



# Global Fixed Book Price Report

23<sup>rd</sup> May 2014

## 1 INTRODUCTION

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Fixed book price (FBP) systems have existed for more than 150 years. Most countries with a significant book industry have, at one time or other, introduced a mechanism to fix the price at which books are sold to the public. FBP is viewed by many nations (eg France, Germany) as an important, flexible and effective policy tool in maintaining a sustainable book industry. Elsewhere, for example among Anglo-Saxon and Nordic nations, the very notion of price fixing is considered irrational and unproductive, contradicting market forces and competition legislation.

Today, with the book supply chain under pressure from a number of forces, notably the rise of online retail, there is renewed debate about the merits of fixed book price. IPA neither advocates for or against fixed book price; we are however interested in the effect FBP produces within countries that adopt it.

This report contains details of the FBP schemes currently in operation. It includes a history of the development of FBP, an overview of the arguments commonly presented for and against FBP and information about recent FBP developments around the world. We hope you find it useful.

We are grateful to everyone who provided input for this study. We would particularly like to thank Giulia Guglielmi for compiling the data and Catherine Blache at Syndicat National de l'Édition and Jessica Sängler at Börsenverein, who provided a wealth of information and feedback.

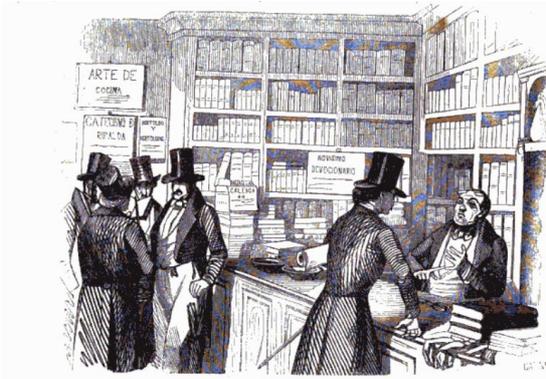
## 2 WHAT IS FIXED BOOK PRICE?

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There is no such thing as 'standard' FBP. Each national regime has its distinct characteristics. In some countries, parliament has passed a FBP law or statute, while in others FBP functions as a trade agreement between publishers and booksellers. The main FBP variables are duration (how long FBP applies after a book is published), whether FBP applies to ebooks as well as print, whether school textbooks are included, and what discounts may be available to libraries and research institutions. Some countries also permit discounting during book fairs or reading festivals.

### 3 HISTORY OF FIXED BOOK PRICE

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In the 19<sup>th</sup> century, publishers and booksellers began to set up agreements which fixed the price at which books were to be sold to the public.

In 1829, publishers in the United Kingdom applied a price-fixing scheme to combat excessive retailer discounts. Denmark's publishers and booksellers adopted their own agreement in 1837. In 1888, Germany's Börsenverein, whose members represented publishers, wholesalers and retail booksellers, incorporated fixed retail prices into their

statutes: members were obliged to respect them or face sanctions.

In 1889, France's Cercle de la Librairie, a professional body for publishers and booksellers, set out to standardize trade relations between the two parties, introducing a mechanism where publishers set and communicated recommended retail prices.

In 1900, the UK introduced a Net Book Agreement between publishers and booksellers. As in Germany, it prevented retailers from applying discounts; anyone doing so would no longer be supplied by the publisher in question.

In 1924, there was the first attempt by a government to regulate book prices, rather than letting industry set its own agreement. France's Poiret Decree established a system of recommended prices for booksellers, which was almost universally adopted.

By 1950, FBP schemes had developed in Hungary, Italy, Sweden, Japan, the Netherlands, Australia, Finland, Ireland and Austria.

In 1970, under pressure from its national competition authority, Sweden abolished its Fixed Book Price system. Finland and Australia followed suit in 1972 for identical reasons.

In 1981, France introduced the *loi Lang*, a Fixed Book Price law named after Culture Minister Jack Lang. It has since served as the model for many other countries' FBP schemes.

The UK's Net Book Agreement remained until 1995, when it collapsed following scrutiny by the Office of Fair Trading and the withdrawal of the support of leading publishers and retailers. Ireland and Switzerland also abolished their FBP agreements during this period.

In 2002, Germany's fixed book price agreement was replaced by a statute (fixed book price law).

Since the 1970s, Spain, Portugal, South Korea, Argentina, Mexico, Greece, Lebanon, Israel, Sri Lanka and Thailand have all introduced FBP. The latest recruit is Slovenia, which introduced a FBP law in 2014.

## 4 THE ARGUMENT *IN FAVOUR OF FIXED BOOK PRICE*

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Supporters of FBP point out that books have a special value in that they are indispensable to our individual development, as well as to society. As objects of culture, they deserve to be treated differently from other tradable commodities.

A sustainable book industry, in particular a distribution infrastructure which makes available a wide variety of titles, even in remote areas, should be a matter of national importance. FBP is held to create a level playing field for retailers, allowing small booksellers to survive despite the existence of giant stores. In the absence of FBP, independent booksellers would invariably be at the losing end of price battles



with larger stores – eg by supermarkets offering bestselling new releases as loss leaders.

FBP proponents emphasise that France (with FBP) has 2,500 independent booksellers, representing 22% of total sales. In the UK (which doesn't have FBP) one third of independent bookstores have closed since 2005: they now represent only 4% of the market.

FBP is meant to allow readers to access a greater diversity of books compared to a situation in which they could only discover books through one retailer.

Fixed book price, its supporters claim, allows for cross-subsidization. It enables publishing houses to use the profits generated by bestsellers to subsidize more 'risky' ventures: specialist titles, new authors, literary experiments etc. This enables bookstores to stock wider catalogues. Readers and authors also benefit from the "bibliodiversity" this approach delivers.

## 5 THE ARGUMENT *AGAINST FIXED BOOK PRICE*

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FBP detractors point out that industry functions best when it operates under free market conditions. Price-fixing invariably spells bad news for consumers and FBP artificially increases the prices people pay for books. Retailers should instead be able to freely determine the prices for their products, based on real demand.

Critics of FBP dispute the diversity and cross-subsidization arguments listed above. They say there is no evidence to suggest that readers with specialist interests are less able to find titles in countries without FBP, or that publishers in countries with FBP take more business risks. They emphasise that the main element that enables publishers to cross-subsidize is running a profitable business.

FBP critics believe that governments should support the book industry by imaginative policy on literacy and the development of a nation's creative industries, as opposed to making awkward and unjustifiable competition policy exemptions.

## 6 RECENT DEVELOPMENTS

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**Canada (Quebec)** – In 2013, Quebec’s government pledged to introduce a FBP bill in 2014. A new Liberal Party government has since come to power, however, and it seems unlikely that a bill will be introduced.

**Denmark** - A public discussion on FBP took place in spring 2013. Publishers, authors and booksellers supported the reintroduction of a FBP scheme, however the Minister of Culture rejected the proposal.

**France** – In January 2014, the French Senate approved the so-called “Anti-Amazon law”. This prohibits online booksellers from offering the 5% discount allowed to stores. From now on, online distributors will only be able to offer a discount on the shipping costs, which in any case must not surpass 5% of the order value.

Minister of Culture Aurélie Filippetti said “this law is not intended to hamper online book sales, but to ensure fair competition”.



**Germany** –The new Government coalition has emphasized its ongoing support for FBP, considering it essential for delivering diversity of books and bookshops.

TTIP (Transatlantic Trade and Investment Partnership) negotiations are currently under way between the European Union and the United States. Responding to Börsenverein’s concerns that market liberalization might pose a threat to FBP, EU Trade Commissioner Karel de Gucht has said that because the book trade is part of the cultural sector, “everything will remain exactly as it is”.

**Greece** - The Organization for Economic Cooperation and Development has recommended that FBP be scrapped to make books cheaper and boost innovation. Writers and publishers oppose this measure.

**Hungary** - A fixed book price regime was in place for more than 100 years, until it was abolished in 2007 on competition grounds. The Hungarian Publishing Association has prepared a draft of a new FBP law, based on the German model. They are lobbying to have this draft accepted by the Hungarian parliament.

**Israel** – In 2013, Parliament passed a law banning bookstores from applying discounts for 18 months months after a book is published.

**Mexico** – Publishers and booksellers have complained that the 2008 Law on the Promotion of Reading and Books, which dictates that bookshops must sell books at a price fixed by the publisher, has produced chaos due to it lacking any enforcement clause. No fines are imposed on bookstores who flout the law by undercutting those competitors who respect it.

**Netherlands** - The Dutch government is currently performing a screened evaluation of the FBP law. Results will be available in the middle of 2014.

**Norway** - The government has accepted a new book agreement between booksellers and publishers, including fixed prices, that will start when the current agreement expires at the end of the year.

**Poland** - The Polish Chamber of Books (PIK) has drafted a bill, based on the French model, to introduce fixed prices for new book releases for 18 months after publication, with an exemption for ebooks.

**Slovenia** – On January 30<sup>th</sup> 2014, Parliament passed the law establishing fixed book prices. The law applies only to consumers (B2C, not B2B). Imported books are excluded. According to the new law, the price for books — including those on paper, audiobooks and e-books — will be fixed for six months after the date of publication, with very limited exceptions for sales at literary events and to libraries.

**South Korea** – Parliament started reviewing the FBP law in January 2013 and it is still under discussion. The Korean Publishing Association is advocating for a revision of the current system, to introduce a maximum 10% discount that would include price discount as well as online mileage points. However, offline and online bookstores have not reached an agreement on this point.

**UK** - While FBP as a topic is considered a non-issue in British politics, the situation may change in Scotland if the country becomes independent following its referendum in September 2014.

## 7 CURRENT FIXED BOOK PRICE SYSTEMS

COUNTRY	PAPER FIXED PRICE?	PAPER BOOKS FIXED PRICE SYSTEM DETAILS			EBOOK FIXED PRICE?	IF YES FOR BOTH, SAME SYSTEM?	TEXTBOOKS INCLUDED?
		LEGAL BASIS	DURATION OF APPLICABILITY	MAXIMUM DISCOUNT			
ARGENTINA	Yes	Law	18 months after publication <sup>1</sup>	10% during book fairs, book festivals; 10% for schools and libraries, 50% for public entities.	Yes	Yes	
AUSTRIA	Yes	Law	2 years after publication	5%; 10% for libraries			No
FRANCE	Yes	Law	2 years after publication, 6 months after last supply to booksellers.	5% (consumers), 9% (libraries)	Yes	No <sup>2</sup>	
GERMANY	Yes	Statute	Minimum 18 months	No discounts <sup>3</sup>	Yes	Yes	Yes
GREECE	Yes	Law	2 years from publication	10%	Yes	Yes <sup>4</sup>	No
ITALY	Yes	Law	20 months after publication and 6 months	15%; 20% for books sold during Book fairs or trades fairs. <sup>5</sup>	No		Yes

<sup>1</sup> The price can be lower if the publisher takes the book out of the catalogue. In this case the books must be retired from the bookshops or the publishers have to wait 180 days so that out-of-print books can be sold as remainders.

<sup>2</sup> No discounts allowed for e-books. Moreover, the fixed e-book price regime does not have a time limit.

<sup>3</sup> Discounts of up to 5% may be granted to research libraries, and up to 10% for municipal, state and school libraries, as well as churches and libraries belonging to the armed forces/police. For school textbook orders, discounts are based on the volume and value of an order, ranging from 8% to 15%.

<sup>4</sup> In 2010 the Greek Parliament extended the fixed book price regime to cover e-books.

<sup>5</sup> Publishers can realize promotional sales and offer discounts varying from 15% to 25%.

			from last bookstore purchase				
<b>JAPAN</b>	Yes	Resale Price Maintenance Agreements <sup>6</sup>	It depends on the agreement	It depends on the agreement	No		
<b>LEBANON</b>	Yes <sup>7</sup>	Decree of Ministry of Economy		20% to schools, distributors and booksellers.	No		Yes
<b>NETHERLANDS</b>	Yes <sup>8</sup>	Law	Publishers can reduce prices every 6 months	5-10% discount for students.	No		No
<b>NORWAY</b>	Yes <sup>9</sup>	Agreement between publishers and booksellers' associations	Until 30 <sup>th</sup> April the year after publication.	12.5 % for book shops, 20% for libraries.	Yes	Yes	No
<b>PORTUGAL</b>	Yes	Law	18 months	10%; 20% for libraries and during book fairs.	No	No	No
<b>SLOVENIA</b>	Yes	Law <sup>10</sup>	6 months	0%; 20% only for book fairs, book series and subscriptions.	Yes	Yes	Yes
<b>SOUTH KOREA</b>	Yes	Law	18 months	19 % <sup>11</sup>	Yes	Yes	No
<b>SPAIN</b>	Yes	Law	2 years after publication, 6 months after distribution in bookstores.	5%; 10% for World Book Day and Book fairs, 15% for public entities	Yes	Yes	No <sup>12</sup>

<sup>6</sup> Resale Price Maintenance Agreements are voluntary agreements between publishers and wholesalers or between booksellers and wholesalers.

<sup>7</sup> The Lebanese fixed book price regime only applies to textbooks.

<sup>8</sup> The Fixed Book Price Law is currently being reviewed by the Dutch Parliament.

<sup>9</sup> The agreement has been adopted but it has not come into force. A new agreement is under discussion.

<sup>10</sup> The transitional period is 6 months. FBP law will come into force on 15th of August 2014.

<sup>11</sup> 10% + 9 % through special discounts on online bookstores.

<sup>12</sup> Textbooks for compulsory education are excluded.