Mr. LOCKE. We acquired last year a test publishing firm, California Test Publishing Laboratories, which is not a textbook publishing firm.

We felt for a long time that to do a thorough job we should have competence in evaluation, which is what test publishing is all about. If you take that position you have two alternatives: one is to start from scratch to develop new tests; that is, standardized intelligence or achievement tests, or both, or to acquire a company that is already in the business and for one reason or another wishes to sell out.

We felt that the latter made more sense because time was short, and the development of an achievement test takes longer than the development of a textbook. It is a very technical process. We felt the best move for us was to acquire a test company if we could.

Mr. CAREY. I am not questioning the wisdom of your acquisitions. I just want to know how many additional companies were purchased by the textbook publishers in the past year?

Mr. LOCKE. California Test Labs was one, another is the Educational Development Laboratories, for which we have an agreement now in process for purchase. EDL is not a textbook publisher, but the developer of basic materials.

We don't believe the answer to the production of elementary materials is the acquisition by industrial companies of hardware companies who can increase their input. We think we know more about textbooks than the hardware people; but we recognize we need the competences to develop educational materials.

That is basically what the acquisition of EDL by McGraw-Hill means.

Mr. CAREY. What percent of elementary and secondary school textbooks is represented by McGraw-Hill in the percent of your sales?

Mr. LOCKE. Approximately 12 or 13 percent. I don't know the exact figure.

Mr. CAREY. Let's say the elementary school field alone. How much of the elementary textbook market for new books is sold by McGraw-Hill?

Mr. LOCKE. Our percent of total elementary sales would be less than that. We are stronger at the secondary level. I don't know exactly what it is, but it would be something under 10 percent at the elementary level.

Mr. CAREY. In response to a question by Mr. Brademas you said you expected to increase your profit percent?

Mr. LOCKE. Yes.

Mr. CAREY. To a level of about 8 percent?

Mr. LOCKE. I wish I could tell you. Our profits after taxes last year at the elementary and secondary level were around 8 percent; I guess this year they will be slightly more than that. I doubt if they will be 10 percent. I wish they would be.

Mr. CAREY. Has an additional volume of sales been stimulated by sales under the new educational laws?

Mr. LOCKE. My guess is that something like 30 or 40 percent of our increase in sales this year at the elementary and secondary level will be as a result of NDEA funds or ESEA funds.

Mr. CAREY. I noticed the drug and pharmaceutical industry, when they anticipated increased volume of sales resulting from medicare, held a series of conferences with the appropriate officials in the De-