

ACCC accused of industry bashing and misleading government and consumers

The Business Software Association of Australia (BSAA), which represents leading software companies including Adobe, Autodesk, Macromedia, Micrografx, Microsoft and Symantec, has attacked continuing claims by the ACCC of over-charging Australian consumers, accusing the commission of industry bashing and misleading the Government and the community. The ACCC in statements issued in the past week has implied it has new research showing Australian software prices are higher than US prices when in fact it is simply re-quoting its March 1999 report, BSAA Chairman, Jim Macnamara said. In turn, the March 1999 ACCC report was based in part on data from the 1992 Prices Surveillance Inquiry and included software prices data from 1989 - 12 years ago. The ACCC reported on page 29 of its report: By combining the PSAs results with its own survey findings, the Commission has derived a comprehensive time series of the monthly average advertised prices of packaged business PC computer software for the period July 1989 to December, 1998 in both Australia and the US. The ACCC has argued that the average of software prices from more than a decade ago is relevant to current consideration of parallel importation regulations. However, the IT industry is the fastest growing and most rapidly changing industry in the world and data from 1989 is irrelevant, Mr Macnamara said. For instance, a list of prices of PC hardware or mobile phones from 12 years ago would bear no resemblance to the competitive market for these technology products today, he said. Government policy decisions must be based on current circumstances - not on what might have happened more than a decade ago, Mr Macnamara argued. Secondly, the ACCC compared Australian software prices with the US only. It made no comparison with other markets such as the UK or New Zealand. It is widely recognised that the US is the largest software market in the world, resulting in economies of scale. This narrow comparison also ignores that many software programs require modification for Australian, European and Asian markets. Comparison of Australian prices with other export markets such as the UK would be fairer. Thirdly, the ACCCs methodology involved researching prices in four Australian and four US PC magazines only. This is a very narrow range of price data and does not take into account catalogues from discount stores or Web sites where the most competitive pricing occurs. Australian consumers can buy software off the Web and access the best prices anywhere in the world. So, if local retail prices are not competitive, Australian software vendors will lose sales. Fourthly, the ACCC did not record actual prices, but arbitrarily applied a weighting based on the circulation of the magazines advertising software and the amount of advertising. To quote the ACCC report (page 66): These prices were then weighted to give a monthly average by the circulation of each magazine and the number of advertisements for the package that appeared in the magazine. Given substantial differences in the circulation of US and Australian magazines and the vastly different quantities of advertising, this convoluted methodology produced a range of erroneous comparisons that do not reflect current market conditions. The ACCC is advising the Government and consumers that software prices in Australia will fall substantially from current levels if parallel importation restrictions are lifted, removing the current right of software companies to control the import of their own software. This is an unfair attack on the software industry and is misleading the Government and Australian consumers. The only way business PC software prices can fall substantially is if retailers sell below cost in a price war which will ultimately put many out of business and lead to a less competitive market, Mr Macnamara said. The industry has warned the Government that lifting import provisions, which allow software companies to closely monitor imports of their software, will result in an escalation of counterfeit software imports. Australia already has a 32 per cent piracy rate in business software - considerably higher than the US and the UK - and any further increases in piracy would be destructive to Australias competitiveness in the emerging e-economy and Information Age. The BSAA has commissioned its own software prices survey which tracked every advertised price of more than 60 leading software programs from nine vendors over a two-month period October to December, 2000. It is up to date and tracked thousands of advertised prices in Australia, the US, the UK and New Zealand. This found that business PC software prices in Australia are, on average, 22 per cent lower than the same products in the UK and 2.27 per cent lower than in New Zealand. It found Australian prices, on average, were 3.54 per cent higher than average prices in the US, but this was not including US State sales tax where this applies. There are always retailers with higher prices in every market. But, on average, across a wide range of leading products, Australian software prices are lower than many other major markets such as the UK and are comparable with the US, said Mr Macnamara. Where differentials occur for some products, there are often adaptations or modifications carried out to customise them for the Australian market, such as with some graphic design and Computer Aided Design software, and this needs to be taken into account. With the current crash of the Australian dollar, there is enormous pressure on importers of software. Most local prices have been maintained at 2000 levels despite a 14 per cent decline in the value of the Australian dollar over the past few months. If anything, business software prices may have to go up - not down, said Mr Macnamara. The ACCC has used highly questionable methodology and quoted out of date data in an unprecedented attack on an industry that is vital for Australias future. E-commerce is predicted to be a \$6 trillion a year industry by 2004. Software is the engine of the e-economy and Australia has the potential to be at the leading edge in this emerging growth industry. But it will need a vital, strong, profitable IT sector to reap the benefits, said Mr Macnamara. ### The Business Software Association of Australia (BSAA) is affiliated with the Business Software Alliance (BSA) which operates globally in 65 countries. The Business Software Alliance (www.bsa.org) is the voice of the world's software and Internet industry before governments

and with consumers in the international marketplace. Its members represent the fastest growing industry in the world. BSA educates computer users on software copyrights; advocates public policy that fosters innovation and expands trade opportunities; and fights software piracy. BSA members include AccTrak21, Adobe, Apple Computer, Autodesk, Bentley Systems, CNC Software/Mastercam, Compaq, Dell, Entrust Technologies, IBM, Intel, Intuit, Macromedia, Microsoft, Network Associates, Novell, Sybase, Symantec, and UGS.

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