).

- The right of the child to be protected from economic exploitation and from all other forms of exploitation prejudicial to any aspects of the child's welfare. (Articles 32 and 36)

General Comment No.25 of the Convention ('Children's rights in relation to the digital environment') adds that states should:

- legislate to protect children from gambling.
- use regulatory measures and safety by design to ensure that businesses do not target children using 'highly persuasive or gambling-like design features' designed to prioritise commercial interests over the best interests of the child.
- regulate, provide guidance for professionals, parents and caregivers, and collaborate with digital service providers to ensure the technologies intended for, accessed by, or impacting on children in their leisure time are designed, distributed and used in ways that enhance children's opportunities for culture, recreation and play.¹³

Ongoing efforts are needed to ensure children can enjoy positive play in age-appropriate digital spaces without exploitation.

Strengthening parent engagement

For the reclassification of games to lead to meaningful changes, parents and children need to understand the change and be well-placed to respond appropriately.

A 2021 survey of 1,200 households by the Interactive Games & Entertainment Association found that Australian adults have fairly good knowledge of video game classification labels, but gaps do exist. 16% of Australians admitted that they were only vaguely familiar, or not familiar, with the classification levels. Over 90% of Australians correctly understood G and PG ratings, but they had lower understanding of R18+ and M ratings (approx. 80%), and only 44% correctly understood what MA15+ meant.¹⁴

Parents face many other challenges unrelated to classification. The abovementioned survey also found that only two-thirds of Australian parents had rules about what kinds of video games their children could play.¹⁵ And a recent survey of Australian families by eSafety found that only 46% of parents said they checked which apps their children had downloaded at least once a week, while 44% said they checked their children's in-app purchases at least weekly.¹⁶

We do not see this as a case of parents 'making bad choices'. Parents are struggling to cope with a rapidly changing digital world which is designed to be highly attractive and engaging without necessarily having children's best interests at heart. The Growing Up Digital research from UNSW Gonski Institute for Education (2021) found that 90% of parents said they were negatively distracted by their own digital devices and almost two-thirds of parents said negotiating the use of digital devices caused conflict in their families.¹⁷

Parents need clear, accessible information and support that is relevant to their own lives and delivered in a timely way by trusted advisors. In 2018-19, the Alannah & Madeline Foundation was proud to work with the Victorian Responsible Gambling Foundation to pilot parent workshops in 12 schools to inform parents about the convergence of gaming and gambling and help them build skills to support their children. Participant feedback was very positive, although the Foundation observed that parents' digital literacy levels varied a lot, with many parents needing support to build confidence around the basics of gaming and parenting skills, before gambling risks could be discussed in much depth.

Meanwhile, parents also need high-quality digital literacy education for their children and a digital world that is safer for children by design.

Investing in students' digital literacy

The Foundation is proud to work with the Australian Government to deliver our Digital Licence+ and Media Literacy Lab programs in schools. These products build students' knowledge, skills and intentions as positive digital citizens so they can participate responsibly, respectfully and ethically in society online.

Risks associated with simulated gambling, loot boxes, and online gambling are higher for certain cohorts, a fact which digital literacy initiatives must keep working to address. We know from LSAC that adolescent boys are more likely than girls to play simulated gambling games (24% compared to 15%), and that the risk of developing gambling-related problems rises rapidly between ages 16-19.¹⁸

Meanwhile, the Growing Up Digital research showed that supervision of children's online activities is lower in families that are struggling with disadvantage and vulnerability.¹⁹ A UK survey found that vulnerable teens were much more likely than their peers to visit gambling sites and/or agree that they 'often spent quite a bit of money in games'. Online gambling was especially common amongst teens with eating disorders, physical illness, or experience of the out-of-home care system. Meanwhile, teens with speech difficulties, care experience, or anger issues were almost twice as likely as their peers without vulnerabilities to spend 'quite a lot of money' in games.²⁰ As a generalisation, these young people are less likely than their peers to have received timely, relevant, comprehensive digital literacy education; less likely to have the support and supervision of digitally literate parents; and more likely to struggle with self-regulation.

Preparing for the 'metaverse'

Over the next 5-10 years, 'extended reality' or 'metaverse' technologies are tipped to grow significantly, and gaming will almost certainly be one of the first frontiers.

Australia needs mechanisms in place to ensure that our policy-making, legislation and regulation can respond promptly and expertly to rapid, transformative changes in digital technologies – including in relation to gambling and gambling-like features.

It is predicted that extended reality technologies will enable individuals to experience a highly immersive and realistic digital world where they can move seamlessly between different spaces, taking their digital possessions and tokens with them.²¹ If this vision is realised, it will raise major questions about how online gambling is defined and regulated. Presently, Australian law distinguishes clearly between gambling services, which involve real-world money, and loot boxes, whose rewards can only be enjoyed inside the game.

In a 'metaverse', such distinctions may become far less relevant and risks to individuals may be much higher, unless regulators are prepared and resourced to respond in a timely way.

We would welcome the opportunity to discuss any of these matters further. Please contact:

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