

"Paragraphs"

Paragraphs On Padre Boulevard – More than a Bookstore
5505 Padre Blvd., South Padre Island, TX 78597

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

Dear Mr. Read:

I own a small independent bookstore on South Padre Island, a resort community located in the Rio Grande Valley of south Texas. We are currently the only bookstore in Cameron County, which covers a geographic area of nearly 900 square miles and has a population of over 400,000. The bookstores in the two major metropolitan areas of the county, Brownsville and Harlingen, were forced to close when they could no longer compete with, what I believe are, the predatory pricing practices routinely utilized by Amazon. While many think the closure of these stores is good for my business, (because it reduces the competition) I find it troubling at best and in my opinion, disastrous, for a part of the country that suffers from high illiteracy and drop-out rates to lose the very bookstores which served the major population centers of this county. A local, bricks-and-mortar book store is an essential member of any community that desires to focus on the importance of literacy to its population and to increase the basic skills necessary to succeed in today's economy.

Therefore, I was astounded and very disturbed when I read about the actions being taken by the Department of Justice against Apple and several other major publishers, in response to the implementation of the agency model in pricing for e-books. The fact is, the introduction of the agency model has made the e-book market for consumers more competitive, not less so.

The idea that the DOJ would take action against those very entities who are working to broaden the marketplace by lessening the stranglehold which Amazon has exerted over the e-book market, stands the concept of anti-trust legislation on its head. Amazon has been able to achieve its market share of the book industry by selling books at deep discounts, often well below cost.

Before the introduction of the agency model, Amazon had a 90 percent market share in e-books, often selling them substantially below cost and at a price far lower than what we, as an indie bookseller, could purchase the same e-books from the publisher. Furthermore, the Kindle e-reader required the customer to buy books only from Amazon, which effectively closed the market to any other retailer. It is believed by many in the industry and from what I have observed that this resulted in less competition among retailers and publishers for the emerging e-book market. The agency model opened the marketplace so that as an independent bookseller we are able to offer e-books that can be read on a variety of devices and has allowed us to offer books to our customers

from vendors such as Barnes & Noble, Google, Apple, and Kobo as well as a variety and constantly growing number of other sources. This has made the market for e-books far more competitive and diverse, not less so. The customer now has a much greater choice of where and from whom to buy their e-books.

At Paragraphs, we were excited about the opportunity which the agency model seemed to provide us, as one independent bookstore, to offer e-books to our customers. As a small store we had been looking forward to taking advantage of what seemed to be a huge step forward in our ability to meet the digital reading needs of our customers. As a brick-and-mortar store we provide our customers, with e-readers, a place to explore new and old titles, get recommendations from fellow readers and knowledgeable booksellers, find out what is available from a variety of publishers, discover new authors and most importantly to have the opportunity to look before they buy. We are happy to provide this service; it is what we are all about and what we pride ourselves on as a community bookstore. But, our ability to offer e-books will not be able to survive a return to the pricing policies that very nearly led to one retailer holding a monopoly on the e-book market and which will probably reoccur if the agency model is not allowed to stand. Even worse, as the e-book market grows, if we are not able to enter this market, it could jeopardize our very existence.

The agency model has resulted in the publishers being more responsive to the needs of small retailers like Paragraphs. We have seen a significant increase in competition among publishers, specifically in regard to promotions, discounts and special offers as they recognize that the small bookstore has a unique relationship with the reader of traditional books as well as e-books. This in turn allows us to offer our customers a larger selection of titles in a variety of e-book formats at a greater value.

I continue to be stunned, quite frankly, that the DOJ would proceed with this litigation since it is the very antithesis to the stated purpose of the action. If the agency model goes away for a significant period of time, there is every reason to believe that Amazon will again price their e-books well below cost effectively squeezing out any competition and increase its e-book market share to the extent that they will essentially have a monopoly on the e-book market. This can only be bad news for the reading public, for small businesses like mine, and for publishers of all sizes. This will result in a cultural landscape that offers a far less diverse range of titles being published and a much-diminished range of publishers. I would hope that the DOJ will reconsider their action which I believe could cause irreparable harm to an industry as important to the cultural and intellectual life of our nation, and as dear to my heart, as that of bookselling and publishing.

Sincerely,

Joni Montover

Owner, Paragraphs On Padre Boulevard