



'The Australia Tax'

A submission to the inquiry into IT Pricing

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Terms of Reference

The Committee will inquire into and report on:

- (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
- (b) Establish what those differences are
- (c) Determine why those differences exist
- (d) Establish what the impacts of these differences might be on Australian businesses, governments and households
- (e) Determine what actions might be taken to help address any differences that operate to the disadvantage to Australian consumers

Scope

This submission will mainly focus on criteria (a) however by doing so I will draw conclusions to address the remaining four criteria. Criteria (b) is going to be a challenge for the committee to clearly define for many reasons and I will present evidence that suggests:

- In terms of price setting, companies have been vague and use undefined terms to describe pricing models
- In respect to retail and certain online sales, there are so many hands in the pie so to speak, that it is often grey what money is going to whom after a purchase. Price breakdown would be required.
- There seems to be a very cloak and dagger blame game occurring between manufacturer, distributor and retail in terms of where the issues lay in regards to pricing. If seems no party in the supply chain is able to admit guilt and ultimately this means consumers continue to be negatively impacted.

Caveats

AU dollar parity with the US dollar has been present for around twelve months now, only recently falling below in the last few weeks. For the purpose of this submission I will assume a 1:1 ratio for ease of comparison as most of the resources I use to compare prices have not changed during this time. Most of the sources I have collected over the last two months when the AU dollar was over parity at around \$1.05US. It is fair to assume that over the last 12 months, exchange rates should **NOT** of been a factor in the examples I use throughout this submission.

I also note that as of the time of this submission **ALL** URL's cited were working correctly and not giving 404's.

Geographical Pricing

I highly recommend Aral Balkan's blog post ¹ in respect to geographical pricing on the net, which I discuss in length throughout my submission.

Background

On the 9th of December 2011 the Australian Productivity Commission released its report on the Economic Structure and Performance of the Australian Retail Industry. ²

In its initial review the Productivity Commission indicated that:

"The commission is aware of the longstanding practice by which some international suppliers set differential regional prices. This effectively treats consumers in one region as willing, or able, to tolerate significantly higher prices than those in other countries."

The commission also stated:

"Some international suppliers have attempted to defend such price discrimination as due to the cost of supplying a remote and relatively small market like Australia, which in some cases has its own unique requirements. These arguments in most cases are not persuasive, especially in the case of downloaded music, software and videos, for example, where the costs of delivery to the customer are practically zero and uniform around the world."

It is important to note that none of the big vendors such as Microsoft, Apple, Adobe, Cisco or Lenovo - companies that are often accused of price hiking, contributed in any way in the lead up to the final report. The report was also discussed extensively in tech media. ³

In early 2012 Ed Husic, the MP for Chifley, wrote to Senator Stephen Conroy requesting a parliamentary inquiry into IT Prices in Australia. Senator Conroy gave the green light for the inquiry in April 2012. ⁴

The announcement of the enquiry has seen widespread praise and media attention. Michael Pascoe wrote about the lack of innovation and adaptability by retail in Australia. ⁵ Chris Zappone highlights the commission's dismissal of GST being a factor harming local retail ⁶, an excuse often used to justify high prices in Australia. Stephanie Peatling and Jim O'rourke label IT Price rorting as iGouge ⁷ where technology commentator Trevor Long is quoted saying:

¹ Aral Balkan, 'How fair is geographical pricing on the Internet?' <<http://aralbalkan.com/918>>

² Australian Productivity Commission, 'Economic Structure and Performance of the Australian Retail Industry', in *Productivity Commission Reports* <<http://www.pc.gov.au/projects/inquiry/retail-industry/report>>

³ Luke Hopewell, 'Kill the Australia tax: commission', in *ZDNet Australia* <<http://www.zdnet.com.au/kill-the-australia-tax-commission-339319910.htm>>

⁴ Renai LeMay, 'IT'S ON: Govt sets up IT price hike inquiry', in *Delimiter* <<http://delimiter.com.au/2012/04/29/its-on-govt-sets-up-it-price-hike-inquiry/>>

⁵ Michael Pascoe, 'Whingeing retailers not tackling the real issues', in *Sydney Morning Herald* <<http://www.smh.com.au/business/whingeing-retailers-not-tackling-the-real-issues-20111210-1oorz.html>>

⁶ Chris Zappone, 'Online not to blame for retailers' woes: Productivity Commission', in *Sydney Morning Herald* <<http://www.smh.com.au/business/online-not-to-blame-for-retailers-woes-productivity-commission-20110804-1icv3.html>>

⁷ Stephanie Peatling and Jim O'rourke, 'IT giants in price probe', in *Sydney Morning Herald* <<http://www.smh.com.au/technology/technology-news/it-giants-in-price-probe-20120428-1xs16.html>>

"As time rolls on, every single one of the Australian arms of those global companies will realise that Australian consumers are getting their products elsewhere."

Unfortunately the effect of this been said companies employing anti-consumer practices to block or impede access to products and services which I discuss later.

Cara Waters wrote a well researched piece⁸ detailing not only the issue of IT pricing but other goods and services.

Waters writes:

"While international online retailers can avoid charging the tax through the import low-value threshold, Australian websites are often still more expensive. However, Australian online retailers say they are hamstrung by supply chain issues, outdated duties and legislation which makes it almost impossible for them to compete with international retailers on price."

She goes on to say in terms of online music purchases:

"Earlier this year, Triple J's Hack program reported that Australians were avoiding the price differences by opening American iTunes accounts."

The announcement of the inquiry promoted varied responses from the IT Giants⁹, with Adobe stating:

"Adobe Systems will co-operate with any parliamentary inquiry as required. We are not making any further statement at this time."

Microsoft responded:

"Microsoft will review the Parliamentary Committee's terms of reference when available and will respond to the Inquiry."

Lenovo, Amazon and Apple did not respond to Delimiter's queries.

LeMay notes:

"I am disappointed in the muted reaction which we've seen from these massive technology vendors on the issue of IT price hikes in Australia so far. This is an issue for the entire technology sector to ponder, and we really need these companies to be open and honest about how they set pricing so the debate on the issue can be on an honest grounding."

Michael Lee also discussed the battle consumers have with getting the IT Giants to buckle under the pressure¹⁰ and who will hang on to their profitable business models in Australia for as long as possible. Lee quotes Telsyte research director Sam Yip:

⁸ Cara Waters, 'The price is right at overseas websites but Australian online retailers say they are not rip-offs', in *Smart Company* <<http://www.smartcompany.com.au/retail/049973-the-price-is-right-at-overseas-websites-but-australian-online-retailers-say-they-are-not-rip-offs.html>>

⁹ Renai LeMay, 'Vendors unimpressed by IT price hike inquiry', in *Delimiter* <<http://delimiter.com.au/2012/05/08/vendors-unimpressed-by-it-price-hike-inquiry/>>

"If Australians are already paying that much compared to the rest of the world, that just means increased margins, and that increased margin starts to get implemented into people's KPIs [key performance indicators] locally and it's just opportunistic."

Does a difference Exist?

In a nut shell....absolutely, and throughout the rest of this submission you will see where.

Gaming Software

Gaming is an area that is hardest hit by price discrimination in Australia. In a recent and quite extraordinary case, we saw Australians pay **MORE** for a digital download than for a retail copy.¹¹ The guilty party in this case was Activision Blizzard. Digital downloads have zero bricks and mortar costs, there is no rent to pay, no shipping and no staff to sell a physical box to the consumer as it's all done online. It is absurd that this sort of price gouging can occur unchecked.

Due to the high RRP of Diablo 3 in Australia, both for retail and the digital download version of the game, many gamers took to shopping online for a good price. Thousands of gamers around the world, including Australia bought their copy from one of many various respectable online CD-Key sites.¹² Activision Blizzard, weeks after release, removed multi language support from these versions, limiting it to Russian only, rendering them useless for those who did not read and speak the language.¹³ It is important to note here that the game **DID HAVE** multi language support and English worked perfectly until Activision Blizzard removed access to all languages other than Russian. Here we see anti-consumer methods vendors use to force consumers in buying products in their own market where prices are intentionally higher. Consumers who bought this product are now left with a product they cannot sell, return for a refund or reasonably use.

Electronic Arts recently announced their equivalent of Activision's Call of Duty service: Elite.¹⁴ BF3 Premium¹⁵ is advertised on the website as \$49.99 for PC however Australian PS3 and Xbox 360 owners were in for a big surprise when they went to checkout their purchase from the respective console store and found they would be paying \$80.¹⁶ This is despite advertising on the EA website confirming that the console version of Premium would be \$50. EA have since changed the wording on their website however have not at the time of this submission, given a reason as to why

¹⁰ Michael Lee, 'Vendors won't let Aussie tax go: analysts', in *ZDNet Australia* <<http://www.zdnet.com.au/vendors-wont-let-aussie-tax-go-analysts-339336879.htm>>

¹¹ Dwayne, 'How Is It Possible That A Digital Copy of a PC Game Can Cost More Than A Physical Copy?', in *I Like Kill Nerds* <<http://ilikekillnerds.com/2012/05/how-is-it-possible-that-a-digital-copy-of-a-pc-game-can-cost-more-than-a-physical-copy/>>

¹² James Pinnell, 'The Grey Market: Inside the World of CD Key Sites', in *games.on.net* <http://games.on.net/article/15281/The_Grey_Market_Inside_the_World_of_CD_Key_Sites>

¹³ Tim Colwill, 'Blizzard Removes Multi-Language Support for Russian Copies of Diablo III, Leaving Gamers Stranded', in *Games.on.net* <http://games.on.net/article/15851/Blizzard_Removes_Multi-Language_Support_for_Russian_Copies_of_Diablo_III_Leaving_Gamers_Stranded>

¹⁴ Activision, 'Call of Duty Elite', in *Call of Duty* <<http://www.callofduty.com/elite>>

¹⁵ Electronic Arts, 'Battlefield 3 Premium', in *Battlefield 3* <<http://www.battlefield.com/battlefield3/1/premium>>

¹⁶ 'Australia Pays USD\$78.16 for Premium on Consoles', in *Battlefield Blog* <<http://battlelog.battlefield.com/bf3/forum/threadview/2832654625057253463/>>

Australians are paying \$30 more than the US for a digital download, especially since their fellow gamers using the PC version are only paying \$50 for the exact same download.

The price differential in Australia compared to the rest of the world has seen several websites created specifically to highlight the glaring differences. Steam Prices ¹⁷ even has a section titled "Top Rip Offs" which really showcases the difference we are paying for gaming titles. It is important to note that many games companies are on this list. Trog from Ausgamers also kept a list of Steam price differences ¹⁸ in a tabled form however this list does not seem to have been updated for some time. It does however support the fact that a price difference exists. An important fact is that Steam is a digital distribution platform, there is no physical product, just a credit card purchase and download.

Doug Lombardi who works in marketing for Valve who own Steam attempted to explain the price differential to Ausgamers back in March 2011.¹⁹

To the question:

"One of the big things then, that has come as a result of the selling side is regional pricing, which we happen to take a bit of a punch in the face in Australia over. Obviously, it's a digital distribution platform, so you're not really buying physical copies of anything. How do you guys work that pricing system out, because some games are 40 dollars here in the US but even with our dollar as strong as yours it's still 80, 90 dollars in Australia."

Lombardi responds:

"It's something that's just really hard to navigate..."

"And there's just tonnes of currencies around the world and we're constantly trying to match that and work with the third-party..."

"There's a balancing act there. Some places we get it more accurately on than we do in other places, but we're trying to listen to people and adjust things to make sure that it's a level playing field and that folks are getting a higher service value at the right price for their games."

It is important to note that since that interview took place back in March 2011 Steam prices have not changed at all and Australians are still paying more for most titles compared to the rest of the world.

The interviewer goes on to ask what I believe is a key question which explains why consumers pay more online, that is, so that retail partners can stay competitive. The question:

"Do you think there's an unfortunate parallel between physical retail and digital distribution at the moment as well that could be factored into that? In that, publishers are still so aware of particular prices that they make for games at retail, that they're still offering them for the same price across

¹⁷ Steamprices.com, 'Top Rip Offs', in *Steam Prices* <<http://www.steamprices.com/au/topripoffs>>

¹⁸ trog, 'Australian Steam Price Comparison Preview', in *Ausgamers* <<http://www.ausgamers.com/features/read/3047097>>

¹⁹ Steve Farrelly, 'Valve employee explains regional pricing', in *Ausgamers* <<http://www.ausgamers.com/features/read/3037280>>

digital distribution platforms despite the fact that digital distribution negates certain sections of the market?"

Lombardi responds:

"Yeah I think there's probably a little bit of that going on. A little bit of that too is probably just that for some folks, different areas of the world are really managed by wholly different teams."

Origin²⁰ is Electronic Art's online store answer to Steam. Below you can see two glaring differences to prices when browsing the US and AU stores (Medal of Honor and Need for Speed). It's important to note that this was just on the store homepages, there are hundreds of titles available which showcase price disparity. The same applies to the Steam store which has a much larger range of products.

Australian Store


The screenshot shows the EA Origin website during its 1st Anniversary sale. The main banner reads "Origin 1st Anniversary" with a 50% off storewide promotion from June 1 to June 15, 2012. Below the banner, there are several game listings:

- Battlefield 3™ Premium**: Available as Direct Download, \$49.99 incl. GST, Platform: PC. Includes an "ADD TO CART" button.
- SimCity™ Digital Deluxe Edition**: Available as Direct Download, \$99.99 incl. GST, Platform: PC. Includes a "PRE-ORDER" button.
- Medal of Honor™ Warfighter Digital Deluxe**: Available as Direct Download, \$89.99 incl. GST, Platform: PC. Includes a "PRE-ORDER" button.
- Need for Speed™ Most Wanted Limited Edition**: Available as Direct Download, \$79.99 incl. GST, Platform: PC. Includes a "PRE-ORDER" button.
- Dead Space™ 3**: Available as Direct Download, \$79.99 incl. GST, Platform: PC. Includes a "PRE-ORDER" button.
- The Sims™ 3 Diesel Stuff**: Available as Direct Download, \$19.99 incl. GST, Platform: PC. Includes a "PRE-ORDER" button.


²⁰ Electronic Arts, 'Home', in *Origin Store*
 <http://store.origin.com/store/eaapac/en_AU/home/ThemeID.850400/ccRef.en_US>

US Store


PC	Xbox 360®	Wii™	PLAYSTATION®3	PSP®	Nintendo DS™
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ONE WEEK ONLY SAVE UP TO 40% OFF SPECIAL GAME BUNDLE




All Five Expansion Packs and Exclusive Content. OWN MORE.


Battlefield 3™ Premium
\$49.99  Available as Direct Download [MORE INFO](#) [ADD TO CART >>](#)

Platform: PC ESRB: Mature - Blood, Intense Violence, Strong Language
Online Interactions Not Rated by the ESRB


OTHER RECOMMENDATIONS


- BATTLEFIELD 3 PREMIUM
- SIMCITY
- DEAD SPACE




Medal of Honor™ Warfighter Digital Deluxe
 Available as Direct Download
\$69.99
Platform: PC
[MORE INFO](#) [PRE-ORDER >>](#)


ESRB: Rating Pending
May contain content inappropriate for children. Visit www.esrb.org for rating information.





Need for Speed™ Most Wanted Limited Edition
 Available as Direct Download
\$49.99
Platform: PC
[MORE INFO](#) [PRE-ORDER >>](#)

ESRB: Rating Pending
May contain content inappropriate for children. Visit www.esrb.org for rating information.



The Sims™ 3 Katy Perry's Sweet Treats
 Available as Direct Download
\$29.99
Platform: PC
[MORE INFO](#) [ADD TO CART >>](#)



FIFA Soccer 13
 Available as Direct Download
\$39.99
Platform: PC
[MORE INFO](#) [PRE-ORDER >>](#)

ESRB: Rating Pending
Visit www.esrb.org for rating information.

Parallel imports I mentioned above in regards to Steam prices however recently we have seen some local retailers confirm they are using parallel imports to give competitive prices to Australians. Laura Parker discusses here.²¹

Personally I am really happy to see EB Games and JB Hi stepping up and adapting to a changing global market which includes the rapid growth of online sales. It reinforces the notion that retail can be competitive. JB Hi-Fi marketing director Scott Browning is quoted as saying:

"We have decided to act in accordance with our cheapest prices promise, and source selected popular titles directly from overseas wholesalers in order to pass on these cheaper prices to customers."

Browning is further quoted as saying that the retailer's decision also stems from its observance of

"global pricing realities in the video-gamevideo-game sector."

The article goes on to quote Ron Curry CEO of iGEA who represent Australian video-game publishers and distributors:

"Parallel importing into Australia is not a new issue. Grey importing does impact local publishers and distributors, by taking away from locally generated revenue."

Curry is further quoted as saying

" local publishers and distributors need a level of support from Australian retailers, to maintain their survival in the local market."

To me this is reinforcing my suspicion that local distributors are taking a significant cut of what we pay here in Australia for games. Why shouldn't retail be able to freely source from the wholesaler, bypassing that extra layer? Consumers are essentially suffering from the presence of the middle man when purchasing from retailers who are not parallel importing and when buying online to protect that outdated retail model. It also reasonably suggests that distributors are actively resisting a changing market.

Jerry Harvey spent months and months alienating consumers with his demands for an even playing field in respect to retail verses online in Australia.²² His antics fell on deaf and unsympathetic ears in the Australian consumer public. In a bizarre twist Harvey launched his very own online store²³ in December of 2011. Notable quote from the article:

"After spending months discussing how difficult trading conditions are for Australian retailers, Harvey purchased some \$1 million of shares in Harvey Norman on Wednesday."

²¹ Laura Parker, 'Australian game retailers speak out on grey imports', in *CNET Australia*
<<http://www.cnet.com.au/australian-game-retailers-speak-out-on-grey-imports-339338340.htm>>

²² Brett Winterford, 'Retailers call for GST review as online sales boom', in *CRN*
<<http://www.crn.com.au/News/243091,retailers-call-for-gst-review-as-online-sales-boom.aspx>>

²³ Brett Winterford, 'Harvey Norman launches direct import site', in *CRN*
<<http://www.crn.com.au/News/285280,harvey-norman-launches-direct-import-site.aspx>>

There you have it, retail outlets who have proved that they can thrive if they use a little innovation, stop resisting change and accept that retail as we know it is changing rapidly and is indeed in a transition period. Perhaps the best solution with an emerging online is to get rid of the distributor as we know it? I predict this will most likely happen naturally as consumers bypass the traditional model anyway, making distributors redundant.

Gaming Hardware

Gaming hardware is also subjected to price differences with Sony's latest handheld device the Vita advertised for \$299.99 in the US ²⁴ and \$419.95 in Australia. ²⁵ A small point to note is that US price is actually a bundle, not just the device itself, yet it still is much cheaper than the AU Vita alone.

Nintendo's 3DS handheld device is advertised on the official website as \$169.99 ²⁶ as the manufacturer's suggested retail price however Big W have it listed as \$248 ²⁷ in Australia.

Sony's 160GIG PS3 console sells for \$249 in the US via Amazon ²⁸ yet EB Games in Australia list it for \$348 ²⁹, a \$99 difference.

Adobe, Microsoft & Apple

The big three as they are known. Intrinsicly linked to Australian consumers lives in some way or another, whether it be simply using their respective operating systems in Windows and iOS, editing photos, surfing the web on a tablet or making a phone call. The names and brand are easily recognisable and their products used extensively throughout our society. Often their products are uncontested with a large market share.

I strongly feel there is a responsibility that comes with this sort of selling power. Companies should not ride on a wave of market dominance as if it's a path to the pot of gold at the end of the rainbow. There is an ethical duty to treat consumers in the local market fairly and not take advantage of the fact that often their products sell uncontested. It is not an invitation to smack significant mark ups on a market that tolerates in lieu of no other viable alternatives.

Professional and business software giant Adobe is in my opinion one of the worst offenders when it comes to targeting the Australian market. Adobe's mark up of their digital download and physical software is well reported by Delimiter here ³⁰, Australian IT here ³¹ and again by Delimiter here. ³²

²⁴ Sony, 'PlayStation Vita (Wi-Fi and 3G) Bundle', in *Sony US Store*

<<http://store.sony.com/webapp/wcs/stores/servlet/ProductDisplay?catalogId=10551&storeId=10151&langId=-1&productId=8198552921666424866>>

²⁵ Sony, 'PlayStation®Vita Wi-Fi + 3G', in *Sony AU Store* <<http://www.sony.com.au/product/9207221>>

²⁶ Nintendo, 'Nintendo Store', in *Nintendo 3DS* <<http://www.nintendo.com/3ds>>

²⁷ Big W, 'Nintendo 3DS', in *Big W Online Store* <http://www.bigw.com.au/entertainment/video-games-consoles/nintendo-ds/nintendo-ds-consoles/bpnBIGW_0000000268811/nintendo-3ds-console-red>

²⁸ Amazon, 'Sony PS3 160GIG', in *Amazon US Online Store*

<<http://www.amazon.com/exec/obidos/ASIN/B003VUO6H4/ref=nosim/6553221-rg1864-00-20>>

²⁹ EB Games, 'Sony PS3 160GIG', in *EB Online* <<https://www.ebgames.com.au/ps3-151648-160GB-PlayStation-3-PlayStation-3>>

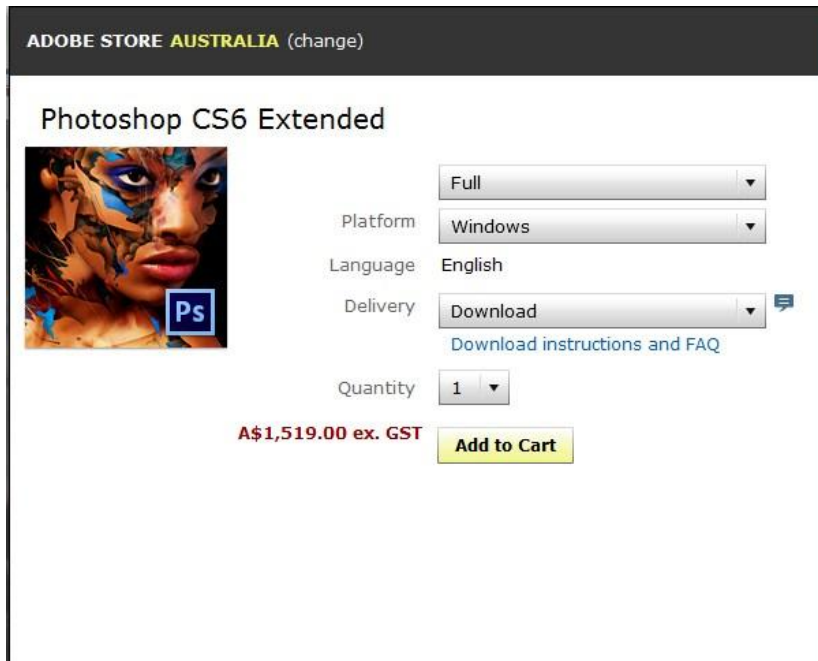
³⁰ Renai LeMay, 'Adobe hikes CS5 prices for Australia', in *Delimiter*

<<http://delimiter.com.au/2010/04/13/adobe-hikes-cs5-prices-for-australia/>>

³¹ Chris Griffith, 'Australians pay much more for Adobe CS6', in *Australian IT*

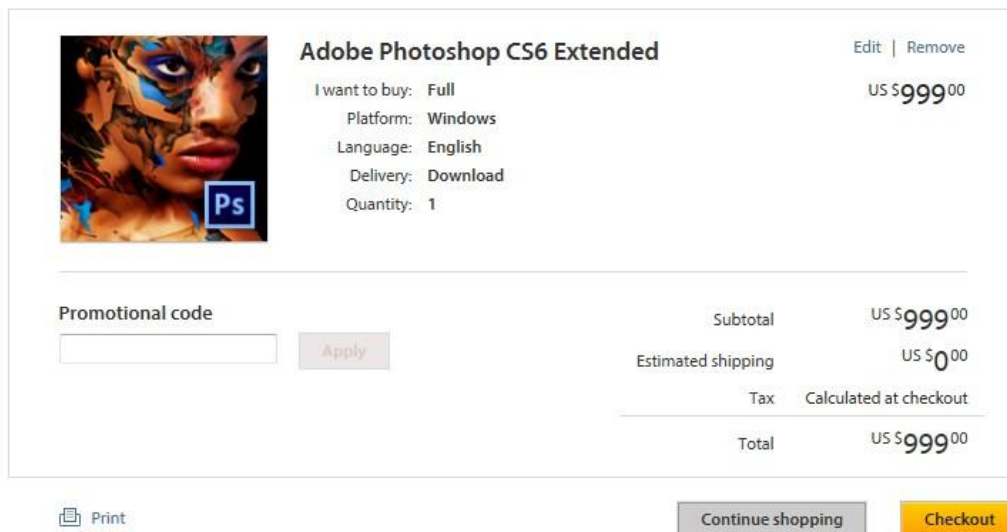
<http://blogs.theaustralian.news.com.au/techno/index.php/theaustralian/comments/australians_pay_much_more_for_adobe_cs6>

And to confirm the accuracy of the prices quoted above:



The screenshot shows the Adobe Store Australia interface for the product 'Photoshop CS6 Extended'. The page includes a product image of a woman's face with blue and black face paint, a 'Ps' logo, and several configuration options: 'Full' (selected), 'Windows' (selected), 'English' (selected), and 'Download' (selected). A 'Quantity' dropdown is set to '1'. The price is listed as 'A\$1,519.00 ex. GST' with an 'Add to Cart' button.

My cart



The screenshot shows the 'My cart' page for Adobe Photoshop CS6 Extended. It includes the product image, a 'Ps' logo, and the following details: 'I want to buy: Full', 'Platform: Windows', 'Language: English', 'Delivery: Download', and 'Quantity: 1'. The price is 'US \$999.00'. There are 'Edit' and 'Remove' links. Below the product details is a 'Promotional code' input field with an 'Apply' button. A summary table shows: Subtotal US \$999.00, Estimated shipping US \$0.00, Tax Calculated at checkout, and Total US \$999.00. At the bottom are 'Print', 'Continue shopping', and 'Checkout' buttons.

It is important to note that the above pictures represent the price for a Digital Download, I would hazard a guess that actual physical copies of Adobe's software packages and suites attract even more of a price differential.

Adobe have such a long history of price hiking in Australia that the referenced article above by Delimiter is satirically titled "biennial - traditional 50% price hike".

In justifying their price increases, Chris Griffith's quotes Adobe in saying:

³² Renai LeMay, 'Adobe's biennial tradition: 50% Aussie price hikes', in *Delimiter* <<http://delimiter.com.au/2012/04/24/adobes-biennial-tradition-50-aussie-price-hikes/>>

"A number of factors influence our regional pricing including local market conditions and the cost of doing business in that region. We establish our prices for Creative Suite products in US dollars, euros, yen, the British pound and Australian dollar on a regional basis using a consistent methodology. Local market conditions significantly influence our pricing – these include the costs of doing business in different regions and customer research that assesses the value of the product in the local market. As stated, the cost of doing business in the rest of the world is higher than in North America."

And finally an important quote:

"Adobe depends on its retail partners in local markets to help us reach as many customers as possible, support those customers, and much more".

To me this is code for "We charge our Australian distributors a lot, they then charge retail even more and take their cut. We aren't prepared to undercut them." It is also interesting to note the article was published on the 26th April 2012. If you have a look at this article at ZDNet³³ published April 15th 2010 you will spot almost exact word for word justification of their price differences. Same rehearsed and prepared statement on two occasions two years apart.

Chris Griffith sums the situation up perfectly when he says:

"But I can't help feeling the driving force is that line about 'customer research that assesses the value of the product in the local market'. That is, we in Australia are simply more conditioned and prepared to shell out higher payments for software than our US counterparts."

Adobe recently also discovered security flaws with its software. Rather than seeking to remedy the situation for its valued customer base in Australia with free patches to address the vulnerabilities caused by their software, Adobe required consumers to actually pay for upgrades to their already purchased software.³⁴ As the article states:

"ZDNet Australia has noted that there is a working proof of concept for the Photoshop vulnerability in the wild, which could make it trivial for a hacker to launch a targeted attack on a user."

Adobe's response:

"the team did not believe the real-world risk to customers warranted an out-of-band release to resolve these issues".

Perhaps if Adobe focused as much time on fixing their software and providing a basic level of customer service as they do on rehearsing their vague regional pricing justification speeches?

Adobe's antics in regards to their regional pricing models caused outrage on various forums³⁵, where frustrated consumers vented their anger at the company.

³³ Calum Russell, 'Adobe explains Aussie CS5 pricing', in *ZDNet Australia* <<http://www.zdnet.com.au/adobe-explains-aussie-cs5-pricing-339302455.htm>>

³⁴ Michael Lee, 'Adobe users required to pay for security', in *ZDNet Australia* <<http://www.zdnet.com.au/adobe-users-required-to-pay-for-security-339337601.htm>>

³⁵ Various, 'Photoshop CS6 Pricing/Release', in *Whirlpool Forums* <<http://forums.whirlpool.net.au/archive/1905138>>

Microsoft are also guilty of selling products in Australia at a higher price than in the US. Microsoft Office 2011 Professional costs \$349.99 in the US ³⁶ compared to \$849 in Australia.³⁷ Loryan Strant attempts to explain why we pay double price ³⁸ here in Australia but one part of his article in particular jumps out at me:

"The exchange rate - Historically the Australian dollar has purchased less American greenbacks. Right now we are riding on a high for several reasons including the global financial crisis which hit America significantly harder than Australia.

Microsoft, however, has an internal exchange rate which is fixed at approximately 1 Australian dollar to 0.83 US dollars. This means that Microsoft licences for the same software (cloud or on-premise) is more expensive than the US. With the dollar at parity Australians are automatically paying 17 percent more."

An assertion by a MS Office MVP explaining that Microsoft intentionally use an "internal and artificial" exchange rate when marketing their products in Australia irrespective of real world rates. I find this practice disturbing and unethical and potentially indicates one sinister reason why Aussies pay more.

Microsoft Visual LightSwitch 2011 is also subject to the Australia Tax with it costing \$299 in the US ³⁹ compared to \$499 in Australia.⁴⁰

Apple co-founder Steve Wozniak recently came out publicly and stated that Aussies pay too much for tech. ⁴¹ Wozniak was quoted on ABC Radio saying:

"The large duties in Australia I'm sure I would not favour. Maybe people are very happy and feel very well off because of the protections but I just think it's horrible. I'm not really political. I would probably wind up being a libertarian thinking we shouldn't have boundaries between countries, you know?"

The article goes on to say:

He added that you could "ship anything anywhere in the world for almost nothing nowadays".

³⁶ Microsoft, 'Office 2010', in *Microsoft US Store*

<http://www.microsoftstore.com/store/msstore/html/pbPage.Office_Category_Page>

³⁷ Microsoft, 'Compare Microsoft® Office 2010 Suites', in *Microsoft AU Store*

<<http://www.microsoftstore.com.au/shop/en-AU/Microsoft/Office/Suites-2010>>

³⁸ Loryan Strant, 'Why Australians pay double for Office 365', in *Box Free IT*

<<http://www.boxfreeit.com.au/Blog/why-australians-pay-double-for-office-365.html>>

³⁹ Microsoft, 'Visual Studio LightSwitch 2011', in *Microsoft US Store*

<<http://www.microsoftstore.com/store/msstore/pd/Visual-Studio-LightSwitch-2011/productID.230090400/vip.true>>

⁴⁰ Microsoft, 'Visual Studio LightSwitch 2011', in *Microsoft AU Store*

<<http://www.microsoftstore.com.au/shop/en-AU/Microsoft/Visual-Studio-LightSwitch-2011>>

⁴¹ 'Aussies paying too much for their tech - Steve Wozniak', in *news.com.au*

<<http://www.news.com.au/technology/aussies-paying-too-much-for-their-tech-steve-wozniak/story-e6frfo0-1226353021753?sv=5180d793a87c7aeb21108e38cb923316>> [accessed 2012]

A former owner of Apple confirming what I have long suspected, that logistical costs such as shipping, freight and tariffs are not as expensive as vendors and distributors would have us believe.

David Richards tries to shed some light on where Microsoft and Adobe's profits go,⁴² and also highlights the trend of Australian arms of large companies not declaring their profits. Richards writes:

"In some cases IT and consumers electronic companies in Australia are turning over hundreds of millions of dollars but only declaring small profits. LG in the 2010 -2011 financial year turned over more than \$900 Million dollars but only declared a profit of \$13,000 dollars. Adobe, Microsoft and Google all declare their revenues to tax havens. In many cases, IT companies are declaring losses, despite price gouging consumers in Australia."

If companies are going to continue price gouging Australians doesn't it seem reasonable that they are transparent and open when declaring the profits they have bled from us?

Apple themselves are not immune from scrutiny when it comes to their products. They have enjoyed periods of complete monopoly in terms of online music sales in the past and should be praised for iTunes, which changed the music scene forever. Apple have recently shown signs that they are closing the gap on regional pricing in Australia on iTunes⁴³ and their hardware.⁴⁴ The hardware prices are quite remarkable when you take into account GST, in that other than a few percent, price is almost on par. This sort of pricing model evolution indicates it certainly is feasible for companies to trade fairly and ethically in Australia whilst still enjoy healthy profits. Apple made \$4.88 billion in revenues from its Australian division in the year to 24 September 2011 as reported by Delimiter above.

This being said, Apple still shows signs of regional pricing discrimination when it comes to online sales of both its music and certain hardware. For example, Kylie Minogue's album 'Fever', an **Australian** artist, sells for \$9.99 on the iTunes US store with single tracks at \$1.29⁴⁵, compared to \$16.99 for the album and \$1.69 for a track in AU⁴⁶. Rihanna's 'Loud' album is priced at \$9.99/\$1.29 full/single on the US store⁴⁷ compared to \$16.99/\$2.19 full/single on the AU store.⁴⁸

⁴² David Richards, 'Price Gouging: Where Are Adobe & Microsoft Profits Going?', in *Channel News Australia* <<http://www.channelnews.com.au/Comment/F3C9A9F7?page=1>>

⁴³ Asher Moses, 'Apple Australia slashes app prices by up to 25%', in *Sydney Morning Herald* <<http://www.smh.com.au/digital-life/smartphone-apps/apple-australia-slashes-app-prices-by-up-to-25-20110714-1heuu.html>>

⁴⁴ Renai LeMay, 'Apple harmonises Aussie MacBook pricing', in *Delimiter* <<http://delimiter.com.au/2012/06/13/apple-harmonises-aussie-macbook-pricing/>>

⁴⁵ Apple US, 'Fever - Kylie Minogue', in *iTunes Store - US* <<http://itunes.apple.com/us/album/fever/id15818236>>

⁴⁶ Apple Australia, 'Fever - Kylie Minogue', in *iTunes Store Australia* <<http://itunes.apple.com/au/album/fever/id202946880>>

⁴⁷ Apple US, 'Loud - Rihanna', in *iTunes Store US* <<http://itunes.apple.com/us/album/loud/id458437339>>

⁴⁸ Apple Australia, 'Loud - Rihanna', in *iTunes Store Australia* <<http://itunes.apple.com/au/album/loud/id458304705>>

One of Apple's hardware products - the Mac Pro Core 12 is priced at \$3799 on the US store⁴⁹ compared to \$4599 in AU⁵⁰. Apple's Mac OS X Server v10.6 Snow Leopard - Unlimited Client License costs \$499 on the US store⁵¹ and \$699 on the Australian store.⁵²

It is important to note that various methods employed by Apple such as a requirement to have a US shipping address and valid US credit card to prevent Australians purchasing from the respective US stores, limiting them to their own market.

Ed Husic repeatedly named Apple in the lead up to the inquiry announcement and has done so for some time now. Up until recently Apple, who enjoy massive sales in Australia, ignored his demands to explain their pricing differences in Australia. When they finally contacted him⁵³, a meeting was agreed upon, however as Moses reports and Ed Husic confirmed via Twitter at the completion of this submission - No meeting was ever arranged.

Apple has also recently been fined by the ACCC for its misleading and disingenuous marketing of its iPad 4G in Australia.⁵⁴ Consumers were led to believe the product was compatible with Australian 4G networks however as Apple was well aware, no compatibility existed at all as the product was designed based on different network architecture technology.

Networking

Networking giant Cisco recently announced a blanket 9.2% price increase exclusively for Australians.⁵⁵

Cisco's Australia and New Zealand financial controller Jill Allen is quoted by Delimiter:

"Cisco is giving 30 days notice of our intention to increase prices by 9.2% for Cisco Products and Technical Services. This decision is the result of our regular business review processes that we conduct periodically and takes into consideration a number of factors. In the past, this process has also lead to reduced prices when certain conditions are met. "

LeMay notes:

"In the company's local financial report filed with the Australian Securities and Investments Commission for the year ended 30 July 2011, the company detailed local revenues of \$1.24 billion for

⁴⁹ Apple, 'Select your Mac Pro', in *Apple US Store*

<http://store.apple.com/us/browse/home/shop_mac/family/mac_pro>

⁵⁰ Apple, 'Select your Mac Pro', in *Apple AU Store*

<http://store.apple.com/au/browse/home/shop_mac/family/mac_pro>

⁵¹ Apple, 'Mac OS X Server v10.6 Snow Leopard - Unlimited Client License', in *Apple US Store*

<<http://store.apple.com/us/product/MC588Z/A?fnode=MTY1NDAzOA>>

⁵² Apple, 'Mac OS X Server v10.6 Snow Leopard - Unlimited Client License', in *Apple AU Store*

<<http://store.apple.com/au/product/MC588Z/A?fnode=MTY1NDAzOA>>

⁵³ Asher Moses, 'Aussie Apple boss comes out of the shadows to confront 'rip-off' claims', in *The Age*

<<http://www.theage.com.au/digital-life/digital-life-news/aussie-apple-boss-comes-out-of-the-shadows-to-confront-riporff-claims-20110819-1j17p.html>>

⁵⁴ Josh Taylor, 'Apple drops 4G iPad label in Australia', in *ZDNet Australia* <<http://www.zdnet.com.au/apple-drops-4g-ipad-label-in-australia-339337758.htm>>

⁵⁵ Renai LeMay, 'Cisco issues 9.2 percent Aussie price rise', in *Delimiter*

<<http://delimiter.com.au/2012/06/12/cisco-issues-9-2-percent-aussie-price-rise/#more-129791>>

that period, up 10.5 percent for the period from \$1.12 billion. Local profits for that period were \$7.3 million, compared with a loss of \$13.07 million the previous year."

Renai LeMay looks at the actual cost of hosting servers in Australia⁵⁶, as companies traditionally have resisted and in some cases ignored repeated calls to hosting infrastructure in Australia based on the costs involved.

LeMay quotes local reseller Complete PC who sell HP server hardware:

"The N40L was just \$40 dearer here at \$390 but the [RRP] for the ML350 was \$7075 locally. The equivalent US product was \$2085. However, Complete PC said that they would sell the ML350 for about \$3100 as the RRP was higher than the market would pay."

LeMay adds:

"Wow. Gracious of Complete PC to only allocate a 30 percent markup or so, considering the original Australian RRP was more than triple the US price. I guess we can add another product category to the IT price hike inquiry's growing list. I can't say this news is surprising, given the fact that virtually every technology product or service of any level of importance seems to cost a substantial percentage more in Australia than it does overseas (even software delivered via the Internet.)"

How many poor sobs actually forked out the RRP of \$7075 without question? It really raises ethical questions of local resellers of technology. For each person who questions the price, I'm sure there is another who accepts it at face value. This sort of advertising with "on query exceptions" is extremely disturbing and turns vendors into opportunistic salesmen out to catch vulnerable business consumers.

Video Editing Software

Avid are the makers of the video editing software Pinnacle StudioHD. On their US website⁵⁷ the software package is listed as \$99.95 compared to \$199 on the Australian site,⁵⁸ a 99% difference. I suggest there would be value in determining what factors determine that sort of price differential.

Laptops

Lenovo and Alienware are companies that specialise in laptop computers. Lenovo's ThinkPad W530 is priced at \$1299 in the US⁵⁹ compared to \$2669 in Australia⁶⁰. Alienware's MX18x gaming laptop

⁵⁶ Renai LeMay, 'How much more do servers cost in Australia?', in *Delimiter*
<<http://delimiter.com.au/2012/05/14/how-much-more-do-servers-cost-in-australia/>>

⁵⁷ Pinnacle, 'Studio HD Ultimate', in *Pinnacle US Site*
<<http://www.pinnaclesys.com/PublicSite/us/Products/Consumer+Products/Home+Video/Studio+Family/Studio+Ultimate+Collection+15.htm>>

⁵⁸ Pinnacle, 'Studio HD Ultimate', in *Pinnacle AU Site*
<<http://www.pinnaclesys.com/PublicSite/au/Products/Consumer+Products/Home+Video/Studio+Family/Studio+Ultimate+Collection+14.htm>>

⁵⁹ Lenovo, 'ThinkPad W530 - Shop - Lenovo (US)', in *Lenovo US Shop*
<http://shop.lenovo.com/SEUILibrary/controller/e/web/LenovoPortal/en_US/catalog.workflow:category.details?current-catalog-id=12F0696583E04D86B9B79B0FEC01C087¤t-category-id=F2A3EC7C45634AE8AB0F26CCAC867854&menu-id=products&ref-id=products>

⁶⁰ Lenovo, 'ThinkPad W530 - AU Store', in *Lenovo AU Store*
<http://shopap.lenovo.com/SEUILibrary/controller/e/auweb/LenovoPortal/en_AU/catalog.workflow:category>

series starts at \$1999 in the US⁶¹ and \$3299 in Australia⁶². The above examples are quite extraordinary price differences.

Lenovo has in the past attempted to defend its price differences in Australia as reported by Delimiter.⁶³ LeMay states:

"Executives defended the pricing by saying the company priced "at the local market", not based on what the value of the Australian dollar was compared to the US. Currently, one Australian dollar buys \$1.06 US dollars."

What exactly does "priced at the local market" mean?. Again I suspect this is "corporate speak" which effectively means companies research what price Australian's are willing to pay. Given they are conditioned to increased prices the tolerance levels reported back by the marketing departments are higher.

Cameras

Canon and Nikon are well known manufacturers of cameras with a large presence in the Australian market. Canon's EOS 5D Mark III EF 24-105mm IS Lens Kit currently sells for \$4299 on the US store⁶⁴. Canon do not have an Australian store however Camera House stock the same camera package for \$5399.⁶⁵ Canon's pricing has also come under fire in comments to a story published on Gizmodo earlier this year,⁶⁶ with one commenter stating:

"This is about the contempt that Canon has for the local consumers in Australia. At PMA in Sydney last year, the Canon reps were openly telling attendees 'hey quit buying your cameras on the grey market or else we won't be able to get a stand here next year'. Canon didn't respond when I heard one person say 'well quit marking up your prices so high and I won't be forced to buy my gear from overseas'."

Nikon's D4 camera is priced at \$5999.95 on the Nikon US store⁶⁷ and \$6968 in Australia stocked by Camera Store.⁶⁸

details?current-catalog-id=3634951826AE4D3881BFFF1AC5FCD957¤t-category-id=6B705CA322AC4DC9BA438330B16F57E7&menu-id=products>

⁶¹ Alienware, 'Alienware M18x Gaming Laptop', in *Alienware US Store* <<http://www.dell.com/us/p/alienware-m18x-r2/pd.aspx#RatingsAndReviews>>

⁶² Alienware, 'M18x Gaming Laptop', in *Alienware AU Store* <<http://www.dell.com/au/p/alienware-m18x-r2/fs>>

⁶³ Renai LeMay, 'Lenovo defends Aussie price hikes', in *Delimiter* <<http://delimiter.com.au/2011/05/18/lenovo-defends-aussie-price-hikes/>>

⁶⁴ Canon, 'EOS 5D Mark III EF 24-105mm IS Lens Kit', in *Canon - US Store* <http://shop.usa.canon.com/webapp/wcs/stores/servlet/product_10051_10051_305359_-1>

⁶⁵ Camera House, 'Canon EOS 5D Mark III Body Digital SLR Camera', in *Camera House* <<http://www.camerahouse.com.au/products/DSLR/Canon-EOS-5D-Mark-III-Kit-wEF24-105mm-LIS-Lens-Digital-SLR-Camera.aspx>>

⁶⁶ Alex Kidman, 'Canon's EOS 5D Mark III Will Cost From \$4399', in *Gizmodo* <<http://www.gizmodo.com.au/2012/03/canons-eos-5d-mark-iii-will-cost-from-4399/>>

⁶⁷ Nikon, 'Nikon US Store', in *D4* <http://shop.nikonusa.com/store/nikonusa/en_US/pd/productID.249538200>

⁶⁸ Camera Store, 'Nikon D4 Body Only', in *camerastore.com.au* <<http://www.camerastore.com.au/digital-slr-cameras/nikon-d-1/nikon-d4-body-only.html>>

Canon have been very vocal in their disapproval of grey market / parallel imports. In 2011 they publically criticised JB Hi-Fi⁶⁹ with a clear threat to the retailer to stop its practice or beware of the consequences. Canon Australia director Jason McLean was quoted:

"JB Hi-Fi is a key Canon customer and any changes in our local sales results that this brings about will see us having to redirect our customer focus and support."

JB Hi-Fi CEO Terry Smart responded:

"With products like cameras, it is harder in the sense that you've got to continue to work with the supplier but you also have an opportunity of getting products much cheaper off shore and therefore you are competing directly with them if you're going to participate in that category."

Canon along with Nikon were also reported attacking JB Hi-Fi in November 2011.⁷⁰ Chirgwin writes:

"With it, price discrimination – the "hell, Aussies will pay anything" thinking that's set prices for imported goods since time immemorial – is also breaking down, and as it does so, the fallout is starting to get toxic. The latest spat sees JB HiFi following Kogan down the parallel import path – and the vendors at the top of the food chain don't like it one little bit."

Chirgwin goes on to quote SMH editor Ross Gittins:

"The primary source of Internet bargains is the existence of what economists call 'price discrimination' the longstanding practice of international suppliers charging higher prices in some markets than others. Global companies selling books, music, DVDs, software, sneakers and much else know the punters' 'willingness to pay' varies greatly between countries. Why? Because, for instance, Australians are simply used to paying higher prices than Americans are."

Just because something 'is' does not make it right. In quite a twist however, JB Hi-Fi's Direct imports pages on its website are broken as of the 14th June 2012 as reported by Claire Connelly.⁷¹ Too much heat from companies like Canon? At the time of this submission there has been no word by JB Hi-Fi as to why they have pulled down parts of their website associated with their direct import business.

Ingrid Just is quoted as saying another possible reason for pulling down its direct import business was

" the company found that its grey import business was cannibalising their own market. "

Nikon makes no attempt at hiding its desire for consumers to pay top dollar in their local market stating in respect to grey imports:

⁶⁹ Claire Reilly, 'Canon issues fighting words to JB Hi-Fi over grey imports', in *current.com.au* <<http://www.current.com.au/2011/11/21/article/UPDATE-Canon-issues-fighting-words-to-JB-Hi-Fi-over-grey-imports/XQGPTTQVSI.html>>

⁷⁰ Richard Chirgwin, 'Parallel import argument turns toxic in Oz', in *The Channel* <http://www.channelregister.co.uk/2011/11/22/vendors_fury_as_retailers_buck_price_fix/>

⁷¹ Claire Connelly, 'The mystery of the disappearing JB Hi-Fi stock', in *news.com.au* <<http://www.news.com.au/technology/the-mystery-of-the-disappearing-jb-hi-fi-stock/story-e6frfro0-1226394927811>>

"The products may not meet mandatory safety and certification codes, or may not have been handled properly, therefore they may malfunction."

The Nikon Australia website even has an entire page discussing grey imports.⁷² Clearly Nikon knows that Australian's are charged premium prices otherwise it would not feel compelled to host that sort of material on their local site. Canon Australia also make it clear in their Warranty page⁷³ that:

This warranty is valid only for Products that are purchased new and unused

(a) in Australia or New Zealand; and

(b) sourced from Canon Australia Pty Ltd or Canon New Zealand Ltd ("Canon").

The Customer must provide the original proof of purchase which demonstrates compliance with the above conditions to receive any services under this warranty.

Canon continued with their attacks, in 2012 they were again in the headlines⁷⁴ blaming the LVT (Low Value Threshold).

"In the Australian market we actually have a competitive disadvantage in terms of the Low Value Threshold of 10 per cent for products under \$1,000. Many products fall under that category, and it's an issue that needs to be addressed. In many ways it's actually reverse protectionism, and it is giving a free kick to offshore companies to the tune of at least 10 per cent."

I find it beyond belief that companies such as Canon and Nikon can suggest they offer value for money for their products in Australia. Clearly they do not otherwise grey imports would not be so appealing to their potential customers. Not only are both companies spinning PR madness they are also demonstrating blatant anti-consumer and anti-competitive practices which I think the ACCC should seriously consider looking at. Brian Prentice nails it in his article⁷⁵ when he states:

"What I care about is why I'm prohibited from shopping outside Australia to get a better price. Shopping for digital products is like being asked for your ID before you enter a department store and if you don't live in the right location you're barred entry. Or, they'll let you in to browse all the great prices but your credit card will be declined at checkout."

He goes on to add:

"If there's a reason to uplift pricing in Australia then I'm fine with that happening. But it should be the right of the consumer to determine whether those prices warrant the added value, if such value actually exists. If not, they should be allowed to take their business where they please. See, what I want to do to Apple, Microsoft, Adobe is the same thing I'm doing to local retailers like Myers, Harvey Norman and David Jones."

⁷² Nikon, 'About Grey Imports', in *Nikon Australia* <<http://au.nikon-asia.com/pagearticle.php?pageid=65-52b9b66212>>

⁷³ Canon Australia, 'Warranty Terms & Conditions', in *Canon* <<http://www.canon.com.au/Support-Services/Warranty/Warranty-Terms>>

⁷⁴ Claire Reilly, 'Tackling grey imports is a shared responsibility, claims Canon Australia', in *current.com.au* <<http://www.current.com.au/2012/6/7/article/Tackling-grey-imports-is-a-shared-responsibility-claims-Canon-Australia/EBHUPBINIQ>>

⁷⁵ Brian Prentice, 'The price gouging time waster', in *Technology Spectator* <<http://technologyspectator.com.au/industry/it/price-gouging-time-waster>>

And finally:

"The problem is restraint of trade. And we all know the tricks of the trade that are used to achieve those aims. Things like funnelling non-US customers into local app stores. Disallowing the use of credit cards with non-US mailing addresses. And let's not forget about the ever-popular region coding system (no, it's not just a system to control piracy)."

Indeed the concepts of geo blocking, region coding and force directing customer's into the most profitable channel are not limited to online. Retailers are also making backroom deals to ensure their customers don't find a better deal elsewhere.⁷⁶ Wells reports on the fashion industry however there is evidence of this happening across the entire retail spectrum :

"Jacki Bresic, of the International Fashion Group, last month reached an agreement with popular US denim brands Paige Denim and AG Adriano Goldschmied to prevent major international online stores, including the Amazon-owned Shopbop and Revolve, selling their jeans to customers here. Meanwhile, celebrity denim favourite True Religion agreed it would continue to sell to Australians - but at a higher price."

The ACCC stated:

"Impediments to emerging competition involving online traders is an area of priority. Certain behaviour employed to underwrite regional pricing strategies can in some circumstances raise concerns under the competition provisions."

However there has been no move since that statement in May this year by the ACCC taking any further action to halt the anti-consumer behaviour.

E-Books

Books have also moved into the digital age and are extremely popular in Australia. However much like other things, we Australians are paying more as Stephen Cauchi observes.⁷⁷ Cauchi writes:

"When J.K Rowling's The Casual Vacancy is released in September, Australians will pay \$24.17 for their e-book version. In the US, it will be \$US19.99."

Cauchi quotes The head of digital publishing at Allen and Unwin, Elizabeth Weiss who states in respect to pricing disparity:

"There's no aggregate data in the Australian market. Basically we don't know. When you've got a population of 23 million compared to 300 million, the fact is you are operating in a much smaller marketplace. If you're going to run an operation - whether it is a book publishing operation or a book selling operation - you don't have the sheer size of the US market over which to amortise all of your costs."

⁷⁶ Rachel Wells, 'Importers close door on overseas online stores', in *Sydney Morning Herald* <<http://www.smh.com.au/lifestyle/shopping/importers-close-door-on-overseas-online-stores-20120511-1yg3r.html>>

⁷⁷ Stephen Cauchi, 'Digital diddle in the fine print', in *Sydney Morning Herald* <<http://www.smh.com.au/technology/technology-news/digital-diddle-in-the-fine-print-20120428-1xrl0.html>>

I find those comments interesting considering we Australians are downloading the ebooks from exactly the same place as the rest of the world. It's not as if the books sent to us through our internet connections magically increase in cost depending on where in the world it moves to. It's just bytes of data, 1's and 0's, identical and completely oblivious to a consumer's geographical location.

Matthew Reilly is a bestselling Australian author famous for his fast paced action and unique, larger than life characters. His latest novel "Scarecrow and the Army of Thieves is priced at \$14.92 in the US on Amazon⁷⁸ in ebook format compared to \$24.99 in Australia from Borders⁷⁹. The Amazon site even notes that the price is set by the publisher who are Mcmillian. The Publisher in Australia is the Australian arm of that company - Mcmillian Australia. What rationale does Mcmillian use to price an Australian novelist so differently in his home country compared to the US?

It is disappointing to note that the Australian Government seemingly put a halt on competitive pricing in the book market, ignoring the advice from the Productivity Commission and not lifting the ban on parallel book imports.⁸⁰ In keeping the ban in place Lane writes:

"The commission had advised the Government to scrap the restrictions, saying they inflated the cost of some books by more than a third and that Australian consumers were being ripped off."

Competition Minister Craig Emerson is quoted as saying the decision was due to book retailers being under pressure from online sales, however I find this rationale lacking as it is well documented that Australians already pay more simply due to regional pricing compared to the rest of the world. Why are we banning parallel imports in the book market yet it is completely legal for other digital products such as software, hardware, gadgets and games?

DVD & Blu-ray

Star Wars: The Complete Saga on Blu-ray costs \$89.96 in the US from Walmart⁸¹. The exact same DVD costs \$139.99 in Australia from JB Hi-Fi.⁸² Not only do DVDs and Blu-ray cost more in Australia, the movie rights holders use region control to force consumers to purchase the appropriate version of their product. In Australia this means paying a premium price for many titles and denies Australians access to cheaper online sites who only stock other region coded stock.

⁷⁸ Amazon, 'Scarecrow and the Army of Thieves', in *Amazon Store*
<http://www.amazon.com/gp/product/B0069A01Q8/ref=s9_simh_bw_p351_d0_g351_i1?pf_rd_m=ATVPDKIKX0DER&pf_rd_s=center-3&pf_rd_r=01XYC7ZS87GV0SK064K4&pf_rd_t=101&pf_rd_p=1319615322&pf_rd_i=1284007011>

⁷⁹ Borders, 'Scarecrow And The Army Of Thieves', in *Borders* <<http://www.borders.com.au/ebook/scarecrow-and-the-army-of-thieves/27887840/>>

⁸⁰ Sabra Lane, 'End of a chapter: Govt closes book on import ban plan', in *ABC: The World Today*
<<http://www.abc.net.au/worldtoday/content/2009/s2739554.htm>>

⁸¹ Walmart, 'Star Wars: The Complete Saga (Blu-ray) (Widescreen)', in *Walmart Store*
<<http://www.walmart.com/ip/Star-Wars-The-Complete-Saga-Blu-ray-Widescreen/15711109>>

⁸² JB Hi-Fi, 'Star Wars: The Complete Saga (Blu-ray)', in *JB Hi-Fi Online Store*
<<http://www.jbhifionline.com.au/dvd/dvd-genres/sci-fi-fantasy/star-wars-the-complete-saga-blu-ray/632224>>

Movies & TV

I firmly believe there is a direct correlation between the availability of TV, Movies and in Australia and its effect on piracy. Danny Gorog discusses⁸³ the difficulty for Australians in watching their favourite TV shows in a timely manner at a convenient time and at an affordable price. Gorog writes:

"Unfortunately for consumers, content providers restrict access to particular programs in specific markets so as to control pricing and TV rights negotiations. As an Australian resident, two things prevent you accessing a US-only site such as Netflix: your internet (IP) address (the site can tell your computer is located in Australia) and your Australian credit card."

There are methods consumers can use to "trick" online movie and music sites into thinking they are the US such as VPN's and Proxies however as Gorog states:

"The first and more complex solution involves using a virtual private network to mask your location. This uses a US-based service as a middleman to trick US websites into thinking you're actually over there. The second and simpler solution is to use a service such as unblock-us.com or unotelly.com to use one of their US-based domain name servers (DNS)."

In reality what we are seeing is Australian consumer's throwing their hands in the air and simply seeing piracy as the easy solution, as the above workarounds are not easy to set up for the non tech savvy. I personally would happily pay for a service such as Netflix, however as Delimiter reports⁸⁴, that won't happen any time soon as Australia is not seen as a lucrative market. Again this denial of service, this notion of dismissal on display by companies who would prefer to tell us **WHAT** we can watch and **WHEN**. There is no compromise, no listening to consumer demands, just an obsession with holding on to a model that was developed before online ever existed.

Mark Harris takes aim at the TV industry⁸⁵ who claim that piracy is weakening their business. Harris writes:

"It's indicative of a much larger problem. The old media models of distribution and revenue are severely out-dated, yet some of the largest content and entertainment distributors in the world are refusing to adapt to the new marketplace that the internet and global market has created. It's a complete misunderstanding of the way consumers access content and the way in which fan communities operate."

He goes on to say:

"Torrentfreak notes that one of the primary reasons countries such as Australia pirate in particular is the international delay in airing."

He sums up the situation quite well in his final paragraph:

⁸³ Danny Gorog, 'See, no evil in outwitting the TV networks', in *Sydney Morning Herald*
<<http://www.smh.com.au/digital-life/hometech/see-no-evil-in-outwitting-the-tv-networks-20120331-1w4iw.html>>

⁸⁴ Renai LeMay, 'Netflix in Australia? Forget about it.', in *Delimiter*
<<http://delimiter.com.au/2011/11/02/netflix-in-australia-forget-about-it/>>

⁸⁵ Mark Harris, 'Dear television: Piracy isn't the issue', in *upstart*
<<http://www.upstart.net.au/2012/05/24/dear-television-piracy-isnt-the-issue/>>

"So, why is television so slow to embrace this already-proven shift into an internet distribution structure? Certainly there exists services such as iView and 7 Plus, but these are browser-based, unintuitive, and typically scarce on content. In a global market, does HBO truly believe that withholding and region-locking their content is the way to combat piracy? Piracy is a symptom, not a disease. But, time and time again, other media platforms have shown that when you present your product as an alternative that's even more beneficial than 'free', people are willing to throw their wallets at you."

Movie rights holders and the TV industry are clearly hanging on to outdated models of doing business. There is definitely evidence of a resistance in embracing online mediums in Australia. It is clearly motivated by profit however surely it doesn't take a brain surgeon and a bit of market research to determine that when given access to a quality service or product, the consumers will come in droves. Piracy is not the enemy, it is the voice of a consumer public crying out for an alternative. It is a pity the voices fall on deaf ears.

Conclusion

It is clear that Australians are paying more compared to other markets. There is also a convincing argument that the reasons for this are a combination of many factors, not limited to market conditioning, consumer tolerance, backroom deals and an unwillingness to adapt to a transitional shift to online.

I have provided many examples of where Australians are being charged more than other countries, from games, to software, computers, cameras, ebooks and networking systems. I have also attempted to supply information as to why this might be occurring. I hope the committee is genuinely interested in getting the hard facts off the companies who overcharge us, and that change can be made so that Australian consumers get a fair go.

Just because Australians delve into their hip pockets and reluctantly pay does not make it right, it makes it unscrupulous. The pricing models used to roort Australians need to be exposed for what they are, opportunistic and for this reason shut down so that we can experience a true global market.

About the Author & Contact Information

Daniel Myles is a Web Developer with a bachelor degree in Multimedia. Daniel has a keen interest in tech media, gaming and IT and is well researched on the matter of IT price discrimination in Australia. He has been quoted by Ed Husic in parliament, has appeared on the Channel 10 current affairs program 'The Project' and has been referenced in newspapers and publications around Australia including Fairfax, News Ltd and Smart Company.



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