



Inquiry into Australian IT pricing – submitted 3 July 2012
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While I tend the question of the costs of software in general, my main interest stems from my background as a fan of video games. Something gaming fans have come to realise is that a new game in the US tends to retail for \$50-\$60, where the same title has a recommended retail price of \$110-\$120. In the past this was put down to the weak Australian dollar against the US dollar, but given that the currencies are now equal, we question why there has been no change. In fairness, a smart consumer will seek out better prices. **JB Hi-fi** in particular tends to release popular new titles for around \$69-\$89, and while competitors will sometimes offer similar deals that price eventually climbs back up to \$110 before perhaps being reduced sometime in the next year or so as the products are superseded by new releases and the stores become eager to move their outdated stock.

However, it's clear that the small window of reduced pricing is an initiative by the retailer rather than any indication of an impact of the price of the game software. More recent excuses for this have been put down to the cost of localisation and distribution of the content in Australia, which is a smaller market than the US. This argument might carry some weight, though it's notable that an Australian customer can import region-compatible versions of the games from the UK for \$35-\$55 AUD. I personally recently purchased a copy of **Prototype 2** for \$46 AUD via **ozgameshop.com** (a web retailer based in the UK that specialises in providing cheap imports to Australian gamers), while the lowest price from Australian retailers was \$89. The customs declaration on imported games from **ozgameshop** generally indicate these games have a market value of 18 pounds sterling, which is intriguing given that many UK gamers complain their prices are 45-60 pounds at retail, making their situation relatively worse given the strength of the pound versus the US dollar.

It has become so common for gamers to now purchase their games from overseas (preferring to endure a 1-2 week wait than pay higher prices) that JB Hi-fi have begun "parallel importing" titles from the UK for sale in their store. While they will have the locally released version of a game for \$80, customers will have the opportunity to purchase the identical import version for \$50 should they choose to do so.

Something highly perplexing to gaming fans is the price on digitally distributed content. In this case, purchasing games online via a service such as **Steam** (<http://www.steampowered.com>) or console-based marketplace platforms such as Microsoft's **Xbox Live** or Sony's **Playstation Network Store**, the localisation and distribution costs should be void. However in a recent example, the game **Max Payne 3** launched at \$49.99 USD, available via download from Steam. An Australian customer purchasing this exact same game via Steam is expected to pay \$89.99 AUD, almost double the price for the exact same product, delivered in the exact same manner (albeit rather more slowly given that it is a 39 gigabyte download and Australia's broadband internet is not quite on par with that of the US just yet).

In another example, web-based retailer **gog.com** (aka "Good Old Games") noticed the disparity when they were forced to sell copies of **The Witcher 2** for \$80 if the the buyer was from Australia, while the US price remained at \$50. In protest, gog.com

allowed their users to manually set their “region” to the US to take advantage of the US pricing, rather than forcing their customers into a set pricing based on their actual location in the world. In addition, gog.com supplied \$30 vouchers to customers who paid the inflated “Australian” pricing, to be used against purchases of any other titles in the gog.com library.

Again, this was purely a customer service initiative on the part of the retailer.

On the console front, I note that users of the Xbox 360 console are required (in most cases) to pay for their purchases in “**Microsoft Points**”. A person exchanges money for “**MS points**” and downloadable game content is purchased. Internationally the pricing is standard. For example, a specific game may be worth 1200 MS Points. This pricing will apply in Australia, New Zealand, the UK, the US, etc. Where the problem lies is with the pricing of the MS points themselves. Typically points are purchased in increments of 500, and unused points are banked to be allocated to future purchases. In the US the rate is around \$1 USD for 100 MS Points, which means that a 1200 point game costs \$12 USD. In Australia, 500 points costs \$8.25. 100 MS points that costs \$1 in the US costs \$1.65 in Australia, so that \$12 game becomes a \$20 game (\$19.80, in fact) for no discernible reason than what Australian gamers have come to refer to as the “Australia tax”.

Questions have been asked of local publishers and distributors but no satisfactory explanation has been supplied to date, and no one in the chain: the developers, the publishers, the distributors or the retailers; admits to reaping any additional benefits from the extra charges being applied to entertainment software. What Australian gamers want to know is, why are we being charged extra for the same products, and where is that money going?

If no reasonable response can be offered to these questions, the prices should be lowered.