



N.B. This submission was received by the Committee on a confidential basis on 6 July 2012.
On 17 January 2013 Apple gave permission for the submission to be published.

July 6, 2012

Committee Secretary
Standing Committee on Infrastructure and Communications
Parliament of Australia - House of Representatives
PO Box 6021
Parliament House
Canberra ACT 2600

To Whom It May Concern:

Apple submits the following comments in response to the "Inquiry into IT Pricing". These comments are for Government use only and we respectfully request that they remain confidential.

Apple strives to set equivalent pricing for our products around the world at the time of product introduction. When setting pricing on the Apple Online Store and at Apple Retail Stores, Apple considers differences among regions in product cost, freight, local sales taxes, levies, import duties, competitive price points, and local laws regarding advertised prices. It is at the discretion of our reseller community to set their pricing.

The pricing of music, movies and TV shows on iTunes is determined by various factors. Prices are heavily influenced by the wholesale price set by the labels & studios, royalties payable for the use of musical compositions and the incorporation of local taxes. Local market price comparisons demonstrate that iTunes prices for the same product sold in the local market are competitive.

App Store prices are based on a matrix of international retail prices with local taxes included. Unlike for music, TV and movie content, Apple acts as an agent for the app developer and sells the app at a price point selected by the developer.

Foreign currency is an important variable in how product prices are compared between countries. It is not uncommon for macroeconomic factors to cause foreign currencies to fluctuate dramatically during a product's life cycle. Over the period of time a particular Apple product is in the market, it may appear to be either priced higher or lower in a local market when compared to the price in the United States or elsewhere.

Currency is not the only factor which changes during a product life cycle. Product costs, local levies, or duties may change as well. The company's typical practice in such circumstances is to keep local prices the same, whether unfavorable or unfavorable to the company, until replacement products are introduced. This is less disruptive for local customers and local business channels than if Apple were to reprice products up and down on an unpredictable basis in response to all such fluctuations.

Sincerely,

Ann Rollins
Director, Government Affairs