



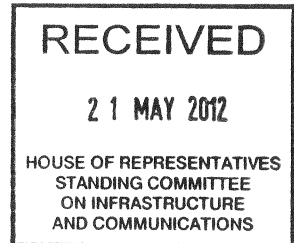
SENATOR THE HON STEPHEN CONROY

MINISTER FOR BROADBAND, COMMUNICATIONS AND THE DIGITAL ECONOMY
DEPUTY LEADER OF THE GOVERNMENT IN THE SENATE

18 MAY 2012

Mr Nick Champion MP
Chair
House of Representatives Standing Committee
on Infrastructure and Communications
Parliament House
CANBERRA ACT 2600

Nick
Dear Chair



Committee Inquiry into IT Hardware and Software Products

As discussed with Mr Ed Husic in previous correspondence, I write to formally request that the House of Representatives Standing Committee on Infrastructure and Communications conduct an inquiry into a matter requiring investigation and public feedback.

Over the course of the last year, there has been growing interest in the differentials that exist in prices for IT hardware and software sold in Australia, compared to others markets such as the US or the UK. This differential has become more noticeable with the appreciation of the Australian dollar relative to the US currency and may lead to consumers purchasing hardware or software from overseas suppliers.

The price differential that exists with IT products recently drew the attention of the Productivity Commission, which indicated it was aware of the longstanding practice by which some international suppliers set different regional prices. According to the Commission, this effectively treats consumers in one region as willing, or able, to tolerate significantly higher prices than those in other regions.

The Commission has also stated that some international suppliers have attempted to defend such price discrimination claiming the cost of supplying to Australia was higher because it is a more remote and relatively small market which, in some cases, has its own unique requirements. After an initial examination of this position, the Commission formed the view that the arguments of IT vendors was, generally, "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 should also be recognised that through the course of last year's Productivity Commission investigation into the retail sector, very few IT vendors took the opportunity to provide some guidance or explanation about their approach to pricing within the Australian market.

Last year, in work commissioned by Google, Deloitte Access Economics estimated that the economic value of the internet to the Australian economy is currently worth about \$50 billion or 3.6 per cent of GDP. This work outlined that use of the internet helps generates \$27 billion in productivity increases alone to business and government in the form of improvements in the way they work and provide services.

Further, with the significant investment being made by the Government in renewing the country's broadband infrastructure, we believe considerable opportunity exists to expand Australia's digital economy and the value of export dollars that can be generated by the services sector.

However, a concern exists that small businesses and private consumers are facing price disparities that affect their international competitiveness due to IT price differentials that see some products cost up to 80 per cent more in Australia than compared to similar products being sold in the US.

It is also worth noting that the Australian Government procures IT products that are valued at approximately \$2bn. There would be a public interest in determining that the Government is securing taxpayer value for money in this area to the greatest extent possible, without being impacted by any price discrimination.

Taking these points into account, I would therefore request that the Committee inquiry into this matter, mindful of the following terms of reference:

Noting the estimated value of the Internet to the Australian economy, and the importance of competitively priced IT hardware and software being made available to business, government and the community, the House of Representatives Standing Committee on Infrastructure and Communications is asked to inquire:

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

The Committee could invite IT vendors, affected businesses and consumers to outline, via submission, their views on this issue and could potential invite comment from other interested parties.

I look forward to the Committee's report.

Yours sincerely



Stephen Conroy
Minister for Broadband,
Communications and the Digital Economy