



IT Price Discrimination Inquiry

Dear Committee,

I am making my submission as an ordinary consumer of IT products. Presently, almost all of my purchases are done online, either from international businesses, or from Australian businesses bypassing local distributors to directly import from overseas. Although I have experienced price discrimination in most areas including physical books and musical instruments, my submission will be limited to the scope of the inquiry.

Software

For an example of mainstream software, Microsoft's operating system Windows is over one-and-a-half times the price in Australia. For example, the US store¹ lists the full version of Windows 7 Ultimate at \$319.99US whereas the Australian store² lists the full version of Windows 7 Ultimate at \$469.00AU. In both cases, this is a *digital download*: there is no extra costs associated whatsoever. Shipping only applies if one purchases an optional backup copy on disc. Australian stores like Harvey Norman sell at the Australian price,³ however some Australian stores can source OEM⁴ Windows for merely \$175.00AU.⁵

Games

The most obvious price discrepancy is for games. The digital-distribution service 'Steam' by US-based company Valve Corporation provides a virtual storefront and service for publishers to sell their content. Publishers are allowed to set their price, and given different currencies, can price their products accordingly. As such, the Australian Steam store frequently suffers extreme price discrimination by publishers, occasionally having games pulled to be re-priced higher. Examples include Bethesda Softworks' 'The Elder Scrolls V: Skyrim' and Activision's 'Call of Duty' series. Other big-name publishers such as Ubisoft also engage in this behaviour. These games are often released on the Australian Steam store for \$89.99US, however the US Steam store often lists them for \$59.99US. These are all digital downloads and one's region is irrelevant to service delivery.

Comparisons between prices on Steam can be accessed here, often far exceeding double:
<http://www.steamprices.com/au/topripoffs>

This is not limited to digital distribution, and appears similarly in-store. For example, Blizzard's recently-released 'Diablo III' retails for around \$90AU~ in-store, whereas stores overseas sell it for \$60US~. The \$90US~ pricing accurately reflects the pricing in stores such as EA Games and JB HiFi.

This pricing can be bypassed by purchasing from overseas. For example, WOWHD⁶ and OzGameShop⁷ source their products from Europe and both sell Diablo III for \$60AU~, at EU and US prices. These are *not* digital, and even include free shipping. Harvey Norman⁸ and JB HiFi⁹ have both begun importing direct from overseas wholesalers, whose pricing is very close to US and EU prices.

1 <http://windows.microsoft.com/en-US/windows/shop>

2 <http://www.microsoftstore.com.au/shop/en-AU/Microsoft/Windows/Windows-7>

3 <http://www.harveynorman.com.au/microsoftfr-windowsr-ultimate.html>

4 Original equipment manufacturer. These products are often sold at a discount when bundled with system purchases.

5 <http://www.msy.com.au/product.jsp?productId=5825>

6 <http://www.wowhd.com.au/games/diablo-iii-eu-pc/dp/28488505#bc=ff4c>

7 <http://www.ozgameshop.com/pc-games/diablo-iii-3-game-pc-and-mac>

8 <http://www.harveynormandirectimport.com/>

9 <http://www.kotaku.com.au/2012/05/jb-hi-fi-comments-on-its-decision-to-sell-parallel-imported-video-games-in-store/>

Music

Although it is much harder to provide discrete price references, in my experience I have found large music stores such as Sanity and JB HiFi to have much higher prices than online stores. For a new-release special-edition CD, prices are often in excess of \$30AU in-store, occasionally breaching \$40AU. I have almost abandoned local stores as I can get this music for around \$20AU online from various stores such as WOWHD.

Why the difference?

As an ordinary consumer, I can only offer my own experience, and not any economic analysis. However, I think the biggest reason is the value of our currency. A \$60 game becoming \$90 when the Australian Dollar was worth roughly two-thirds to three-quarters of a US Dollar was a fair reflection. Nowadays, given our parity, we often suffer up to double the price due to these savings not being passed on.

The next reason, for which I am glad to be protected by parliamentary privilege, is flat-out greed. Although the value of our currency has changed, the pricing of items has not. I know many other consumers like myself have grown up with items costing the way they do now. They were that way in the past, so it is natural to assume they would be the same. The reason for this difference would be taking advantage of the status quo: the Australian consumer has not known any better. We'll buy it anyway. Although the blog posts are not available anymore, Trent Reznor from Nine Inch Nails commented on the high price of his album 'Year Zero' in Australia. He was incensed that his record label said that Australian fans would be willing to pay such a high price, and then told his fans to steal his music in protest.

We seem willing to pay this much, because that's the way it has always been. But now we have access to international prices, and purchases are fast and simple. Our higher dollar has made savings of 50% possible and people are taking advantage of that.

Impacts?

As an impact to households, purchases can often exceed double the price someone in the EU or US would experience. Given that we can double our value by shopping online, we do so. Local business either lose out, or adjust. Those that adjust either fix their prices to keep them high, or forego local distributors by importing direct from overseas.

The cost to government would be even greater. Given the software needed to be purchased such as Microsoft's operating systems and office suites, and other general software, these can run over \$1,000AU per computer. As the government obviously has a great need for IT, we are paying an exorbitant price by being gouged double the price people in the EU or US experience. I do not know the government's IT budget, but I think it is safe to say that we are talking in the realm of at least millions.

Actions?

I'm just a consumer; I do my best to purchase from overseas and am willing to employ mail-forwarding services on items that overseas distributors refuse to ship here. I do this because, with no exaggeration, I save thousands of dollars per year. The only thing I can suggest is increased power for the ACCC to investigate price-fixing and fine those involved. I can only provide my experiences with being completely and utterly gouged; I leave it up to those far more qualified to develop policy to remedy the situation for every Australian.

Thank you for your time,
-Dane Weber
QLD