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2 September 2019

Dear Interested Party

**Re: Request for submissions: Proposed merger between Cengage and McGraw-Hill**

The Australian Competition and Consumer Commission (**ACCC**) is seeking your views on the proposed merger between Cengage Learning Holdings II, Inc. (**Cengage**) and McGraw-Hill Education, Inc. (**McGraw-Hill**) (the **proposed acquisition**).

Cengage is an education and technology company. McGraw-Hill is a learning science company. In Australia, the parties are both active in education publishing. Further details regarding the acquisition can be found at **Attachment A**.

The ACCC's investigation is focused on the impact on competition. In particular, we are seeking your views on:

- the impact of the merger on prices or service quality of education publishing
- whether Cengage and McGraw-Hill compete closely for the supply of education publishing
- the impact of digital entrants to education publishing
- the extent to which new entrants could commence supply of education publishing, and
- the impact on the acquisition of authors' rights.

Further issues you may wish to address are set out in **Attachment B**.

This matter is public and you can forward this letter to anybody who may be interested.

The legal test which the ACCC applies in considering the proposed acquisition is in section 50 of the *Competition and Consumer Act 2010*. Section 50 prohibits acquisitions that are likely to have the effect of substantially lessening competition in a market.

Please provide your response by no later than **5pm on 17 September 2019**. Responses may be emailed to [mergers@accc.gov.au](mailto:mergers@accc.gov.au) with the title: *Submission re: Cengage McGraw-Hill - attention Asa Tan / Nicholas Wellfare*. If you would like to arrange a time to discuss the matter with ACCC officers, or have any questions about this letter, please contact Asa Tan on 02 9102 4091 or Nicholas Wellfare on 02 9230 3813.

Updates regarding the ACCC's investigation will be available on the ACCC's Public Mergers Register at ([ACCC mergers register](#)).

***Confidentiality of submissions***

The ACCC will not publish submissions regarding the proposed acquisition. We will not disclose submissions to third parties (except our advisors/consultants) unless compelled by law (for example, under freedom of information legislation or during court proceedings) or in accordance with s155AAA of the *Competition and Consumer Act 2010*. Where the ACCC is required to disclose confidential information, the ACCC will notify you in advance where possible so that you may have an opportunity to be heard. Therefore, if the information provided to the ACCC is of a confidential nature, please indicate as such. Our [Informal Merger Review Process Guidelines](#) contain more information on confidentiality.

Yours sincerely



Tom Leuner  
General Manager  
Merger Investigations

## **Attachment A**

### **Education publishing**

Education publishing involves various operations, including:

- contracting with authors for the creation of educational content
- design and production of educational content
- sales and marketing activities, and
- product distribution.

### **Cengage**

Cengage (previously known as Thomson Learning and Nelson Australia) is an education and technology company with sales in approximately 165 countries and territories. In Australia, Cengage's education publishing business is divided into the following segments and channels:

- *Nelson Primary* – develops literacy and numeracy resources for Foundation to Year 6, including the K-6 PM series
- *Nelson Secondary* – publishes textbooks, teacher resources and digital materials designed to meet curriculum requirements
- *Higher Education* – provides teaching and learning solutions for university, vocational education and training sectors, including textbooks
- *English Language Teaching* – including the 'ELT to Adults' range, the 'Life' and 'World' series
- *Cengage Brain* – Cengage's online bookstore channel
- *Gale* – Cengage's subscription research business.

### **McGraw-Hill**

McGraw-Hill is a learning science company with sales in over 130 countries. In Australia, McGraw-Hill's education publishing business comprises of the following segments:

- *Pre K-12* – including its 'Direct Instruction' teaching method and resources
- *Higher Education* – including its LearnSmart platform
- *Vocational Education & Training* – including its Connect platform
- *Professional* – through McGraw-Hill Business, McGraw-Hill Medical, McGraw-Hill Technical and McGraw-Hill Education.

### **The transaction**

The proposed acquisition was announced on 1 May 2019 and involves the combination of Cengage's and McGraw-Hill's global publishing businesses.

## **Attachment B**

1. Please provide a brief description of your business or organisation.
2. Please outline the reasons for your interest in the proposed acquisition, including any commercial relationship/s with either of Cengage or McGraw-Hill.
3. Cengage and McGraw-Hill both supply education publishing in Australia. Please describe your organisation's purchase or supply of primary, secondary and/or higher education publishing.

### **Competition to supply educational materials**

4. How closely do Cengage and McGraw-Hill compete with each other in the supply of primary, secondary and higher education publishing? In particular, please comment on whether there is anything unique about the services and products provided by Cengage or McGraw-Hill. You may wish to comment on price, promotional activity, service standards, product ranges or product quality.
5. Are there any particular products that Cengage and McGraw-Hill compete closely with each other on? In particular, in the higher education segment, do Cengage and McGraw-Hill compete closely in the following subject areas:
  - a. Language studies, in particular Spanish
  - b. Psychology
  - c. Economics
  - d. Finance and accounting
  - e. Business (other than economics, finance and accounting)
  - f. Science and mathematics, in particular chemistry
  - g. Engineering and technology
  - h. Plumbing
6. Please describe whether digital educational publishing is an alternative to print educational publishing. You may wish to comment on the relative price for digital publishing, the functionality of digital books, the preference of students and educators for digital books.
7. Please describe whether other non-traditional methods of delivering educational material have had an impact on educational publishing. In particular, you may wish to comment on the availability and use of Open Educational Resources.
8. Please identify and describe other print and digital suppliers of primary, secondary and higher education publishing, including the extent to which they compete with Cengage and McGraw-Hill. If you are a customer of education publishing then please identify which suppliers have competed for your business. You may wish to comment on price, promotional activity, product ranges, product quality or service standards. Please provide specific examples where possible.

### **Customer requirements**

9. How do customers in the primary, secondary and higher education segments acquire educational material? You may wish to comment on:
- a. whether material is purchased directly from the education publisher or through a distributor
  - b. whether customers are typically supplied by a single publisher or multiple publishers.

### **Authors' rights**

10. Please comment on the extent of competition between Cengage and McGraw-Hill for the acquisition of authors' rights. As part of your response, please consider the level of competition from other educational publishers, and whether there are particular subject areas in which Cengage and McGraw-Hill compete most closely.

### **New entry**

11. Are there any potential new suppliers of print and digital education publishing? You may wish to comment upon:
- a. set up costs for a new entrant
  - b. whether new entrants need to secure customers before entry, and if so, the minimum scale required for new entry
  - c. timeframe for new entry
  - d. any regulatory requirements or barriers for new entry
  - e. examples of how entry or exit has occurred in the past.

### **Bypassing education publishers**

12. Please describe whether you are aware of:
- a. customers supplying their own education publishing services (e.g. internal printing capabilities, digital publishing capabilities and eBooks)
  - b. consumers acquiring educational materials through other means (e.g. rental, second-hand, unlicensed downloads or copying)
  - c. authors self-publishing.

### **Other information or competition issues**

13. Please provide any additional information or comments, or identify other competition issues, that you consider relevant to the ACCC's consideration of the proposed acquisition under section 50 of the Act.