

Department of Internal Affairs: Safer Online Services and Media Platforms

PGF GROUP SUBMISSION

AUGUST 2023

EXECUTIVE SUMMARY

PGF appreciates the Department of Internal Affairs' (DIA) review of safer online services and media platforms in Aotearoa New Zealand. We are grateful for the opportunity to provide a submission on this important piece of work.

We agree that New Zealanders, especially children and young people/rangatahi, are not currently receiving adequate protections to harmful online content and its wider impacts.

Our submission is evidence-based and focuses specifically on the exposure to and availability of gambling and gaming products in the online space. We urge the DIA to also consider the impact and advertising of such products when defining and addressing harmful content and platforms as part of this review. Our key concerns are summarised below:

1. **Convergence of gaming and gambling** – we have become increasingly concerned about the blurring of lines between traditional video gaming and gambling activities. This convergence is often facilitated by features like loot boxes, microtransactions, and other in-game purchases that share similarities with gambling mechanisms. These are easily accessible to minors, which can expose young players to gambling-like experiences at an impressionable age.
2. **Advertising by operators** – advertisements have been particularly aggressive on social media and other platforms that children and young people are often exposed to. This includes the advertising of simulated gambling or “free to play” online casino games being promoted on radio and television.

Moreover, the Gambling Act 2003 is a piece of legislation that is 20 years old which no longer reflects the online gambling or gaming environment that we now have. It also does not afford a robust regulatory framework that will protect consumers online. We submit that a full review of the Act is overdue and is needed to better capture the current online environment and effective harm minimisation for all New Zealanders.

PGF thanks and supports the DIA's efforts to develop a robust consumer protection framework for safer online and media experiences. We hope that our submission will help the Department best determine how to minimise the harm from gaming and gambling, particularly for our children, young people, and others who are vulnerable to harm.

KEY RECOMMENDATIONS

1. PGF supports the proposal to bring online and other media platforms into one **cohesive framework with consistent safety standards**.
2. We support the establishment of an **independent industry regulator** to oversee the new regulatory framework and ensure there will be higher standards for industry to protect children and young people from unsafe content, including gambling and gaming. We fully support improved regulation in this space.

3. PGF submits that **loot boxes within games require some form of regulatory intervention** regardless of whether they meet the definition of gambling under the current Gambling Act 2003. This should include enhancing education and awareness of the potential negative impacts of loot boxes on users and improving parental controls and opt-out mechanisms.
4. PGF submits that the **classification framework should restrict underage (under 18 years) access to games containing loot boxes**. The age restriction will take into account that not all loot boxes are the same and those which meet the psychological criteria for gambling and which have the ability for users to 'cash out' items are most in need of a regulatory response. Other types of loot boxes that meet the psychological definition of gambling but do not include the ability to cash out winnings, should also be reviewed and classified with an increased recommended minimum age.
5. PGF submits that **games containing loot boxes and/or simulated gambling should be clearly labelled**.
6. PGF submits that the **advertising of gambling, including simulated or “free to play” gambling games that mimic real gambling sites (such as Jackpot City) should be banned** from any platform or media, or at the very minimum be treated as “adult only” content and restricted accordingly to ensure children and young people are less likely to be exposed.

ABOUT PGF GROUP

The Problem Gambling Foundation trades as PGF Group and works closely with its subsidiary charitable companies, Asian Family Services and Mapu Maia Pasifika Service, united by a shared purpose to provide public health and clinical services that contribute to the wellbeing of whānau and communities. Our services operate under contract to Te Whatu Ora and are funded from the gambling levy.

We deliver clinical interventions and treatment as well as a range of public health services. We have a skilled and diverse workforce with staff who are qualified in clinical work and health promotion. A key part of our public health work is advocating for the development of public policy that contributes to the prevention and minimisation of gambling-related harms.

Our vision is a socially just Aotearoa where all people flourish.

Our mission is to deliver public health and clinical services that support whānau/family and community wellbeing.

GAMING AND LOOT BOXES

Gaming is a popular activity with children and rangatahi. It can be fun, social, and educational. Approximately 93% of New Zealanders aged five to 14 play video games (1), and video game revenue is increasing rapidly.

One particular feature of games causing growing concern are loot boxes (2). Loot boxes are digital boxes that reward players with in-game items and can be earned through skilful play or purchased with real world money. The content of these loot boxes is unknown before purchase, but players are generally hoping for items or rewards, such as weapons, accessories, or tokens. These items are generated randomly and are based on chance.

There is a growing body of research linking loot boxes and a young person's likelihood of experiencing gambling harm in later life (3). A recent paper from Massey University and the University of Tasmania examined loot boxes in 22 games rated as appropriate for audiences 17 years of age or younger. Results revealed that these loot boxes have structural and psychological similarities with gambling and that nearly half (45%) of the games they analysed met all five of the psychological criteria to be considered a form of gambling (4).

Loot boxes have the potential to be addictive for two key reasons. First, players can spend real money for the chance to win something valuable but may or may not end up getting the item they want. Like gambling, randomisation is a core element of loot boxes (5). Second, loot boxes often provide players with intermittent rewards. Intermittent rewards encourage and reinforce the player to feel that they are a step closer to winning even if they did not win (6). Therefore, a loss can feel like a step in the right direction to a win.

Loot boxes are an evolving issue with increasing prevalence rates (7). Concerningly, there is no systematic way of determining which games have loot boxes and which ones do not. In New Zealand, loot boxes sit in a largely unregulated space increasing children and young people's vulnerability to harm. Currently, the Gambling Act 2003 does not define loot boxes as gambling. However, both Belgium and the Netherlands have bans on loot boxes, believing them to be a monetised scheme and predatory for gamers, particularly children (8). We encourage the DIA to consider the potential harm from loot boxes and ensure that all games with simulated gambling are clearly labelled and age restricted.

OTHER SIMULATED GAMBLING GAMES

Like loot boxes, other simulated games imitate many of the core characteristics of gambling – including the look, sound, and actions – but do not provide an opportunity to bet, win, or lose real money. This key point distinguishes them from commercial gambling. Recent years have seen a sharp increase in the availability of these games, leading to increased interest and use.

The merging of commercial and simulated gambling is concerning, particularly when it comes to our children and rangatahi, as they are constantly being exposed to commercial gambling through simulated gambling activities. Young people are technologically literate, integrating technology into

all parts of their lives and, in comparison to previous generations, the potential for exposure to gambling-like experiences is far higher.

People who play simulated gambling games are more likely to gamble commercially and report gambling problems (3, 9). However, the reason explaining the pathways and causality for this co-occurrence have yet to be established. Evidence to date suggests there are various reasons for the movement between simulated and commercial gambling and that it is bi-directional (10).

It is generally understood in both academic and public health settings that consistent and repeated exposure to simulated gambling activities may serve to make gambling more familiar and normal for individuals. This, in turn, may increase the degree to which gambling is seen as acceptable, attractive, and a relatively harmless entertainment option (10). This often occurs without the knowledge or oversight of friends and family. As young people are still developing and pre-disposed to explorative and risk-taking behaviours, this type of exposure is argued to make them more likely to then engage in commercial gambling (11).

Simulated gambling games often encourage players to gamble on real gambling sites. Jackpot City's "free to play" website looks the same as its gambling site. In one of their blog posts, Jackpot City invites players to "*discover the advantages of playing for free online.*" One of these advantages is that: "*JackpotCity offers you the chance to play all your favourite casino games for free, just for fun or to get some practice. Take advantage of what's on offer and ensure that when you place real money bets in the future, you do so with confidence!*" (12).

In a recent Te Manu Whakaatu/Classification Office national survey, which asked New Zealanders about their attitudes towards classification, it highlighted the public's desire for more information about the challenging topics that are appearing on our screens. This included simulated gambling, with 57% saying it would be helpful to be warned about simulated gambling (13). Improved classification of simulated gambling games would assist consumers to make informed decisions about participation and facilitate the development of consistent and clear regulation of consumption by both minors and adults alike.

ADVERTISING OF SIMULATED GAMBLING GAMES

There is currently little (or no) regulatory control over the advertising of simulated gambling games. Exposure to advertising of gambling and simulated gambling games through various apps and social media can be relentless and difficult to avoid. This was seen in the recent [22Bet commercial](#) on YouTube, fronted by well-known New Zealander, Brendon McCullum. The misleading advertisement offered sign up bonuses to New Zealanders and was aggressively marketed on the platform.

Alongside this, people are also exposed to the advertising of simulated casino games that are free to play online but are only a click away from the real gambling site. For example, Jackpot City is currently being advertised on radio and television stations promoting its simulated casino gambling website. Apart from serving to normalise gambling by using gambling terminology in the advertisement, if a person was to Google search for Jackpot City, it is likely they would be taken to the real gambling site.

Evidence shows that advertising normalises gambling activities. People experience a ‘dose-response’ effect meaning advertising exposure increases participation, which leads to a greater risk of harm (14). This is particularly concerning as children and young people are at greater risk due to their higher awareness and recall of advertisements and brands (14).

In New Zealand, the Advertising Standards Authority’s Gambling Advertising Codes provide guidelines for the industry that holds them to a high standard of social responsibility (15). There is also a strong regard for the need to protect children and young people from gambling-related harm. Currently, the codes cover free to play gambling activities, products, and outlets. However, they are not considered in the Gambling Act 2003. This has led to ongoing challenges in regulating and enforcing the advertisements of simulated gambling games.

CLOSING COMMENT

The issues raised in this submission must be considered as part of the DIA’s response to reduce exposure to harmful content on media platforms. Our submission has identified that children and young people are vulnerable to games that have gambling-like products, which exploit psychological triggers leading to addictive behaviour. The lack of regulations around such games and the advertising of these games on various media platforms is concerning, and has led to gaps in consumer protection.

PGF welcomes a robust regulatory response to these issues and encourages the DIA to take steps towards better protecting consumers, especially those most vulnerable, from the impacts of both harmful gaming and harmful gambling. Thank you again for the opportunity to make a submission.

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