

TITLE: We pay more for most things

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We have the highest average incomes in the country, so retailers take advantage. But some Canberrans are on very modest wages

Canberrans pay more for petrol than residents in other capital cities. In fact, we pay more for petrol than people in nearby regional towns like Albury. While I don't have too much sympathy for the oil companies, we shouldn't single them out for too much criticism as the simple truth is that Canberrans pay more for most things.

Restaurant meals are expensive in Canberra - indeed, so is a salad sandwich. Coffee is generally cheaper in Sydney than Canberra. Even wooden Thomas the tank engine toys are cheaper in other cities than they are in the nation's capital.

The main reason for this pattern is simple: Canberra has the highest average income of any city in Australia. Of course there are parts of Sydney and parts of Melbourne with high average income, but, city-wide, Canberra tops the list by a wide margin.

While most companies like to link their public comments about prices to their costs of production, the fact is that shops sell things for the highest price they think they can get away with. When the banks increase our interest rates they always like to blame the "rising cost of funding" and we are told repeatedly that if wages go up firms will have no choice but to increase prices. But the fact is most retailers sell identical products for different prices in different locations.

In recent times Australian consumers have become increasingly aware that we pay much higher prices for things than American and European consumers do. Indeed, the ALP backbencher Ed Husic has even managed to establish a parliamentary inquiry into why Australians pay so much more for music and software than Americans do. But while many Australians are now aware we are being gouged on software and electrical goods, far fewer probably realise that we pay twice as much as Americans for a bottle of Coke.

Just as multinational companies set their prices according to what they estimate national markets will bear, so too do national retail chains set prices according to what they think the local market will bear. And one of the main determinants of what they think they can charge is average income.

Sony is willing to sell music far more cheaply in China than in Australia. Here in Australia we are told that if the price were any lower the artists wouldn't make any money. But strangely, when the same company sells the same music in a lower income country it doesn't drive the artists into poverty at all.

As the highest income city in the country Canberrans often experience the same effect. Why would a national retail chain sell a product for a uniform price across the country if it can make more money by charging more in places where people are able to pay more?

One explanation for the high prices in some locations is the high price of commercial rent, but this explanation confuses cause and effect. Landlords charge the highest retail rents in the most profitable locations. The more the residents of a city are willing to pay for things, the higher the profits and, in turn, the higher the rents.

Of course, the average income of residents is not the only determinant of price differences between locations. In some remote areas, for example, transport and labour costs really are higher.

Similarly, in some areas there are more competitors, or more active competitors, than in others. For example, another factor that appears to play an important role in Canberra's high petrol prices is the relative lack of independently owned petrol stations to compete with the big chains. But regardless of the number of competitors, a retailer will not set prices above those which they can get their customers to pay.

The rise and rise of online shopping is driving rapid structural change in the Australian retail industry. The combination of easy access to information about the cheaper prices available overseas with plummeting transport prices has meant that more and more Australian consumers feel increasingly comfortable buying a growing range of products online.

Even consumers who do not shop online are experiencing benefits from these trends as Australian retailers drop their in-store prices to compete.

For Canberrans, the rise of online shopping is closing the gap between what we pay for clothes, shoes and TVs compared to consumers in other parts of the country and the world. Unfortunately, however, until we can buy our coffee and our petrol online our high average income is likely to keep our prices relatively high by Australian and world standards.

Sadly, while they don't have the loudest voice, the Canberrans with the most to complain about are those working for the minimum wage or trying to make ends meet on modest pension payments. Hospitality and childcare workers living in Canberra don't receive a Canberra loading, and nor do those living on the disability pension. On average we may be the highest

income community in Australia, but that doesn't help low income earners trying to buy groceries or toys for their kids.

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