September 3, 2019

The Honorable Makan Delrahim
Assistant Attorney General
United States Department of Justice Antitrust Division
950 Pennsylvania Avenue, NW
Washington, DC 20530

Dear Assistant Attorney General Delrahim:

As president of the Association of Public and Land-grant Universities (APLU), I write to urge the Department of Justice to block the proposed merger of Cengage and McGraw-Hill Education. As you know, the textbook market is already highly concentrated, which has helped fuel cost increases far exceeding the overall rate of inflation for several decades. Increased consolidation will further reduce competition, disincentivize innovation, and raise prices for students. APLU endorses the Scholarly Publishing and Academic Resources (SPARC) filing sent to the Department on August 14.

APLU is a research, policy, and advocacy organization dedicated to strengthening and advancing the work of public universities in the U.S., Canada, and Mexico. With a membership of public research universities, land-grant institutions, state university systems, and affiliated organizations, APLU's agenda is built on the three pillars of increasing degree completion and academic success, advancing scientific research, and expanding engagement. Annually, its 197 U.S. member campuses enroll 4.1 million undergraduates and 1.2 million graduate students, award 1.1 million degrees, employ 1.1 million faculty and staff, and conduct $42.4 billion in university-based research.

If approved, the merger would diminish competition in a market already facing insufficient competition. Cengage currently controls 24 percent of the textbook market and McGraw Hill holds 21 percent of the market. With Pearson commanding more than 40 percent of the market, a Cengage-McGraw Hill merger would leave consumers with just two providers collectively controlling about 80 percent of the market. Such consolidation could have profound consequences for students, families, and institutions.

Reduced competition stands to stifle innovation. The dawning of the digital revolution in college textbooks promises to establish new avenues for learning while expanding access and lowering costs. That such transformation is just now taking hold, well after more competitive industries reinvented themselves, speaks to sluggish innovation in the sector under current market conditions. The higher education community at large has admittedly been slow to adopt new technologies as it rigorously examines their impact on pedagogy and learning. But even less competition in the textbook market would reduce incentives for textbook providers to innovate in this space and create new products and services that meet the needs of an increasingly digitally-native student population.

Such diminished innovation would also likely lead to higher costs. Over the past two decades, textbook prices have increased by 184 percent, tripling the rate of inflation in the broader economy. As a result, data from the College Board show, the average students can expect to pay $1,240 on textbooks and supplies a year. This rapid cost increase has come against the backdrop of state disinvestment in public universities, which has led to higher tuition and students paying for a growing share of their education. A Cengage-McGraw Hill merger would leave two firms with overwhelming pricing power, at the expense of students and their families.

The impact would extend beyond students and families to the country at large. Textbooks represent an important part of the cost of college attendance and this burden falls disproportionally on low-income students. Increased costs would create new headwinds for students aiming to access and complete college. As the nation's public universities work to dramatically increase college access, equity, and completion, I am deeply concerned with the potential implications of a merger. Given these expected negative outcomes, I urge the Department to block the planned merger of Cengage and McGraw-Hill.

Thank you for your attention to this very important issue.

Sincerely,

Peter McPherson

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