

EMBARGOED UNTIL
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MICROSOFT MONOPOLY COSTS CONSUMERS HUNDREDS OF MILLIONS OF DOLLARS, DENIES CHOICE, AND THREATENS INTERNET COMMERCE

Washington, D.C., October 7, 1998: Microsoft's anticompetitive business practices and abusive pricing of computer software have already cost the public hundreds of millions of dollars in excess charges and are threatening to inhibit development of the Internet, a report released today by the Consumer Federation of America (CFA) and the Media Access Project (MAP) charged.

Pointing to the disturbing findings of the report, entitled *The Consumer Case Against Microsoft*, CFA and MAP were joined by Consumers Union (CU) and The Consumer Project on Technology (CPT) in a letter that urged Congress to "engage in vigorous oversight and, if necessary, consider legislation that would promote greater competition in the computer software industry."

"These business practices must be driven out of the software industry and prevented from spreading to the Internet," Senator Howard Metzenbaum, CFA's Chairman said. "A competitive market in software would meet consumer needs at lower cost by directly forcing prices down, and indirectly by giving consumers a wider range of choices."

"Consumers are also citizens," Andrew Jay Schwartzman, MAP's President said. "Those of us who see the Internet not just as an engine for economic growth, but also as a new means of self expression, worry that no government – and no corporation – should be able to control how the Internet grows or to decide whose content or icon gets favored placement. Left unchecked, Microsoft's dominance of operating systems and software applications may well increase the cost of Internet access and preempt competitive offerings which might provide new ways to enhance democracy, civic discourse and creativity."

"The Internet's success is based upon open standards and competition free from monopoly abuses," Jamie Love, CPT's Director said. "Microsoft wants to use its monopoly in

desktop operating system software to control Internet standards and influence Internet navigation. No one should gain excessive power over the Internet.”

Key findings of the 115-page report include the following.

BUSINESS PRACTICES:

- Three different types of evidence (quantitative, journalistic and legal) covering four different product areas (operating systems, desktop applications, web browsers, and the Internet) demonstrate repeated use of over a dozen anticompetitive practices.
- Microsoft hides its prices from the public by bundling software in computers, which forces consumers to buy too much software that requires too much computer capacity.
- Claims that only a monopoly like Microsoft’s can provide consumer convenience and economic efficiency in the software industry are analyzed and rejected.

PRICING AND PROFITS

- Microsoft doubled its prices after it secured its operating system monopoly and it has kept those prices up in the face of dramatically declining prices for the other parts of a PC.
- As a result, the cost of the operating system incurred by typical consumers has already risen from about 3 percent of the total package to as much as 13 percent and is likely to increase yet again as the cost of other components declines further.
- Without competition to force prices down, Microsoft ends up with huge profit margins that are five times as high as the national average. These margins have been rising as Microsoft has monopolized more and more software markets.

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Consumer Federation of America is the nation’s largest consumer advocacy group, composed of over 250 state and local affiliates.

Media Access Project is a twenty-five year old, non-profit public interest law firm representing civil rights, civil liberties and consumer organizations dedicated to advancing the public’s First Amendment right to speak and to be heard.

The Consumer Project on Technology (<http://www.cptech.org>) was created by Ralph Nader in 1995 to address emerging issues in software, telecommunications, intellectual property rights, privacy and access to health care technologies.

Consumers Union, publisher of *Consumer Reports* magazine, is an independent, non-profit testing, educational and information organization serving only the consumer.