



Submission to Inquiry into IT Pricing

To: Committee Secretariat

I have worked in the IT industry for over 20 years. According to my industry experience, there are several factors to account for the higher pricing of IT products in Australia:

(1) Population

With a population of only 22 million, Australia is considered small market with little returns. While large quantities contribute to economies of scale, Australia market is so small that it requires a substantially higher profit margin to justify the effort.

(2) Remoteness

Australia is geographically isolated from other continents and sparsely populated, requiring higher business input costs in transport.

(3) Mass Retail

Mass retailers want a high margin. They demand significant marketing support and rebates from IT vendors that push up the price of the products.

(4) Consumer guarantee and green schemes

Strong consumer protection in Australia means high support costs for IT vendors. Consumers see it as their rights to return for refund or replacement even when it is not the manufacturers' fault. In light of the new Australian Consumer Law calling for compensation for consequential losses and the National Television and Computer Recycling Scheme making importers and manufacturers bear the burden of recycling, IT vendors are finding it very hard to do business in Australia.

(5) Warranty and Labour costs

High freight costs and labour costs mean it is very expensive for IT vendors to provide warranty support, which push up prices.

Conclusion

IT vendors are not likely to engage in artificially inflating prices. If they do, they will make themselves uncompetitive, effectively pricing themselves out of the market.

Submission by:

Molly Lai