



50 F Street, NW, 4th Floor
Washington, D.C. 20001
Telephone: (202) 347-3375
Fax: (202) 347-3690
www.publishers.org

Patricia S. Schroeder
President and
Chief Executive Officer

**TESTIMONY ON BEHALF OF
THE ASSOCIATION OF AMERICAN PUBLISHERS**

**By Patricia S. Schroeder
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Before the Advisory Committee on Student Financial Assistance

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Thank you for this opportunity to remark on the complexities and costs facing post-secondary education in general and students, specifically. The challenges are many, and the easy answers are few, very few.

Of late, the textbook debate has been marked more by advocacy and political spin than by informed and clear-headed analysis. This Committee has an opportunity to turn that around.

I do hope that this is not simply going to be another of those point and counter point discussions on the price of textbooks. Whether a textbook sells for \$15, \$55 or \$105, we could debate the price. We have all read the hundreds of textbook price stories. These stories are easy to write if you choose to treat textbooks as nothing more than paper clips and publishers as nothing more than the manufacturers that stamp them out. This shortsighted approach ignores publishers' increasingly important role in addressing the much larger challenges facing our colleges and universities.

The fact is, as of today, there are more than 262,000 titles on sale in the college bookstores across America. That number does not include electronic books and all of the supplemental instructional and learning materials that more than 8,000 publishers are providing to faculties and students. There is, to put it mildly, something for everyone.

The mission given to this panel is to review the Study Plan and Economic Analysis, offer suggestions on improving the design and look for unintended consequences.

Overall, I believe these papers contain valuable points and include stakeholders that have been overlooked in past discussions. There are, however, some data and recommendations that need to be reviewed and, in some instances, revised or removed.

Let me begin by laying out where we are and where I believe we need to go.

Every member of this Committee is well acquainted with the dramatic reductions in state subsidies for post-secondary institutions. These cuts, coupled with the increasing diversity of our students and the number of incoming freshmen who are unprepared for college level work, have had a profound impact on every aspect of the academy.

On the one hand, tuition has soared. On the other, schools have reduced their per pupil cost by increasing class sizes, reducing classroom support staff, and employing more part-time faculty. And, as both Dr. Koch and the GAO have noted, colleges now depend on publishers to invest in, produce, and provide more textbooks, learning tools, class management systems, and faculty services to help ensure students are getting the education they are paying for while colleges hold down their costs of instruction.

It is the publishers who have created more and better teaching technologies to leverage the billions of dollars schools invested to wire their campuses, and it is the publishers who provided more than 121,000 hours of faculty training last year alone.

Clearly, we need to examine more closely the role of faculty in the decision-making process. Faculties are the best-educated consumers in the world, the educational professionals we entrust with our students. They want the freedom to choose from among the many printed textbooks, e-books, online learning, and classroom management systems that enable them to meet their students' needs. A recent nationwide survey by Zogby International found that 73 percent of faculty members said that price is important to them. However, by a margin of 17 to 1, they placed greater importance on the effectiveness of a learning tool than on its price.

Faculties told Zogby they believe the majority of entering freshmen are not ready for college-studies – 75 percent of two-year faculty believe incoming students to be unprepared. More than three in four professors said that supplemental materials “clearly enhance most student’s learning” and two in three said that supplemental materials can help retain students who might otherwise fail to complete courses or drop out of school.

The Zogby analysis concluded that “Professors are requiring the materials they believe can help their students succeed – new textbooks and supplemental materials – which suggests professors believe the price of success outweighs the cost of failure.”

Cause and effect, needs and results must be continuing considerations when making price-to-value comparisons. As Dr. Koch reported, comparing the new technologies and “textbook prices in 2006 with those twenty years previous is an apples to oranges comparison because the products have changed so significantly.”

The report correctly insists we also need to consider the pressure that is being placed on the bookstores. Many post-secondary institutions have had to move beyond tuition increases and cost containment to searching for new sources of revenue, such as restaurants, pubs, grocery stores, and their bookstores. Campus bookstores were once considered a non-profit student service. Now, on many campuses, bookstores must also be profit centers and cash generators. To be able to keep their doors open, to rebate money back to the college, and to make an acceptable profit, bookstores place an average markup of 33 percent on new textbooks and learning materials and 50 percent markup on used textbooks.

I was grateful that Dr. Koch mentioned that some faculty sell the free sample textbooks provided to them by publishers. Free textbook samples have been a key part of publisher marketing for as long as anyone can remember. Faculty prefer to see, touch and review textbooks when deciding

which ones to adopt. Now, however, an entire mini-industry has grown up around book dealers who solicit faculty, buy their samples at greatly reduced prices, and sell them at markups as high as 400 percent. This process has a direct impact on publishers' costs. Some schools and, I'm happy to say, two states now prohibit the sale of sample textbooks. I suggest the Committee consider this as they prepare their recommendations.

I mentioned that I have concerns about some of the data and recommendations included in the Plan and Analysis. I do not want to take up the valuable time of the Committee by going into great detail about these concerns so I am providing a detailed analysis for your review. However, I will mention four specific issues.

- As I have indicated, I do not wish to focus on price unless there is equivalent focus on value and contributions to learning. Even so, I believe it is important that the cost figure used on the first page of the Analysis to represent average student spending on textbooks be removed. The source of this figure, CALPIRG, has acknowledged to the media that it is not representative. The hypothetical multiplier of that incorrect figure should also be removed.
- The statement on page 13 that technology-based learning tools “do not have a statistically significant impact on student learning and performance” is not supported by studies that show that the passing rate of students has doubled when they use these tools. And, a study by the National Center for Academic Transformation found that students, specifically under-served students, actually perform better when using technology for their course work.
- The call for the Bureau of Competition of the Federal Trade Commission and the Antitrust Division of the Department of Justice to “probe” publishers’ overseas marketing and pricing policies is a non-starter. This is an inflammatory charge made for the sole purpose of sensationalism. Dr. Koch noted correctly on page 18 of the Analysis that such a recommendation “...in the textbook arena would call into question thousands of international pricing arrangements in a multitude of industries and therefore would truly open the proverbial can of worms.” The Committee should clearly and unequivocally disavow this recommendation and ensure that it not be included in any subsequent plans, reports or other Committee documents.
- Holding regional hearings to gather and share information is a solid idea, at the right time. However, until the Committee has developed, analyzed and approved its recommendations, regional hearings would be premature. Regional hearings should provide some guidance instead of serving as a forum for name-calling and finger pointing. There are two kinds of people in this world: those who wring their hands and complain about a problem, and those who roll up their shirtsleeves and tackle the problem. I've never met anyone who could wring and roll at the same time! This should be a roll-up-the-shirtsleeves type of exercise, not a gathering of advocates to blame others.

Now, on to suggestions.

Dr. Koch has placed a great deal of emphasis on both the pros – the cost saving potential to students of textbook rental programs – and cons – the high startup cost and difficulties of implementation. I would like to suggest an alternative: electronic books, or e-books.

Publishers now offer more than 3,000 e-book titles. As demand increases, so will the number of titles and the terms of use. These e-books were developed for the large classes Dr. Koch is targeting and for smaller, more advanced classes that may not be appropriate for traditional rental textbooks. Both rented textbooks and e-books are offered for substantial up-front savings. And, like rental books, e-book content is rented for a specified period of time and is not to be resold by the renter.

E-books have numerous advantages over textbook rentals. There is no large upfront capital requirement to acquire e-books. There is no cost for warehousing, inventorying or redistribution for e-books. There is no need to get several faculty or departments to agree on a single textbook; each faculty can choose his or her own materials. With e-books, faculty can change materials as they choose instead of being required to use the same textbooks for multiple semesters or years. Because e-books can be updated more readily, faculty instructing in subjects of rapid change can also opt for e-books. E-books are fully integrated with instructor and student supplements.

Removing sales taxes from textbooks is another option the Committee could support. Several states have already taken this step. Other states have introduced tax relief legislation that failed. The Committee could review these bills, draft sample legislation and provide it to stakeholders for use in their states.

An increasingly popular choice among faculties and students is custom textbooks. 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 class. Studies show that students like custom books because they generally cost less and are used extensively in their course, providing a good return on their investment. As long as a professor continues to use a custom book it can be resold on that campus.

The sale of free sample textbooks is an insidious practice that harms students, authors and publishers. The Committee could consider recommendations that states pass legislation or, alternatively, that schools make ethics rulings that put an end to this practice.

Thank you again for your time. I am proud to be part of this panel and look forward to working with you to find ways to ensure delivery of 21st century educational materials and methods that will preserve the excellence in education for which our nation is known, improve student success and relieve economic pressure on students, wherever possible.