

CARMICHAEL'S

1295 Bardstown Road § Louisville, Kentucky § 40204 Telephone: 502.456.6950
2720 Frankfort Avenue § Louisville, Kentucky § 40206 Telephone: 502.896.6950

John Read
Chief, Litigation III Section
Antitrust Division
U. S. Department of Justice
450 5th Street NW, Suite 4000
Washington, D. C. 20530

June 19 2012

Dear Mr. Read,

I am writing to express my strong support for the “agency model” pricing structure for the sale of electronic books. The agency model has not only increased my bookstore’s ability to compete in the marketplace, but it has resulted in overall lower pricing, more choice, and a more level playing field in the book industry, something that has been missing for a long time.

It is particularly egregious to see the Department of Justice pursuing a case that will damage independently-owned businesses like mine all across the country in favor of a single company that has built its business through cutthroat tactics and below cost pricing – the very things that I thought antitrust legislation is designed to prevent.

If you force publishers to stop using the agency model pricing structure, you will reduce or even eliminate competition in the market because Amazon will continue to price e-books below cost until they drive other competitors out of the market and perhaps out of business.

Adoption of the agency model by publishers allowed independent bookstores to enter the e-book market. This has resulted in far more price competition among publishers, more promotions, more availability and greater diversity of selection. Rather than impeding competition, the agency model has led to a far more competitive marketplace for e-books.

BOOKSTORE

Please consider these simple facts:

- Before the adoption of agency pricing Amazon had a 90% share of e-book sales
- Amazon sold most e-books below cost
- Amazon sold books for less than independent bookstores could buy them for
- Since the agency model, Amazon's market share has reportedly dropped to 60% and hundreds of new sellers have entered the marketplace
- Because of its considerable size and market share across book and non-book products, Amazon can afford to take a loss on every e-book it sells until it has driven every competitor out of the market

While you apparently believe that consumers paid more for e-books as a result of the agency plan, if in fact this is the case, it is only because the plan prevented Amazon from pricing books below their cost. If you continue to pursue this case and rule against the agency plan, instead of increasing competition you will be enabling Amazon to restart and pursue its intention to create a monopoly on the sale of e-books. Surely this cannot be the goal or the mission of the Department of Justice. I urge you to carefully look at the long-term effects of your proposed actions in this matter.

I would also urge the Department of Justice to take a look at the bullying, heavy-handed tactics Amazon uses to force its suppliers to bend to its wishes. Several times Amazon has removed "buy buttons" or listings on its website when publishers won't agree to deeper discounts or more favorable terms. I believe Amazon engages in predatory pricing which has harmed my business for many years. If the DOJ wants to look into the biggest threat to fair and healthy competition across all book formats (print, e-books, audio books, etc.) it should be investigating Amazon's pricing practices.

I can't resist noting that fact that your name is "Read," and your actions in this case will have lasting effects on the future of reading!

Sincerely,

Carol Besse,
Co-owner, Carmichael's Bookstores