

Software Engineering Australia

FURTHER SUBMISSIONS

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Further submissions to the IPCR Committee

1. Parallel importation in the e-commerce industry

The Internet has had a dramatic impact on the global information economy of the late 20th century. In economic terms, it is changing the relationship between consumers and producers in ways that could not previously have been imagined. The Internet has empowered consumers by way of information, and as such, is not just another marketing channel or advertising medium, or a way to speed up transactions. The Internet is the foundation for a new industrial order.¹

The Internet has facilitated the emergence of electronic commerce on an international scale. At its broadest, e-commerce is any type of business transaction or interaction in which the participants operate or transact business or conduct their trade electronically.² Because of the increasing pervasiveness of e-commerce in both domestic and international trade, our perception of the market place has changed. Participants are no longer able to think solely in terms of domestic strategies – the market is global. Accordingly, those who want to compete in the market place must be able to do so on a global scale.

As the e-commerce industry becomes a greater source of wealth generation for those successfully involved, Australia's future prosperity in the international information economy will depend upon her ability to adapt to the changes brought about by e-commerce. In order to ensure that Australia captures potential gains in new markets, boosts business activity and maximizes innovation and creativity, she needs to establish an internationally competitive e-commerce industry.

Australia has formally recognised the need to ensure an environment conducive to the uptake of e-commerce in a number of domestic and international documents.³ The Commonwealth government has agreed that the international trading system should “foster the growth of electronic commerce by reducing the scope for trade-distorting government intervention and giving enterprises greater access to the global marketplace.” In order to survive and succeed in the emerging electronic and international trade environment, Australia must not only remove barriers to the global market, but also take pro-active steps to ensure that Australian industry and business achieve a competitive edge in online services.⁴

¹ Gary Hamel and Jeff Sampler, “The E-corporation” in *Fortune.com*, at <www.pathfinder.com/fortune/clicks/ecorp.html>

² *E-commerce – beyond 2000*, National Office for the Information Economy, Commonwealth Department of Communications, Information Technology and the Arts (DOCITA), 17 November 1999, at 5.

³ See: *Ibid.*; *Australia's Ecommerce Report Card*, National Office for the Information Economy, October 1999; *A Strategic Framework for the Information Economy*, National Office for the Information Economy, December 1998.

⁴ *A Strategic Framework for the Information Economy*, *op.cit.*

To give some sort of indication of the domestic significance of Australia's competitiveness in this field, figures released by the Australian Bureau of Statistics indicate that of the 1.3 million purchases conducted online during the year to August 1998, two-thirds took place through off-shore websites. These were sales that the Australian e-commerce industry lost. With estimates placing the amount that Australians will spend on-line by the end of 1999 at \$920 million, Australia needs to ensure that the Australian e-commerce industry does not miss out on the opportunity to reap the benefits of an electronically savvy consumer market. Moreover, with the global reach provided by the very nature of the Internet, Australian e-commerce participants need to be able to compete internationally, otherwise Australian e-commerce retailers will lose both domestic and international markets.

With Cyber-consumers able to access the Internet from countries across the world, geography tends to become irrelevant. It does not matter where an e-commerce retailer is geographically located because purchased goods are delivered within days whether they are purchased from an Australian site or US site. International transport companies such as Federal Express, DHL, & UPS are fine-tuning their delivery systems to ensure that they can deliver products as quickly and cheaply for e-commerce retailers, as they can for normal bricks-and-mortar stores. They see e-commerce as a major growth area and are competing hard to secure their position in the market. This competition is continually reducing the "shipping cost" distortion from the e-commerce equation internationally.

The fact that geography is becoming irrelevant means that retailers will not be able to set different prices around the world, and expect to survive. With internet agents helping consumers automatically find the cheapest price for a particular product on the internet,⁵ Australia e-commerce retailers need to be able to purchase the goods they resell at the same price as their overseas competitors do, otherwise they will lose sales and quickly go out of business.

Australia's e-commerce industry will only develop the ability to compete internationally through direct and unhindered participation in the global marketplace. As John Dryden, head of information, computer and communications policy at the OECD, says: The biggest threat for Australia is exclusion. If Australia does not participate pro-actively in international e-commerce, the situation would be that "Australia would have to play the game anyway, but without a seat at the table when the rules are written."⁶

Accordingly, Australia must remove those government regulations which act as restrictions on the development of her e-commerce industry. One of these restrictions involves the prohibition on parallel importation.

The current restrictions on parallel importation prevent Australian e-commerce retailers from purchasing products from the same source, and at the same price as overseas e-

⁵ Websites such as www.dealpilot.com and www.clickthebutton.com allow consumers to comparison shop by searching the Internet and identifying the sites which sell a particular product at the lowest price.

⁶ John Dryden, cited in "E-commerce: the bad news", *Financial Review*, 16 January 1999.

commerce retailers. As a result, Australian e-commerce retailers must charge more for products when selling on-line than their overseas competitors. This inability to compete in terms of price hinders Australia from becoming a successful location for e-commerce retailers, and prevents the Australian e-commerce industry from developing marketing expertise and industry experience necessary to be able to participate effectively in international e-commerce.

The implications of this are two-fold. Firstly, Australian e-commerce retailers will suffer losses both in terms of domestic sales, as well as sales to many other potential international markets. As indicated above, the Internet enables consumers from anywhere in the world to shop informatively and efficiently. With freight charges/delivery fees becoming less expensive (and therefore less of a consideration in terms of where the supplier is located), Cyber-consumers look at price and quality as the prime factors when determining whether or not to buy. Although Australia is in a prime position to market and supply to on-line consumers in Asia, she must be able to compete against US and other overseas e-commerce retailers on these two bases. If a US e-commerce retailer can offer a better deal, the Asian Cyber-consumer's choice will naturally fall on them – and the Australian e-commerce retailer will lose out. Thus, the inability to compete with rival e-commerce retailers overseas means that Australian e-commerce retailers lose both domestic sales, as well as potential international sales. With the opportunity that the Internet offers for global expansion and international markets, this constitutes a huge loss to the Australian e-commerce industry.

The second implication of Australia's inability to compete in e-commerce would be the loss of control over a very important distribution channel for products internationally. The Internet is a powerful and pervasive tool which provides swift and convenient distribution of goods and information, while keeping marketing and transactions costs at a minimum. Australia must ensure that it does not lose control over such a strategic asset. If Australia does not take steps to ensure that she is a major player in the on-line distribution of goods internationally, the Australian economy will suffer huge losses as more and more commercial transactions are conducted over the Internet.

The pervasive influence of e-commerce in modern society is an irresistible force that is ignored at our peril – if Australia does not take action now to ensure that she is a fully capable and competitive participant in the global on-line market place, she will be left behind in the digital economic revolution.

Price differentials

One of the advantages offered by the Internet is the ability to directly compare products or services in a fraction of the time taken in the off-line world. Moreover, the emergence brand-neutral brokers such as “CompareNet”⁷ allow consumers to compare products feature for

⁷ See <www.compare.com>

feature and dollar for dollar. The increased ability to comparison shop gives consumers added power to force prices down.

Studies indicate that the top categories for online sales to the general public consist of computers and related products, books, CDs and videos.⁸ As an increasing percentage of the public do more of their shopping online,⁹ competition between “e-tailers” will increase. In order to compete effectively in this environment, analysts argue that e-tailers will have to build relationships with their customers through marketing and “truly effective merchandising”¹⁰. If the Australian e-commerce industry is to survive in this marketplace, e-commerce retailers at home will have to be able to compete in terms of both product and price with their rivals overseas.

In order for Australian e-commerce retailers to be able to offer products at prices which are competitive with those offered by e-commerce retailers overseas, Australian e-commerce retailers will need to be able to purchase goods at the lowest possible price. At the moment, the restriction on parallel importation prevents this from occurring. Australian e-commerce retailers are forced to buy through licensed distributors within Australia, and must on-sell on the basis of the price charged by this distributor. If parallel importation was allowed, however, e-commerce retailers would be able to purchase goods from overseas at lower prices, and thus on-sell (at a profit) at lower prices on-line.

In the absence of any official statistics on this matter, Software Engineering Australia has conducted its own research into a variety of computer and electronic goods (selected at random), the parallel importation of which would currently be prohibited by Australian intellectual property legislation (*Copyright Act 1968, Patents Act 1990*, etc.). In order to give a balanced view of the current situation, SEA looked at the retail prices for which the following products were being sold in Australian bricks-and-mortar retail stores and from Australian e-commerce retailers, and compared these with prices offered by US e-commerce retailers.

- computer software,
- computer hardware,
- digital cameras,
- printers,

⁸ “Online Holiday Shoppers to Triple”, *CyberAtlas*, 9 November 1999 at <cyberatlas.internet.com/big_picture/demographics/article/0,1323,6061_235331,00.html>

⁹ The *Third Annual Online Retailing Report* by Ernst & Young projects that 67 percent of online shoppers will do at least 10 percent of their holiday shopping online. This will be reflected in increased online sales throughout the year. *Ibid.*

¹⁰ Tom Reynolds, National Director, Consulting Services, Retail & Consumer Products for Ernst & Young, *ibid.*

- books, and
- sports shoes.

Depending on the product, allowances were made for freight and sales tax/customs duty as applicable. The final figures reflect the difference in price that Australian e-commerce retailers have to pay for materials obtained through licensed distributors in Australia, compared to the price for which such materials could be obtained if parallel importation were allowed (See Appendix 1).

In addition to fundamental price differences, the tables in Appendix 1 indicate that the end cost also varied depending on the type of transport selected (eg. postal service, DHL or FEDEX). This was particularly true in the case of printers and sports shoes, where freight charges were relatively high. However, it is important to note that international delivery services such as FEDEX and DHL now recognise e-commerce as the industry of the future, and are currently targeting e-commerce as a major area for expansion and improvement of services. Accordingly, they are fine-tuning their operations and offering lower and lower delivery costs. Moreover, the freight charges used in the comparative tables were, of necessity, calculated on the basis of a one-off transaction. This is naturally an inefficient method of transportation, and costs would become less significant if a greater volume of goods was involved.

In addition, the figures in Appendix 1 represent the cost of bringing products into Australia. However, as indicated above, Australian e-commerce retailers are competing not only for the domestic market, but also for the international market. With delivery costs from Australia and the United States to Asia, for example, becoming essentially the same, the determining factor for the cyber-consumer becomes: price.

The general trend reflected in the comparative tables in Appendix 1 indicates that Australian e-commerce retailers charge higher prices than their overseas competitors. The difference in price became particularly significant when comparing goods that have been available for some time in the US, but only recently released in Australia. Where the tables reflect a wide gap in price for the same product, this can generally be attributed to the fact that the product was recently released in Australia, and therefore sold a higher price than from a US website.

Furthermore, of necessity, the survey compared prices of goods that were available on both US and Australian websites. Due to the marketing strategies of licensed distributors, there were many items that were available on US websites, which were not being sold by Australian e-commerce retailers. However, as indicated above, if Australian e-commerce retailers are to compete on-line, they must be able to compete internationally. This requires them to compete with overseas e-commerce retailers situated in the US, for both the Australian domestic market and the international market. This cannot be achieved if Australian e-commerce retailers either offer the product at higher prices than their US competitors, or do not offer the product at all. By lifting the restrictions on parallel importation, Australian e-commerce retailers would be able to offer a greater choice to all Cyber-consumers by ensuring increased availability of products at lower prices.

In order to give an overall picture of the general trend in price difference, a table was compiled comparing the cost of importing a product from a US e-commerce site, and the cost of obtaining the same product from an Australian site (see Appendix 2). These calculations give the average percentage difference in each range of products surveyed, taking into account customs and sales duties, as well as freight charges.¹¹ Because of the role that freight charges play in adding to the cost of importing the product, however, Appendix 3 was included to demonstrate the difference if price alone is considered. The following table represents the summary of these results, giving the average percentage by which the cost of products offered on Australian e-commerce sites was higher than that offered on US e-commerce sites, in terms of both overall cost, and in terms of price alone.

Product	Average percentage difference in overall cost (incl. customs, sales tax, freight)	Average percentage difference in price alone
Software	29.5 %	30.2 %
Notebook computers	12 %	14 %
Digital cameras	15.6 %	57.23 %
Printers	11.4 %	29.6 %
Books	45.6 %	61.92 %
Sport shoes	6.7 %	21.5 %

The above figures indicate that, even with a certain amount factored in to represent the cost of transportation to Australia, the cost of importing goods from a US website is considerably less than the price for which must be paid for those goods in Australia. Australian e-commerce retailers have to charge anywhere between 12 and 45 percent higher than US e-commerce retailers in order to make a profit. The difference in prices is particularly significant for electronic goods such as computer software and books, neither of which are subject to duty or sales tax. If a Cyber-consumer were offered the choice between whether to buy from the US or the Australian website, they would clearly, based on the above comparison, choose NOT to buy from the Australian site.

One of the primary reasons behind these higher prices on the part of Australian e-commerce retailers is the fact that they can only obtain the products in question through licensed distributors in Australia. By removing the restrictions on parallel importation, however, e-commerce retailers in Australia would be able to import the goods from the same source as their US competitors, and resell them at competitive prices. Once Australian e-commerce retailers can compete in terms of price, they can build up the

¹¹ See Appendix.

marketing expertise and experience to expand and strengthen the Australian e-commerce industry overall. Lifting the prohibition on parallel importation in Australia's intellectual property legislation would enable Australian e-commerce retailers to overcome the current hurdles of price and availability, and negotiate for the direct importation into Australia of a wider range of products for resale both domestically and internationally at a cheaper price online.

With the Australian population alone spending approximately \$920 million on e-commerce purchases this year, the costs to Australian e-commerce retailers will be great if they cannot compete with overseas e-commerce retailers for the domestic market alone. When one then considers the opportunity offered by the Internet for international sales as well, Australia's inability to compete means that the loss of opportunity is extremely large. The reality of the global digital market means that Australian e-commerce retailers must be able to compete with retailers all over the world on the basis of quality and price. The Australian government has acknowledged on numerous occasions the international market opportunities offered by e-commerce, and the need to ensure that Australia plays an active role in the international e-commerce industry. While the government has committed itself verbally to fostering the Australian e-commerce industry,¹² it must now take pro-active steps to bring this about. Lifting the restrictions on parallel importation in all relevant intellectual property legislation (*Copyright Act, Patents Act, etc.*) would ensure that Australian e-commerce retailers are able participate and compete effectively in terms of quality, variety and price, in the international e-commerce market. This would then give them the opportunity to build up expertise in selling and marketing, and strengthen the Australian domestic e-commerce industry. This will help guarantee Australia's position in the wealth-generating industry of the 21st century: e-commerce.

1. Why patent protection is necessary in the e-commerce / software industries:

Patent registration operates to protect idea behind the invention, rather than the expression of such ideas (which are protected by copyright). This is particularly important in industries such as e-commerce and software, where innovations are occurring at a faster pace than almost any other industry.

While US software developers have, in recent years, recognised the advantages offered by patent protection, local Australian developers still appear to rely principally on copyright as a means of protecting their intellectual property rights. Figures indicate that although the number of software patent applications filed in Australia has grown substantially during the 1990s, many of these applications were filed by overseas companies. In the US, however, it is estimated that around 40,000 software patents will be granted over the 1998~1999 period.¹³ These patents cover the range of software-based technology, from

¹² See note 3, *supra*.

¹³ Greg Aharonian, *Internet Patent News Service* <www.sunsite.unc.edu/patents/intropat.html>

operating systems, networking and image processing to financial and business methods. Patents are also being granted for Internet software, quantum computing, and electronic commerce innovations such as secure on-line payment systems, on-line auctions and pay-per-view advertising.

Failure to utilise the Australian patent system will result in Australian software developers being locked out of the market for their products, both in Australia and overseas. The granting of large numbers of software patents in Australia to overseas companies will have the effect that local companies will be required to pay royalties on much of the patented software technology they wish to incorporate into their own products. Few Australian companies have yet recognised the trade barrier potential of software patents in the United States. The number of patents for software inventions being granted in the US means that any Australian developer intending to license their technology or market their products or services there will need to be aware, firstly, of whether there are any existing patents and, secondly, the importance of seeking patent protection.

Software Engineering Australia supports the continued registration of software and e-commerce patents under Australian legislation, but urges a careful review of the factors stopping Australia's IP developers taking advantage of this very important piece of protection in the international marketplace.

APPENDIX 1

Comparison of cost of products in Australia & cost of importing from overseas website

(a) Computer Software¹

Adobe Products	Choice Connections (Australian retail store)	Dataflow.com.au (Australian on-line)		Adobe.com (US on-line)		
	A \$	A \$		US \$	A \$	
		Price	Plus \$9 freight	Price	Excl. freight	Plus freight ²
• Acrobat	415.00	495.00	504.00	249.99	390.61	400.01
• After Effects						
- Standard	1 100.00			689.00	1 076.56	1085.96
- production	2 375.00	3 295.00	3 304.00	1 499.00	2 342.19	2351.59
• Dimensions	245.00	295.00	304.00	129.00	201.56	210.96
• Design Collection	2 255.00	2 895.99	2 904.99	1 379.00	2 154.69	2164.09
• Dynamic media collection	3 775.00	3 775.00	3 784.00	1 589.00	2 482.81	2492.21
• Framemaker	1 315.00	1 395.00	1 404.00	819.00	1 279.69	1289.09
• Illustrator	680.00	895.00	904.00	399.00	623.43	632.83
• Indesign	1 245.00	1 495.00	1 504.00	739.00	1 154.69	1164.09
• PageMaker Plus	900.00	945.00	954.00	499.00	779.69	789.09
• PhotoDeluxe	90.00	99.00	108.00	49.00	76.56	85.96
• Font Folio	13 900.00			8 199.00	12 810.94	12 820.34
• Go Live	525.00	595.00	604.00	275.00	429.69	439.09
• PageMill	165.00	149.00	158.00	79.00	123.44	132.84
• PhotoDeluxe Bus Edition	145.00			79.00	123.44	132.84
• Photoshop	1 100.00	1 495.00	1 504.00	649.00	1 014.06	1023.46

¹ Computer software is free from duty and exempt from sales tax.

² Freight costs calculated on US postal service charges.

• Photoshop limited edition	175.00			89.00	139.06	148.46
• Press ready	275.00			149.00	232.81	242.21
• Streamline	245.00	295.00	304.00	129.00	201.56	210.96
• Type manager deluxe	129.00			65.00	101.56	110.96
• Premiere	1 050.00	1 295.00	1 304.00	579.00	904.69	914.09
• Publishing collection	1 850.00			1 059.00	1654.69	1664.09
• Web collection	1 850.00	2 495.00	2 504.00	1 059.00	1654.69	1664.09

Macromedia Products	Next Byte (Australian retail store)	Firmware.com.au (Australian on-line)		Macromedia.com (US on-line)		
	A \$	A \$		US \$	A \$	
		Price	Plus \$9 freight	Price	Excl. freight	Plus \$ freight
• Dreamweaver Fireworks Studio	650.00	699.00	708.00	399.00	623.44	632.84
• Authorware 5.1		4 495.00	4 504.00	2 699.00	4 217.19	4 226.59
• Dreamweaver 2	550.00	569.00	578.00	299.00	467.19	476.59
• Drumbeat 2000						
- eCommerce edition		915.00	924.00	499.00	779.69	789.09
- ASP		749.00	758.00	399.00	623.44	632.84
- JSP		749.00	758.00	399.00	623.44	632.84
• Director Shockwave Internet Studio	1 800.00	1 895.00	1 904.00	999.00	1 560.94	1 570.34
• Fireworks 3	379.00	379.00	388.00	199.00	310.94	320.34
• Flash 4		569.00	578.00	299.00	467.19	476.59
• Fontographer	769.00	749.00	758.00	349.00	545.31	554.71
• Freehand 8	899.00	799.00	808.00	399.00	623.44	632.84
• Generator 2		6 990.00	6 999.00	2 999.00	4 685.94	4 695.34

Language translation software	Blue Pacific Systems (Australian distributor)		Languagepartners.com (US on-line)	
			US \$ (download)	A \$
			Price	
Systran Enterprise (8 language pair 5 user)	24 531.25		12 250.00	19 140.63

(b) Computer Hardware

Notebook Computers	BCA IT (Australian retail store)	Harristechnology.com (Australian on-line)		US \$	Pcwonders.com (US on-line)			
		A \$			Price	Excl. freight	Plus sales tax ³	Plus \$ freight ⁴
		Price	Plus \$25 freight					
<ul style="list-style-type: none"> IBM Thinkpad 600E P2-366 6.4GB 64MB 13.3 TFT 42X NT IBM Thinkpad 770Z P2 366 14.1GB 128 MB 14.1 TFT DVD Win 98 Toshiba Satellite 4100XDVD P2-400 64MB 6.4Gb 14.1 TFT DAA 	6 082.00	6 922.00	6 947.00	3 129.95	4 890.55	6 181.65	6 301.65	
	8 867.00	9 270.00	9 295.00	3 899.95	6 093.67	7 702.40	7 822.40	
	5 700.00	5 730.00	5 755.00	2 440.00	3 812.50	4 819.00	4 939.00	

³ Computer hardware is free from duty. However, 22 % sales tax is imposed on 120% of the value for duty of computers imported into Australia, giving a combined rate of 26.4 percent on the transaction price. Australian Taxation Office.³

⁴ Freight charges were calculated in accordance with FEDEX charges (\$120.00 for 2 kilograms).

• Compaq Armada M300 Celeron-333Mhz Win 98		3 875.00	3 900.00	1 731.95	2 706.17	3420.60	3 540.60
• Compaq Armada E700 P2- 400Mhz Win 95		8 391.00	8 416.00	3 989.95	6 234.30	7 880.16	8 000.16

The last column in the above table indicates the total Even with an allowance for freight charges, the difference in price between what Australian e-commerce retailers charge, and what US e-commerce retailers charge, is significant.

(c) Electronics

Digital cameras	Rainers Camera House (Australian retail store)	Harristechnology.com.au (Australian on-line)		US \$	Amazon.com (US on-line)		
	A \$	A \$		Price	Excl. freight	Plus duty & sales tax ⁵	Plus freight ⁶
		Price	Plus \$9 freight				
• Sony MVC FD88 Digital Mavica Camera 8 x zoom lens	1 938.00	2 029.00	2 038.00	879.01	1 373.45	1 822.84	1 907.84
• Olympus C-2000 Zoom Digital Camera		2 099.00	2 108.00	799.99	1 249.98	1 658.93	1 743.93
• Sony MVC FD73 Digital Mavica Camera 10 x zoom lens	1 099.00	1 170.00	1 179.00	499.99	781.23	1 036.85	1121.85

⁵ Digital cameras are subject to 5 % duty and 22% sales tax, giving an effective rate of 32.72% tax.

⁶ Freight charges are based on FEDEX rates (\$85.00 for 500 grams).

• Sony MVC FD83 Digital Mavica Camera 8	1 599.00	1 637.00	1 646.00	679.99	1 062.48	1 410.12	1495.12
					Computers4sure (US on-line)		
• Kodak digital camera DC280 with zoom lens	1 699.00	1 496.00	1 505.00	629.99	984.36	1 306.44	1 391.44
• Kodak digital camera DC290 with zoom lens	1 999.00	1 783.00	1 792.00	799.99	1 249.98	1 658.97	1 743.97
• AGFA Digital Camera ePhoto CL30	932.00	855.00	864.00	284.99	445.30	591.00	676.00
• AGFA Digital Camera ePhoto 780c	575.00	478.00	487.00	169.99	265.61	352.52	437.52
• AGFA Digital Camera ePhoto 1680	1 812.00	1 658.00	1 667.00	499.99	781.23	1 036.85	1 121.85

Printers	Harvey Norman (Australian retail store)	Harristechnology.com.au (Australian on-line)		US \$	Amazon.com (US on-line)		
	A \$	A \$		US \$	A \$		
		Price	Plus \$19 freight	Price	Excl. freight	Plus sales tax ⁷	Plus freight ⁸
• Epson Stylus Colour 440 Ink jet printer	249.00	246.00	265.00	99.99	156.23	197.47	297.47
• Hewlett-Packard Deskjet 880C Colour Inkjet printer	494.00	479.00	498.00	279.99	437.48	552.97	652.97
• Hewlett-Packard Photo Smart P1100		969.00	988.00	499.00	779.69	985.53	1 085.53

⁷ Printers are exempt from duty, but subject to sales tax. Tax is imposed at 22% on 120% of the value for duty, giving a combined rate of 26.4%.

⁸ Freight is calculated on the basis of FEDEX rates: \$100 for 1 kilogram.

• Hewlett-Packard Photo Smart P1000	599.00	765.00	784.00	399.99	624.98	789.97	889.97
• Hewlett-Packard Deskjet 895Cxi Printer	649.00	637.00	656.00	299.99	468.73	592.73	692.73

Not all products sold from US websites were available from Australian bricks-and-mortar retail stores for comparison, nor were all of them the subject of freight to Australia. These limitations on product availability simply add to the restrictions placed on the Australian consumer and retail market.

(d) Books

	Dymocks (Australian retail store)	Techbooks.com.au (Australian on-line)		US \$	Amazon.com (US on-line)	
	A \$	A \$		Price	A \$	
		Price	Plus \$7.50 freight		Excl. freight	Plus freight ⁹
• <i>Bloomberg by Bloomberg</i> , Michael Bloomberg (paperback)	28.95	34.95	42.45	14.41	22.52	31.82
• <i>Against the Gods</i> , Peter L. Bernstein (paperback)	24.95	24.95	32.45	11.96	18.69	27.99
• <i>Blown to Bits</i> , Philip Evans (hardcover)	65.95	59.95	67.45	19.25	30.08	39.38
• <i>Competitive Strategy</i> , Michael Porter (hardcover)	59.95	59.95	67.45	26.25	41.02	50.32
• <i>Dead Ahead</i> , Laurie Windham (hardcover)	49.95	49.95	57.45	17.47	27.30	36.60

⁹ Amazon.com charges US \$5.95 on delivery to Australia.

• <i>Forbes Greatest Technology Stories</i> , Jeffrey Young (hardcover)	45.00	45.00	52.50	24.95	38.98	48.28
• <i>Futurize your Enterprise</i> , David Siegel (hardcover)	52.95	52.95	60.45	20.97	32.77	42.07
• <i>Harvard Business Review on Managing High-Tech Industries</i> (paperback)	39.95	39.95	47.45	15.96	24.94	34.24
• <i>In Search of Shareholder Value</i> , Andrew Black (hardcover)	69.95	74.95	82.45	17.50	27.34	36.64
• <i>The Leader's Handbook</i> , Peter Schotes (paperback)	67.95	59.95	67.45	27.96	43.69	52.99
• <i>Unleashing the Killer App</i> , Larry Downes (hardcover)	56.95	52.95	60.45	27.96	43.69	52.99
• <i>Dance of Change</i> , Peter Senge (paperback)	49.95	69.95	77.45	28.00	43.75	53.05
• <i>The Balanced Scorecard</i> , Robert Kaplan (hardcover)	69.95	64.95	72.45	20.97	32.77	42.07

(e) Sports shoes

	Sportsco (Australian retail store)	Dstore.com.au (Australian on-line)		Fogdog.com (US on-line)			
	A \$	A \$		US \$	A \$		
		Price	Plus \$5.25 freight	Price	Excl. freight	Plus duty ¹⁰	Plus freight ¹¹
• <i>Adidas Strident</i> crosstrainers	125.00	112.95	118.20	57.99	90.61	100.58	106.53
• <i>Asics Gel Kayano</i> runners	220.00	184.95	190.20	119.99	187.48	208.10	214.05
• <i>Asics Gel GT 2040</i>	169.00	144.95	150.20	79.99	124.98	138.73	144.68
				Roadrunnershoes.com			
• <i>Asics Gel Del Ray</i> crosstrainers	140.00	116.95	122.20	64.99	101.55	112.72	118.67
• <i>Brooks Beast XT</i> crosstrainers	190.00	115.95	121.20	64.99	101.55	112.72	118.67
• <i>Asics Gel 140</i> runners	140.00	116.95	122.20	47.49	74.20	82.36	91.42

¹⁰ Sports shoes are exempt from sales tax, but subject to 18 % duty in Australia. However, as the US prices already incorporate between 6.5 and 8 percent in terms of tariff duties, these figures have been adjusted by 11% to allow for the US tariff already imposed.

¹¹ Freight is calculated on US postal rates: US \$5.95.

APPENDIX 2

Percentage difference between total cost of purchasing product in Australia & from overseas

(a) **Software**

Adobe Products	Adobe.com (US on-line) A \$	Dataflow.com.au (Australian on-line) A \$	Percentage difference
• Acrobat	400.01	504.00	25 %
• After Effects production	2351.59	3 304.00	40 %
• Dimensions	210.96	304.00	44 %
• Design Collection	2 164.09	2 904.99	34 %
• Dynamic media collection	2 492.21	3 784.00	51 %
• Framemaker	1 289.09	1 404.00	8 %
• Illustrator	632.83	904.00	42 %
• Indesign	1 164.09	1 504.00	29 %
• PageMaker Plus	789.09	954.00	20 %
• PhotoDeluxe	85.96	108.00	25 %
• Go Live	439.09	604.00	37 %
• PageMill	132.84	158.00	19 %
• Photoshop	1 023.46	1 504.00	47 %
• Streamline	210.96	304.00	44 %
• Premiere	914.09	1 304.00	43 %
• Web collection	1 664.09	2 504.00	50 %
Macromedia Products	Macromedia.com (US on-line)	Firmware.com.au (Australian on-line)	Percentage difference
• Dreamweaver Fireworks Studio	632.84	708.00	10 %
• Authorware 5.1	4 226.59	4 504.00	6 %
• Dreamweaver 2	476.59	578.00	21 %
• Drumbeat 2000			
• eCommerce edition	789.09	924.00	17 %
• ASP	632.84	758.00	20 %
• JSP	632.84	758.00	20 %
• Director Shockwave Internet Studio	1 570.34	1 904.00	21 %
• Fireworks 3	320.34	388.00	21 %
• Flash 4	476.59	578.00	21 %
• Fontographer	554.71	758.00	36 %
• Freehand 8	632.84	808.00	27 %
• Generator 2	4 695.34	6 999.00	49 %
Language translation software	Languagepartners.com	Blue Pacific Systems	
• Systran Enterprise	19 140.63	24 531.25	28 %
Average percentage difference			29.5 %

(a) **Computer hardware**

Notebook Computers	Pewonders.com (US on-line) A\$	Harristechnology.com.au (Australian on-line) A \$	Percentage difference
• IBM Thinkpad 600E P2-366 6.4GB 64MB 13.3 TFT 42X NT	6 301.65	6 947.00	10
• IBM Thinkpad 770Z P2 366 14.1GB 128 MB 14.1 TFT DVD Win 98	7 822.40	9 295.00	19
• Toshiba Satellite 4100XDVD P2-400 64MB 6.4Gb 14.1 TFT DAA	4 939.00	5 755.00	16
• Compaq Armada M300 Celeron-333Mhz Win 98	3 540.60	3 900.00	10
• Compaq Armada E700 P2- 400Mhz Win 95	8 000.16	8 416.00	5
Average percentage difference			12 %

(c) **Electronic equipment**

Digital cameras	Amazon.com (US on-line) A \$	Harristechnology.com.au (Australian on-line) A \$	Percentage difference
• Sony MVC FD88 Digital Mavica Camera 8 x zoom lens	1 907.84	2 038.00	6 %
• Olympus C-2000 Zoom Digital Camera	1 743.93	2 108.00	21 %
• Sony MVC FD73 Digital Mavica Camera 10 x zoom lens	1 121.85	1 179.00	5 %
• Sony MVC FD83 Digital Mavica Camera 8	1 495.12	1 646.00	10 %
Computers4sure.com (US on-line)			
• Kodak digital camera DC280 with zoom lens	1 391.44	1 505.00	8 %
• Kodak digital camera DC290 with zoom lens	1 743.97	1 792.00	2 %
• AGFA Digital Camera ePhoto CL30	676.00	864.00	28 %
• AGFA Digital Camera ePhoto	437.52	487.00	11 %

780c • AGFA Digital Camera ePhoto 1680	1 121.85	1 667.00	49 %
Average percentage difference			15.6 %

Printers	Amazon.com (US on-line) A \$	Harristechnology.com.au (Australian on-line) A \$	Percentage difference
• Epson Stylus Colour 440 Ink jet printer	297.47	265.00	- 10 %
• Hewlett-Packard Deskjet 880C Colour Inkjet printer	652.97	498.00	- 23 %
• Hewlett-Packard Photo Smart P1100	1 085.53	988.00	- 8 %
• Hewlett-Packard Photo Smart P1000	889.97	784.00	- 11 %
• Hewlett-Packard Deskjet 895Cxi Printer	692.73	656.00	- 5 %
Average percentage difference			4 %

(d) Books

Books	Amazon.com (US on-line) A \$	Techbooks.com.au (Australian on-line) A \$	Percentage difference
• <i>Bloomberg by Bloomberg, Michael Bloomberg</i>	31.82	42.45	33 %
• <i>Against the Gods, Peter L. Bernstein</i>	27.99	32.45	16 %
• <i>Blown to Bits, Philip Evans</i>	39.38	67.45	71 %
• <i>Competitive Strategy, Michael Porter</i>	50.32	67.45	34 %
• <i>Dead Ahead, Laurie Windham</i>	36.60	57.45	57 %
• <i>Forbes Greatest Technology Stories, Jeffrey Young</i>	48.28	52.50	9 %
• <i>Futurize your Enterprise, David Siegel</i>	42.07	60.45	43 %
• <i>Harvard Business Review on Managing High-Tech Industries</i>	34.24	47.45	38 %
• <i>In Search of Shareholder Value,</i>	36.64	82.45	133 %

Andrew Black			
• <i>The Leader's Handbook</i> , Peter Schotes	52.99	67.45	27 %
• <i>Unleashing the Killer App</i> , Larry Downes	52.99	60.45	14 %
• <i>Dance of Change</i> , Peter Senge	53.05	77.45	46 %
• <i>The Balanced Scorecard</i> , Robert Kaplan	42.07	72.45	72 %
Average percentage difference			45.6 %

(e) Footwear

Sports shoes	Fogdog.com (US on-line) A \$	Dstore.com.au (Australian on-line) A \$	Percentage difference
• Adidas <i>Strident</i> crosstrainers	106.53	118.20	11 %
• Asics <i>Gel Kayano</i> runners	214.05	190.20	- 11 %
• Asics <i>Gel GT 2040</i>	144.68	150.20	3 %
	Roadrunnershoes.com		
• Asics <i>Gel Del Ray</i> crosstrainers	118.67	122.20	2 %
• Brooks <i>Beast XT</i> crosstrainers	118.67	121.20	2 %
• Asics <i>Gel 140</i> runners	91.42	122.20	33 %
Average percentage difference			6.7 %

APPENDIX 3
Percentage difference between US & Australian
e-commerce prices

(a) Software

Adobe Products	Adobe (US on-line) A \$	Dataflow (Australian on-line) A \$	Percentage price difference
• Acrobat	390.61	495.00	27 %
• After Effects			
• production	2 342.19	3 295.00	41 %
• Dimensions	201.56	295.00	46 %
• Design Collection	2 154.69	2 895.99	34 %
• Dynamic media collection	2 482.81	3 775.00	52 %
• Framemaker	1 279.69	1 395.00	9 %
• Illustrator	623.43	895.00	44 %
• Indesign	1 154.69	1 495.00	29 %
• PageMaker Plus	779.69	945.00	21 %
• PhotoDeluxe	76.56	99.00	23 %
• Go Live	429.69	595.00	38 %
• PageMill	123.44	149.00	21 %
• Photoshop	1 014.06	1 495.00	47 %
• Streamline	201.56	295.00	46 %
• Premiere	904.69	1 295.00	43 %
• Web collection	1654.69	2 495.00	51 %
Macromedia Products	Macromedia.com (US on-line)	Firmware.com.au (Australian on-line)	Percentage difference
• Dreamweaver Fireworks Studio	623.44	699.00	12 %
• Authorware 5.1	4 217.19	4 495.00	6 %
• Dreamweaver 2	467.19	569.00	22 %
• Drumbeat 2000			
• eCommerce edition	779.69	915.00	17 %
• ASP	623.44	749.00	20 %
• JSP	623.44	749.00	20 %
• Director Shockwave Internet Studio	1 560.94	1 895.00	21 %
• Fireworks 3	310.94	379.00	22 %
• Flash 4	467.19	569.00	22 %
• Fontographer	545.31	749.00	37 %
• Freehand 8	623.44	799.00	28 %
• Generator 2	4 685.94	6 990.00	49 %
Language translation software	Languagepartners.com	Blue Pacific Systems	
• Systran Enterprise	19 140.63	24 531.25	28 %
Average percentage difference			30.2 %

(b) Computer hardware

Notebook Computers	Pcwonders (US on-line) A\$	Harris Technology (Australian on-line) A \$	Percentage price difference
<ul style="list-style-type: none"> • IBM Thinkpad 600E P2-366 6.4GB 64MB 13.3 TFT 42X NT • IBM Thinkpad 770Z P2 366 14.1GB 128 MB 14.1 TFT DVD Win 98 • Toshiba Satellite 4100XDVD P2-400 64MB 6.4Gb 14.1 TFT DAA • Compaq Armada M300 Celeron-333Mhz Win 98 • Compaq Armada E700 P2- 400Mhz Win 95 	<p>6 181.55</p> <p>7 702.40</p> <p>4 819.00</p> <p>3420.60</p> <p>7 880.16</p>	<p>6 922.00</p> <p>9 270.00</p> <p>5 730.00</p> <p>3 875.00</p> <p>8 391.00</p>	<p>12 %</p> <p>20 %</p> <p>19 %</p> <p>13 %</p> <p>6 %</p>
Average percentage difference			14 %

(c) Electronics

Digital cameras	Amazon.com (US on-line) A \$	Harristechnology (Australian on-line) A \$	Percentage price difference
<ul style="list-style-type: none"> • Sony MVC FD88 Digital Mavica Camera 8 x zoom lens • AGFA Digital Camera Ephoto CL50 • Olympus C-2000 Zoom Digital Camera • Sony MVC FD73 Digital Mavica Camera 10 x zoom lens • Sony MVC FD83 Digital Mavica Camera 8 	<p>1 373.44</p> <p>781.23</p> <p>1 249.98</p> <p>781.23</p> <p>1062.48</p>	<p>2 029.00</p> <p>909.00</p> <p>2 099.00</p> <p>1 170.00</p> <p>1 637.00</p>	<p>48 %</p> <p>16 %</p> <p>68 %</p> <p>50 %</p> <p>54 %</p>
Computers4sure (US on-line)			
<ul style="list-style-type: none"> • Kodak digital camera DC215 with zoom lens 	453.11	637.00	41 %

• Kodak digital camera DC280 with zoom lens	984.36	1 496.00	52 %
• Kodak digital camera DC290 with zoom lens	1 249.98	1 783.00	43 %
• AGFA Digital Camera ePhoto CL30	445.30	855.00	92 %
• AGFA Digital Camera ePhoto CL50	687.48	909.00	32 %
• AGFA Digital Camera ePhoto 780c	265.61	478.00	80 %
• AGFA Digital Camera ePhoto 1680	781.23	1 658.00	112 %
Average percentage difference			57.23 %

Printers	Amazon.com (US on-line) A \$	Harris Technology (Australian on-line) A \$	Percentage price difference
• Epson Stylus Colour 440 Ink jet printer	156.23	246.00	57 %
• Hewlett-Packard Deskjet 880C Colour Inkjet printer	437.48	479.00	9 %
• Hewlett-Packard Photo Smart P1100	779.69	969.00	24 %
• Hewlett-Packard Photo Smart P1000	624.98	765.00	22 %
• Hewlett-Packard Deskjet 895Cxi Printer	468.73	637.00	36 %
Average percentage difference			29.6 %

(d) Books

Books	Amazon.com (US on-line) A \$	Techbooks.com.au (Australian on-line) A \$	Percentage price difference
• <i>Bloomberg by Bloomberg,</i> Michael Bloomberg	22.52	34.95	55 %
• <i>Against the Gods, Peter L. Bernstein</i>	18.69	24.95	33 %
• <i>Blown to Bits, Philip Evans</i>	30.08	59.95	99 %
• <i>Competitive Strategy, Michael Porter</i>	41.02	59.95	46 %
• <i>Dead Ahead, Laurie Windham</i>	27.30	49.95	45 %
• <i>Forbes Greatest Technology Stories, Jeffrey Young</i>	38.98	45.00	15 %
• <i>Futurize your Enterprise, David Siegel</i>	32.77	52.95	62 %
• <i>Harvard Business Review on Managing High-Tech Industries</i>	24.94	39.95	60 %
• <i>In Search of Shareholder Value, Andrew Black</i>	27.34	74.95	174 %
• <i>The Leader's Handbook, Peter Schotes</i>	43.69	59.95	37 %
• <i>Unleashing the Killer App, Larry Downes</i>	43.69	52.95	21 %
• <i>Dance of Change, Peter Senge</i>	43.75	69.95	60 %
• <i>The Balanced Scorecard, Robert Kaplan</i>	32.77	64.95	98 %
Average percentage difference			61.92 %

(e) Footwear

Sports shoes	Fogdog.com (US on-line) A \$	Dstore.com.au (Australian on-line) A \$	Percentage price difference
• <i>Adidas Strident</i> crosstrainers	90.61	112.95	25 %
• <i>Asics Gel Kayano</i> runners	187.48	184.95	1 %
• <i>Asics Gel GT 2040</i>	124.98	144.95	16 %
	Roadrunnershoes.com		
• <i>Asics Gel Del Ray</i> crosstrainers	101.55	116.95	15 %
• Brooks <i>Beast XT</i> crosstrainers	101.55	115.95	14 %
• <i>Asics Gel 140</i> runners	74.20	116.95	58 %
Average percentage difference			21.5 %