

## **Comments on the proposed new mandatory minimum classifications for gambling-like content in computer games**

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### **Introduction**

The proposed Guidelines for the Classification of Computer Games 2023 make progress in addressing the harmful effects of computer games with elements of gambling. However, there are compelling reasons why stronger measures are necessary, especially for loot boxes in computer games. The proposed classification of M for computer games containing paid loot boxes means that the content is not recommended for persons under 15 years, but it has no legal force. We argue that this classification will do little to protect children from the harm associated with loot boxes, and instead that games with paid loot boxes should be restricted to R18+.

### **What are loot boxes?**

Loot boxes are virtual containers embedded in the popular video games that children and young people routinely play. Loot boxes can be purchased with real money, with virtual currency, or they can be won in the game. [Loot boxes are like a lucky dip](#) because what's inside them is not known in advance (Rockloff et al., 2021). When opened (after purchase or a win), they reveal virtual items of wildly differing rarity and perceived value. These items can include in-game currency, weapons or special abilities that can enhance in-game performance, or skins that have aesthetic and prestige value, and often **these items can be sold for cash**.

### **Why are loot boxes a form of gambling?**

We consider purchasing loot boxes to be a gambling activity, because it involves spending real money on a chance-based reward of an uncertain value. Older children often recognise loot boxes as gambling. Loot boxes use psychological techniques drawn from gambling to encourage spending and persistent play. One powerful technique of loot boxes is their use of variable reinforcement schedules: the player doesn't know when they will receive a prize or how valuable it will be. Like Skinner's experiments with rats and pigeons isolated in a box, this behavioural conditioning technique is used in the most harmful form of gambling – poker machines – and encourages rapid uptake of the activity and persistent repetitive behaviour in the hope of being rewarded. Like poker machines, the wins follow an inverse distribution of rare/valuable and common/trivial: a mechanic that is crucial for fostering excessive play in order to achieve the desired wins. Despite these intrinsic similarities to the [most dangerous form of conventional gambling](#) (Browne et al., 2023), loot boxes are not regulated as gambling in Australia and therefore lack consumer protections, such as age restrictions and clear information on the odds of winning.

### **Do children engage with loot boxes?**

Loot boxes are [embedded in the digital games](#) that many children play from early childhood and throughout their primary school years (Hing et al., 2023a). By adolescence, about 8 in 10 Australian children aged 12-17 years engage in loot box play and around 4 in 10 spend real money to [purchase loot boxes in games](#) (Hing et al., 2022a).

**Loot boxes can be harmful because they provide young people with a gambling currency and a way to gamble when underage.**

Skins that are purchased or won in loot boxes have real-world value. By example, the owner of a very rare skin (the Blue Gem CS:GO knife), which they purchased for \$100,000 in 2016, knocked back an eye-watering US\$1.2 million offer to buy it in 2021. Of course, most skins are worth far less, only a few dollars. But the point is that **skins have real-money value and can be sold, traded or gambled** on unregulated skin gambling and esports betting websites. This means that the skins children win in loot boxes can be gambled, for money or for more skins, on sites that have. Therefore, loot boxes do **not** have “a closed loop economy where rewards cannot be redeemed for real world currency or traded to other players in-game”, which is part of the Guideline’s definition of simulated gambling. It is perverse that the Guidelines do not propose an R18+ restriction for games with paid loot boxes when loot box prizes can, in fact, be redeemed for real world currency.

Essentially, skin gambling is an unregulated “Wild West” industry little regard for age-gating or consumer protections. Skin gambling operators make gambling easily accessible to kids and target kids through advertisements, online influencers and other promotions embedded in the games they play. In NSW, one in seven (14.5%) young people aged 12-17 years report recent engagement in [skin gambling](#), including on esports events and on games of chance like slots and other casino games (Hing et al., 2021). Governments have banned this activity, but in practice little is done to stop it. Without loot boxes, it would be difficult for skin gambling to operate. This is a compelling reason for banning underage access to loot boxes in games.

**Loot boxes and skin gambling are linked with gaming and gambling disorders in youth.**

Paid loot boxes and skin gambling attract our most vulnerable children. Australian adolescents who purchase loot boxes are six times more likely than non-purchasers to [experience problem gambling](#), even after accounting for other forms of gambling they might do (Hing et al., 2022b). Further, adolescents who purchase loot boxes are twice as likely as non-purchasers to have a [video gaming disorder](#) (Hing et al., 2023b). Similarly, those who engage in skin gambling, as opposed to purchasing loot boxes, also have elevated rates of [problem gambling and video gaming disorder](#) (Hing et al., 2021).

**What should be done?**

We think it’s unacceptable to allow children easy access to these harmful products, and then leave it to parents to monitor their children’s use of them. While some parents may feel lenient towards their children accessing some mature content in video games, many are likely unaware that this could include gambling content and expose their children to the risks of gambling problems. Games with loot boxes should be treated in the same way as monetary and simulated gambling and restricted to R18+. Games with simulated gambling, including loot boxes, should also be explicitly labelled as having “gambling content”. That label would be a tangible disincentive to game developers, whereas a “M” rating could only make a game more attractive to youth (i.e., look at me, I’m an adult!). If parents, or even a child, sees a label of “gambling content” it would make them think twice about the game.

Many people will associate computer-game ratings, such as R18+ and M, with cinema ratings. Parents and children will expect that the warnings refer to violence and/or sexual content. While people may accept such content as appropriate for a minor, in many cases they would not expect - nor willingly accept - the risks of exposure to gambling and the potential for addiction. In general, research has shown that the Australian public, while viewing gambling as a personal choice, have markedly negative views towards gambling (Donaldson et al., 2016).

Explicit warnings for "gambling content" can be useful in this context. They would alert purchasers to the presence of the potential risks associated with the product, allowing them to make an informed choice about whether to play a particular game and how to approach its mechanics. It would also incentivise game developers to exclude gambling-related content from their games to maximise their potential pool of customers, lowering risks to all future purchasers.

While the proposed changes mark a positive step, they could be augmented to ensure that players are fully informed of the gambling-related risks associated with certain games, and that adequate safeguards are in place to protect players, particularly younger ones, from these risks.

### **Our recommendations**

For the reasons outlined above, we recommend that:

- Games where loot boxes can be purchased should be classified as R18+ (Restricted).
- Games with loot boxes and simulated gambling should be explicitly labelled as containing gambling content.
- Measures should be taken to crack down on illegal skin gambling operations.

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