

HOLTZBRINCK PUBLISHERS

John Sargent
CEO

**Testimony
By John Sargent
CEO of Holtzbrinck Publishers**

Before the Advisory Committee on Student Financial Assistance

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Thank you for this opportunity to remark on the final recommendations from the Advisory Committee on Student Financial Assistance's study on the complexities of the college textbook market. Post-secondary textbook publishers are pleased to have been included in the Advisory Committee's hearings here in Washington and at the regional level.

My name is John Sargent, and I am the CEO of Holtzbrinck Publishers, the parent company of Bedford, Freeman, and Worth Publishing Group. Bedford, Freeman and Worth is a confederation of three unique publishing houses, each of which pursues its own publishing programs in a limited number of specific course markets. Of the thousands of publishers that create college textbooks, we are considered a mid-sized company, publishing in just 16 specific academic disciplines.

Today, I'd like to start by applauding the Advisory Committee on its effort to find solutions.

Overall, the Committee's recommendations reflect a concerted effort to include all stakeholders. Publishers agree with many of the reports conclusions. We agree that any efforts to legislate publishing or impose price controls would be counterproductive. We support voluntary efforts that help students have better access to a college education and the best, most effective course materials.

As the report indicates, publishers have been and continue to respond to the needs and demands of the marketplace. I should point out that publishers began producing digital materials more than 10 years ago. Publishers have also been in the forefront of developing the materials that best meet the needs of faculty and our increasingly diverse student population, which includes students with very different learning styles and levels of preparedness for college-level work. We do not take this job lightly.

Because of this commitment to our students, we embrace the Advisory Committee's move toward digital materials – those that we are currently producing and those that will evolve with markets and technologies. Publishers are already creating increasingly

sophisticated printed textbooks and digital learning materials that integrate online practice exams and homework, online tutoring, podcasting, video clips, 3-D graphics and other interactive features that are available to students 24/7. In the near future, we anticipate growing demand and acceptance of audio files, e-textbooks, and fully interactive learning environments that include many of the professors' current administrative tasks.

Bedford, Freeman, and Worth, along with other publishers, also has been engaged for more than a decade in the development of online systems that use the Internet to increase the transparency of information on products and prices and enable faculty members to choose the best learning materials. Are publishers' efforts in this area complete? Far from it. Will publishers continue to seek new ways to open up the market? Yes. Transparency is good. It is good for faculty and students, and it is good for publishers.

As for the Advisory Committee's specific long-term national digital marketplace recommendation, the devil will be in the details. Publishers are active participants in the California State University System's digital marketplace project, which the Committee recommends as a starting point for the proposed National Digital Marketplace, and agree that the CSU effort can provide valuable insights into the development of any national effort. BFW has been working with CSU in three subject areas: General Chemistry, Freshman Composition, and Introductory Psychology.

Another area of the report I would like to applaud is the recognition of custom textbooks. Custom texts are a prime example of market demand and advances in technology. A custom text enables faculty to choose exactly those materials – chapters from one or more textbooks, their own papers and lecture notes, white papers, independent data and research, for example – they wish to use in their classes. These custom texts combine publishers' content, but also content from a variety of third-party sources.

Studies show that students like custom books because they generally cost less and are used extensively in their courses, providing a good return on the students' investment. And we're encouraged by the Committee's emphasis on all the choices publishers make available, including the numerous lower-cost options, such as no-frills editions and e-textbooks.

We commend the Committee for recognizing that the sale of sample textbooks should be discouraged. The sale of free sample textbooks is an insidious practice that harms students, authors and publishers.

We also appreciate the recognition that textbook publishers are not subsidized by the government, requiring our investments in educational materials to be funded solely by our sales – sales that are based on quality and faculties' adoption of our materials for use in their classrooms.

The publishing industry highly recommends a continued focus on these positive steps forward. Above all, I hope that we can continue to work together to find a result that is

mutually beneficial -- a solution that incorporates print textbooks and digital learning materials and that works hand in hand to best prepare America's students for the competitive global economy. As noted in the often mentioned Government Accountability Office report on college textbooks, publishers are "assuming roles that have traditionally belonged to postsecondary institutions" and are relied on to provide an increased number of services to students and faculty.

I would be remiss if I did not encourage the Advisory Committee to reconsider some of its comments and recommendations. I am concerned, for example, that the Committee's assessment of prices equated textbooks and related course materials to basic commodities. The course materials produced by publishers are based on thousands of hours of work and investments in intellectual property, and they require the skills of hundreds of people. I find the comparison of pork bellies to cutting-edge interactive software and the wisdom of a Nobel Prize winner to be rather tenuous.

Also, there is an obvious contradiction between the desire to lower prices and the report's repeated recommendations that the market for used textbooks be expanded. Publishers have fixed costs associated with the development of their textbooks. These fixed costs must be recouped through the sale of new textbooks. Only used booksellers, not publishers or authors, benefit from used textbook sales. The increased availability of used books decreases the market for new textbooks, which undoubtedly raises the price of all textbooks. As noted in ACSFA's report, "the very solutions that are providing temporary economic relief to students...may be exacerbating the textbook pricing problem."

It is hard to turn a clock forward and backward at the same time. How are we to provide valuable course materials if the key criterion of their value is whether the product can be resold? This is not a standard that is applied to tuition, lab fees, room and board costs, iPods, cell phones or computers. What about the digital transformation the Committee's report calls for? Will the value of digital materials be predicated on whether they can be resold or whether they better enable students to hold down their costs, learn, graduate and compete successfully in today's global market place?

Since time is brief, I would like to conclude with a few observations.

- First, the report recognizes the need for copyright protection but also calls for "changes in copyright policy to address digital content." Copyright is paramount in protecting publishers' and authors' investments in course materials and precludes our industry from going out of business. I urge caution on the issue of reworking federal copyright laws, whether for printed or digital materials.
- Second, as the report makes clear, digital materials are not free. The principal cost of any course material is the intellectual inputs for content development. Ed Stanford, president of McGraw-Hill Higher Education, noted in his remarks before the Committee's hearing in Chicago that publishers are agnostic about how

they deliver their content and that they are publishers, not printers. Quality content in whatever format will continue to have costs.

- Third, we must ensure ongoing and active involvement from a broad range of faculties in any decision-making process. Colleges and universities provide a platform, resources and direction for learning. Faculties are the frontline in education, the experts who are chosen and paid for their knowledge and expertise. It is the role of the faculty to decide what course materials will be used in their classrooms to best match their students' learning styles and needs with instructional methods and classroom resources. No policy will work without faculty engagement and support.
- Fourth, quality is more important than quantity. A key focus of CSU's efforts is quality control and that must be a key theme for any future endeavor.
- And, fifth, time does not wait. In the four to ten years the Committee envisions it will take to develop a National Digital Marketplace millions of students will enter America's classrooms. Mission one is to meet those students' needs while, at the same time, preparing for an even brighter tomorrow.

In closing, I can say as a member of the publishing community that we are committed to ensuring students receive the best education possible, and we will work with all stakeholders to help relieve economic pressure on students. We hope that the Advisory Committee's recommendations, as well as other models and initiatives, will be considered as the discussion on college textbooks and course materials continues. I can assure you that publishers will be active participants in this process.

Thank you again for your time. I am honored to be a member of this panel, and, as a publisher, I look forward to ensuring our 21st century educational materials continue to help America's students succeed.