



To whom it may concern,

Inquiry into IT Pricing

First of all, I would like to congratulate the Government for commencing this long-overdue and much-needed inquiry. Australian consumers have long been subject to business practices which are increasingly unfair and seek to profit from the strong Australian economy in ways that are unfair and inappropriate.

I would like to provide comment to this inquiry from the perspective of an end-user and consumer of IT products in Australia. I refer in particular to software, and e-books, due to their nature as digital-only products.

My key points are:

1. there are large price discrepancies for Australian and American/European consumers of IT products;
2. traditional explanations for these differences, such as costs of doing business in Australia (rent, wages, etc.), are no longer relevant due to the internet;
3. the additional costs we pay are completely unjustified;
4. the entirety of the cost of IT products is now transferred internationally with no portion entering the Australian economy; and
5. the Australian Government should act to limit price differences to the legitimate difference in taxation systems.

(a) Whether a difference in prices exists between IT hardware and software products, including computer games and consoles, e-books and music and videos sold in Australia over the internet or in retail outlets as compared to markets in the US, UK and economies in the Asia-Pacific; and

(b) Establish what those differences are

This discrepancy has been well covered in many other submissions to the Inquiry, in particular those referencing <http://www.steamprices.com/au/topripoffs>, Adobe software and Microsoft software.

I will not waste the inquiry's time further demonstrating that there is a large disparity between Australian and American prices, beyond noting that Australian consumers frequently pay twice as much as other consumers.

(c) Determine why those differences exist

It should be noted that physical distribution of these items is all but extinct in the modern age. Digital downloads are the preferred manner of distribution for both consumer and distributor. By the end of this decade, it is highly unlikely that IT software will be available offline.¹

¹ Ebooks, of course, are already only available online. Their physical alternative is likely to persist considerably longer, however there are differences between a physical book and ebook that do not exist

Australian consumers pay a greater cost for digital downloads than our American and European counterparts. Previously these differences have been based on legitimate additional costs, such as exchange rate differences, differences in market size, shipping costs, higher retail staff wages, etc. In the modern age where purchase of IT products is increasingly based on online transactions, there is no physical product. Distribution of goods is done electronically, and all funds are transferred internationally. There is no “Australian market”, there is only the international market. The additional costs of doing business in Australia no longer are relevant.² Instead, distributors have much lowered costs involving simply network storage, website design and internet access, costs which are nowhere near costs of doing business in the traditional, and outdated, bricks-and-mortar business model.

It is, quite simply, unfair to suggest that an Australian consumer should pay more for a product for no reason other than we have more money.

(d) Establish what the impacts of these differences might be on Australian businesses, governments and households

Australian households are obviously subject to unfair costs. In short, we are being ripped off, and we don't like it.

In addition to impact on individual consumers, it can be argued that unfair and unrealistic prices currently being charged encourage piracy. It should be noted that for software and e-books there is an illicit, yet free alternative available for consumers. The higher the price charged, the more likely consumers are to simply pirate goods, rather than purchase them legally. After all, there is a point where the price charged becomes simply too great for a portion of the market, who then has the choice to either go without the item or to steal it without consequence.

(e) Determine what actions might be taken to help address any differences that operate to the disadvantage to Australian consumers

Quite simply, consumers expect the Government to prevent price gouging. There is no justification to allow a company to sell an identical piece of software or e-book to two different individuals at two different prices in the modern digital age.³ The benefits of these price differentials are international companies in the main part. Trade in IT products increasingly is separated from the Australian economy. We would like the Australian Government to prevent unfair price differences based purely on an irrelevant geographical location.

between a physical copy of software and a digitally downloaded copy, such as the tangible “feel” of holding a book while in the bath.

² It is of additional concern that funds transfer overseas, whereas previously a portion of costs would be circulated in the Australian economy, via rent, wages, and other overheads. Similarly, Australian jobs are no longer needed to fill retail positions, and transportation of physical goods no longer occurs. In the digital age, we simply insert our credit card number into a box on the screen, and send our money overseas.

³ It is reasonable to suggest that a business should be able to charge additional costs for the taxation differences for IT products between two different countries – such as the oft-quoted GST. At most, this difference would be 10% of the total cost.

In conclusion, I have provided my view as simply one Australian consumer. As an individual, I am powerless to prevent this price-gouging. As the Australian Government, I believe that you are not, though I am not a legal expert and do not know the appropriate manner in which you could act to stop this unfair situation. I have no problem paying a fair price for a piece of software. I just don't believe that two different fair prices exist, one for Australians and one for Americans, when there is no difference in costs to the distributor.

Kind regards,

Willy Kornoff