Tom Selwyn Sharpe
Competition and Markets Authority
The Cabot
25 Cabot Square
London
E14 4QZ

28 January 2020

Dear Mr Selwyn Sharpe

McGraw-Hill Education / Cengage Learning Holdings merger inquiry

I am writing on behalf of our members, which are university, national and other academic libraries in the UK, to urge the Competition and Markets Authority to proceed with a formal investigation into the merger between McGraw-Hill Education and Cengage Learning Holdings. We believe that this merger would result in a substantial lessening of competition within the market for academic textbooks in the UK.

SCONUL is the professional association representing all university libraries in the UK and Ireland, irrespective of mission group, as well as national libraries and many libraries with collections of national significance. Our role is to promote awareness of the role of academic libraries in supporting research excellence and student achievement and employability, and to represent their views and interests to government, regulators and other stakeholders. We help member libraries collaborate to deliver services efficiently, including through shared services, and to share knowledge and best practice.

The market for academic books in the UK is substantial at £1.1 billion per annum[i] of which £76 million is spent by libraries[ii]. Competition in this market is already limited in that that decisions made by academics in setting course textbooks are not made with full information on the retail price for students or for libraries, who are then a captive market for those titles. It is worth noting that discounts on the full cost of textbooks are rarely available for libraries and, as a result, the deals negotiated by consortia represent poor value for money (when compared to the discounts offered through other sources but which are themselves not a viable procurement option for libraries). Effectively this places a requirement on students to purchase their own copy. Escalating costs for libraries have long been a cause of concern and there is an active debate in the UK around alternative models of provision[iii]. Meanwhile textbook costs remain a significant burden for students.

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We note that our peer organisations in the US and Australia have pressed their competition authorities to conduct full reviews of the proposed merger in their respective jurisdictions.

The issues in the UK are very similar. The market for textbooks in the UK is dominated by the same three large publishers plus Wiley and the merger of two of those competitors would result in a serious contraction in competition. The third large publisher, Pearson, has announced that it plans to phase out print textbooks which would only be available to “rent” in the future, starting with its US market[iv] but then moving to the UK. This will further limit competition in the UK as physical textbook sales remain the dominant element of the market. It would also have the effect of locking in recurrent spend by libraries.

We would note that there are some differences between the US and UK in the use of textbooks, with more emphasis on a single course textbook in general in the US, and a greater focus on including one or more textbooks on reading lists in the UK. We believe this has resulted in less focus in the UK on poor levels of competitiveness and pricing than in the US but does not reflect a more competitive market here.

Publishing companies are moving towards digital models for provision. At present this remains a relatively small portion of the market[v]. Growth has been limited by publisher behaviour as they are keen to impose a print purchasing model into the digital market and in most cases, libraries are required to purchase digital copies on a ‘one copy to one reader’ model, rather than a ‘one copy to many readers’ model. The pricing of these offers are designed to be prohibitive for libraries with the aim of maintaining direct sales to students. Exploratory discussions with one publisher on a consortial offer in 2017 illustrate this – the cost of licensing one etextbook via the library would have cost more than the library’s entire budget for books.

Many textbooks are not available in digital format for libraries for the current edition, and where libraries are able to purchase them, the access model imposed makes them cumbersome and unattractive for students. This results in students paying to copy sections of textbooks: 80% of the content being scanned via the CLA licence is book content, with textbooks featuring heavily in the list of copied titles. These factors have meant a growing interest in the development of open textbooks in the UK but this remains a very niche area of the textbook market at present[vi]. It is also worth noting that the move from physical to e-journals has not resulted in a real terms pricing reduction. On the contrary, journal prices have continued to outstrip inflation and this is a significant area of market failure in its own right.

Publishers instead are keen to develop the direct to student etextbook market as this will have the effect of (a) removing the market for second hand textbooks; (b) facilitating the sale of digital courseware bundled with textbooks; and (c) allowing the capture of data about usage and engagement. All these issues should be of concern where there is very limited competition between providers in the marketplace.

We are seeing in the UK the development digital textbook platform providers. However, the provision of content via this route requires the engagement of textbook publishers who appear to be keen to avoid damaging existing sales and so these innovations are unlikely to result in a lower cost product to the student or library, or to support diversity in textbook publishing. The major publishers have their own proprietary e-publishing platforms for students through which they argue that they offer “enhanced content”. However, these platforms are already not competitive financially placing them well out of the reach of significant parts of the HE sector. As publishers continue to move towards digital offers, if this merger were to go ahead, there would be very little competition on price for these services and we would expect to see their prices increase over time.

Should the CMA choose to go ahead with a full merger investigation, SCONUL would be keen to work with the Authority to provide further evidence on the points raised, and we look forward to the announcement of your decision in this regard.

Yours sincerely

Ann Rossiter
Executive Director

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[i] *Publishers Association Yearbook* 2018

[ii] Figure derived from the SCONUL (2019) *Annual Library Statistics 2018-2018* London

[iii] Kernohan, D. & Rolfe, V. (2017). *Opening textbooks*. Wonkhe Blog [Web log post]. Retrieved 28 January 2020, from https://wonkhe.com/blogs/textbooks-a-tipping-point/.

[iv] https://www.bbc.co.uk/news/business-48998789, Accessed 28 January 2020

[v] According to the Publishers Association, digital items represented 26% of income for publishers of academic books *Publishers Association Yearbook* 2018

[vi] A good overview of developments is available at http://ukopentextbooks.org/ Accessed 28 January 2020