



Subject: Late submission to the Standing Committee on Infrastructure and Communications Inquiry into IT pricing
Date: Tuesday, 30 October 2012 7:06:34 PM

Dear Sir/Madam,

I wish to make a brief belated submission to the above-mentioned inquiry. I might have responded earlier, but have been unwell and debilitated for several months. My submission was prompted by an article in today's Australian and by a statement from Committee Chairman Nick Champion. The submission follows.

Thanks, Michael Cunningham

Late submission to the Inquiry into IT pricing

It is an almost universal business practice to "charge what the market will bear." That is, businesses will set prices which maximise their profits. The main constraints on pricing are two-fold: the willingness of consumers to buy at the prices sought; and the opportunities for other businesses to make superior offerings, either of similar products or services or of substitute products or services.

With these constraints, it is almost impossible for non-monopolistic businesses to maintain prices which provide supranormal profits, that is, profits which provide a return which significantly exceed "normal" profits relative to the risk involved. Where such higher profits do occur, it generally is a reward for a firm such as Apple or BMW having developed and maintained a reputation for sustained excellence, quality and innovation which sets them apart from their competitors.

I therefore see no grounds for either the government or a House Standing Committee to intervene in what is purely a commercial matter between buyers and sellers. Such intervention shows a failure on the part of the politicians concerned to understand the working of commercial markets.

Michael Cunningham

Former economic policy adviser to the UK, Australian and Queensland governments

30/10/2012

Michael Cunningham