



Submission to "Inquiry into IT pricing"

Submitter Information:

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Freelance multimedia (CD-ROM, web) designer since 1999
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Submission terms of reference replies:

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.

As a professional in the web & CD-ROM / interactive industries, I have made extensive use of software products from a number of overseas software companies during the course of running my business (and earlier while learning my speciality at university). This has been predominantly professional design / multimedia software from Macromedia Corporation (since acquired by Adobe Corporation) and Adobe (since the aforementioned corporate merger). There has always been an obvious disparity in the local AU pricing versus domestic US pricing for this software. Some current examples of these pricing differences can be found in the newly released "Adobe Creative Suite 6" software, as shown on Adobe respective localised online stores at:

US – <http://www.adobe.com/products/catalog.html>

The screenshot shows the Adobe website's product catalog for Creative Suite 6. The main product featured is 'Creative Suite 6 Design & Web Premium' with a price of US \$1,899.00. A configuration dropdown menu is open, showing options for 'I want to buy: Full', 'Platform: Windows', 'Language: English', 'Delivery: Download', and 'Quantity: 1'. A 'Buy' button is visible next to the price. To the right, there is a sidebar with a 'Learn about Creative Cloud' link and an offer to 'Upgrade from US \$375.00'. Below that, it says 'Get it as part of...' and 'Creative Cloud' with a 'One-year plan for US \$49.99 per month' offer. At the bottom of the sidebar, it says 'For a limited time, upgrade from CS and save 40%' and 'Student & teacher pricing'.

AU – https://store3.adobe.com/cfusion/store/index.cfm?store=OLS-AU&storeRegion=AU&nr=0#view=ols_cat&store=OLS-AU&catID=SPECIALS&loc=en_au

The screenshot shows the Adobe Store - Australia website. The top navigation bar includes links for Products, Solutions, Learning, Help, Downloads, Company, and Store, along with a search bar. Below the navigation bar, there are links for My support, My shipments, My cart, and Sign in. The main content area features four product listings:

- Creative Suite 6 Master Collection:** Realize your creative vision in the ultimate design environment for print, web, and video. Upgrade from A\$879.00 inc GST* (A\$799.09 ex. GST) to Full from A\$4,344.00 inc GST* (A\$3,949.09 ex. GST).
- Creative Cloud membership:** Enjoy unprecedented creative versatility with Adobe® Creative Suite® 6 tools plus publishing services. Subscribe from A\$62.99 ex. GST.
- Photoshop CS6:** Bring your creative vision to life with the world's best digital imaging software. Subscribe from A\$24.99 ex. GST. Upgrade from A\$337.00 inc GST* (A\$306.36 ex. GST) to Full from A\$1,168.00 inc GST* (A\$1,061.82 ex. GST).
- Creative Suite 6 Design & Web Premium:** Enjoy creative freedom and precise control using industry-leading tools for professional design. Upgrade from A\$626.00 inc GST* (A\$569.09 ex. GST) to Full from A\$3,175.00 inc GST* (A\$2,886.36 ex. GST).

The right sidebar contains a 'Purchase by phone' section with the number 1800 614 863 and a 'SPECIAL OFFER' for Acrobat X, stating 'SAVE 15% ON ADOBE X WHEN YOU UPGRADE NOW.' with promo code 15AXUPGRADE. Payment logos for VISA and MasterCard are also visible.

B) Establish what those differences are

Using the Ozforex Currency converter found at <http://www.ozforex.com.au/currency-converter/>

For the "Creative Suite 6 Design & Web Premium" a Full (new) license costs \$3,175.00 AUD from the Australia store (or \$3,258.82 USD using the above converter) and only US \$1,899.00 from the US store.

For the "Creative Suite 6 Master Collection" a Full (new) license costs \$4,344 AUD from the Australia store (\$4,458.27 USD using the above converter) and only US \$2,599 from the US store.

Other software from Adobe has similar price disparities, whether buying a 'full' license, an upgrade license, boxed or download only.

C) Determine why those differences exist

Alas I'm unable to offer a reasonable explanation as to why these disparities exist. As the difference in all cases is **substantially** greater than 10% (which would be explained by GST alone) clearly GST does not play a significant role. Similarly, the physical costs of shipping and import duties can be discounted in the case of downloadable versions of these products, yet substantial price differences continue to exist in these versions so this also cannot be the reason.

Various 'excuses' have been offered by Adobe employees anecdotally on a number of online forums, but we have yet to see a **formal** acknowledgement or response from their local representative as to why AU pricing is so disparate to the rest of the world, and why we are effectively subsidising the lower US prices.

I would therefore *strongly* urge the committee to approach Adobe directly and request that they provide an explanation for their pricing tactics.

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

This impacts various levels of the Australian economy:

1. Australian Businesses:

A major impact is felt within the multimedia / web design community here, as local businesses find it hard to compete with our US counterparts given the tools (Adobe software) is so much more expensive for us to buy than it is for US-based companies. Ergo, our ability to compete on a global level is compromised, unless we seek 'creative' (not always entirely 'ethical' ?) ways to achieve a level playing field e.g. sourcing the software using a US based agent / US shipping address, and then having imported here, therefore by-passing local suppliers of the software.

2. Australian Governments:

Various government departments would use contractors such as myself, or have in-house staff, which would make use of the very same Adobe software to produce websites, presentations, and other collateral. These departments and staff would be subject to the same pricing disparities in procuring this software locally as any other AU-based business or consumer.

3. Households:

In terms of software from this specific vendor (Adobe), the impact on Households would be less than that felt by business & government due to the 'professional' nature of the particular product suite offered by Adobe. Nonetheless there is a small subset of software that Adobe offer to the 'consumer level' (household) buyer which is no less immune the pricing disparities of the rest of their range. Further of course, as other submitters to this inquiry have noted, there is a plethora of other software and hardware vendors which also have pricing differentials in their local versus US offerings, and many of these are exclusively consumer (household) focused.

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

Some options may include:

- Mandating that all software companies such as Adobe who wish to operate in an Australian jurisdiction allow AU users to buy from their US store with no geographic restriction in the case of downloadable products
- Launching a further ACCC inquiry into specific companies e.g. Adobe, Microsoft, Electronic Arts who are found to be engaging in *excessive* price manipulation by the Committee
- Exploring further 'creative' legal options e.g. bringing an 'anti-discrimination' action against the companies either in Australia or in their native jurisdiction based on the fact that Australian consumers are being discriminated against due to their geographical location when it comes to the pricing of the software, and mechanisms preventing us from buying this from the North America store of the respective companies

Thanking the Committee for its time.
Regards, Peter M Larkins