

Hitting the Books

By David Karp

University textbook prices have been rising sharply in recent months, and barriers to trade are making the problem worse.

Most people assume Canada has free trade with the United States, but that's not always true. And where barriers to trade exist, it can hit the wallets of people with some of the lowest incomes.

The Book Importation Regulations in the Canadian Copyright Act, introduced by the federal government in 1999, require Canadian bookstores to buy from a Canadian distributor, so long as the distributor is selling the book within 10 percent of the American price, or 15 percent of an overseas price.

If free trade were to prevail, bookstores could simply purchase textbooks from US or overseas publishers if Canadian prices were high. But the regulations protect Canadian distributors by letting them charge higher-than-market prices, and forcing bookstores to pay the price by preventing them from buying elsewhere. University bookstores are forced to cut prices and lower their profits, or pass increased costs on to students.

That's no small matter. According to the Association of American Publishers, the average student spends US\$650 per year on textbooks. The post-secondary textbook market is a \$3.5 billion per year industry in the United States alone, accounting for almost 15 percent of all book sales.

And it's going up fast.

"In the last year ... I've never spent more time monitoring textbook prices and communicating with publishers passionately about how much this is costing our students,"

said Jim Forbes, manager of the University of Victoria bookstore.

The university used to charge a 25 percent markup on textbooks, but it's reducing that as textbook prices skyrocket. Forbes said Canadian publishers have been slow to adjust to the favourable exchange rate, creating cases where Canadian distributors are selling books for 60 percent more than American distributors. In the past, the high exchange rate often ruled out bookstores purchasing books from the United States, but now that it's becoming a realistic option, the discrepancy between Canadian and American prices is becoming more noticeable. But that isn't stopping many Canadian publishers from raising prices.

With Canadian textbook publishers seemingly gouging students, it would make sense for bookstores to look to the United States for cheaper books, even with the import restrictions. But companies strike deals to prevent that kind of cross-border competition.

The American wing of McGraw Hill, for example, won't sell to Canadian bookstores because they have an agreement with the Canadian branch of the company not to. That means the Canadian arm gets even more flexibility in setting the price it wants.

Students can purchase textbooks online from retailers such as Amazon.ca or AbeBooks.com, who often have lower prices. Online retailers aren't subject to the Book Importation Regulations if less than 50 percent of their revenues come from book sales. But many online sellers don't offer students the convenient return policies that many university bookstores do. Online sellers also don't pass on their profits to a university, unlike many university bookstores. It puts many students in a precarious situation when the



required textbook for their course requires them to sell their soul to purchase it. As a result, many students aren't buying textbooks. The chief financial officer of Canadian publisher McGraw-Hill Ryerson Ltd., Gordon Dyer, acknowledges that the textbook industry is declining, with the future moving toward cheaper materials.

"I think the textbook side of things, as it pertains to college and higher ed, is very much a flat to a modestly declining business this year and last as well. So I don't think that's where the huge growth area is," says Dyer. "But I think there's always going to be a demand for the information that publishers can provide."

While the change toward more modern mediums of information is inevitable, government intervention is speeding up the process and putting the financial viability of university bookstores at risk. And if we're not careful, it will be students that suffer most. ■

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