Reassessing the value proposition: first steps towards a fair(er) price for scholarly journals

Business models surrounding scholarly communications have been much debated over the past two decades. However, interest in the discussion has been sharpened in the UK by the funding issues facing the higher education sector, the reality of budget cuts and the need to focus on affordability. There is a growing realization that notions of 'moderate' price increases associated with 'big deals' over the past ten years will need to be radically reassessed. This paper discusses the financial realities facing UK libraries and the attempt by Research Libraries UK (RLUK) to look for solutions that maintain access to the maximum amount of material possible.

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2010 was a roller-coaster ride for the UK higher education sector. Softened up to expect swinging and brutal cuts in the public sector the like of which had not been seen for generations, we were surprisingly pleased when the cuts were 'just' brutal. But they are brutal. Research funding will remain flat, so falling in real terms, over the next few years, capital expenditure will be cut, and the State will withdraw from funding arts and humanities teaching, the hope being that the shortfall will be made up by increased student fees.

But however much we feel things could have been worse, it is certain that they will not be as good as they have been over the past ten years. Spending within our universities will need to be cut, savings made, and priorities reassessed.

Our libraries will not be protected from this process of reassessment and budget cuts. In fact, the pressures may be more intense as the needs of 'consumer' students (for 24/7 opening, more copies of set texts, improved group working space, etc.), will compete with the needs of researchers for continued desk-top access to the world's research literature. The principle will be one of doing more with fewer resources.

Over the past year, the issues of continued access to research and the costs of subscriptions have become of increasing concern to Research Libraries UK (RLUK) and its members. As budget problems escalate, we see addressing the problem of the ever growing proportion of our spend that goes on subscriptions as being a major priority.

Dysfunctional markets

One of the most striking features of the international economic calamity of the past few years is that some businesses have managed to ride out the buffeting and uncertainty apparently untroubled. One such business is journal publishing. The 2010 interim results of Reed Elsevier show that for the journal publishing, Elsevier part of the business (Science & Technology and Health Sciences combined), revenue in the first half of the year was up 4% compared to 2009, profit up 7%, and the adjusted operating margin rose from 32.3% to 33.4%.[1] John Wiley & Sons also saw 2010 revenue, profits and margin increase relative to 2009 for their journals publishing business.[2]

We recall that these companies receive large proportions of their revenue from public institutions around the world. How can businesses that rely on the public purse thrive in an international environment in which the purse-strings have been pulled tight? The answer lies in the unique nature of the journals market, or rather, the lack of market.

Journal publishing must be unique amongst businesses. Subscribers pay their annual, calendar-year subscriptions as early as the summer of the year before, so providing the publisher with a six- to 18-month interest-free loan. They often pay in the currency of the publisher, so UK customers of Anglo-Dutch publisher Elsevier pay in Euros to access papers in ScienceDirect by British academics (amongst others). There are no guarantees of either the quantity of material the subscriber will have access to or the quality (although it will be 'peer reviewed' – a process for which no agreed standards exist). There is little correlation between price and quality (in whatever way it is measured) and little flexibility in the 'big deals' offered by the publisher. Finally, the price in one medium (electronic) is based in part on the price in another, possibly obsolete, medium (print). The price levied to many institutions is based on their print collections from a decade before.

It would be an understatement to say that most of the features described above are not those that the customer would normally opt for in a fully-functioning market. They result from the dysfunctional nature of the market, whereby customers respond weakly to price changes (both positive and negative) because journals and their articles are 'non-substitutable'. A reader looking for a *specific* article cannot make do with a similar article from a rival journal, so resulting in a monopolistic model, where customers feel that they have to take certain titles, irrespective of price.

These issues led a study commissioned by the European Commission in 2006 to conclude that "the market under consideration is very far away from the 'ideal perfectly competitive private market' that has been celebrated ever since Adam Smith (1776)".[3]

These features have resulted in prices of some of the largest big deals rising year-on-year at over twice the rate of inflation for the past decade, with some of them now costing in excess of £1 million per year for the largest RLUK members. Of course, this rise has been accompanied by an increase in the amount of material published. And it is also true that the cost per download of articles has fallen. Electronic journals are heavily used by the students and researchers at our institutions. However, it would be expected that the cost per download should fall – digital publishing technology is becoming more efficient, with dissemination costs reduced to almost zero. The main 'costs' of scholarly publishing are the time taken to write papers and then provide peer review – both of which are donated gratis by the academic community. It would be a sign of a hugely inefficient industry if costs per download were not falling.

Unfortunately, the only way to get the cheapest costs per download is to take the big deals. The 'per serving' price of these all-you-can-eat options may be affordable, but the total price certainly is not.

Possible solutions

Realizing that the library community would be facing significant budgetary pressures over a number of years, the International Coalition of Library Consortia (ICLOC) issued in 2009 a Statement (updated in 2010) on the *Global Economic Crisis and its Impact on Consortia Licenses*.[4] In this Statement, ICOLC outlined a number of possible approaches, which included embedding the principle of flexibility in pricing, trading features for price (so no more price increases justified by additional 'bells and whistles'), and real price reductions. With the exception of a few smaller, mainly society, publishers the reaction has not been overwhelmingly positive. While it is true that price inflation has moderated, there have not been price reductions from the larger publishers. And even moderate price rises exceed inflation, not to mention exceeding increases in library budgets (if there are any increases).

Of course, one reason for a lack of response from the publishers is that they do not feel that there is a problem, or that they are not part of the solution. In a recent interview, Derk Haank, the CEO of Springer, was asked if he felt the big deals had had a bad press. He replied:

> *"The Big Deal is the best invention since sliced bread. I agree that there was once a serial pricing problem; I have never denied there was a problem. But it was the Big Deal that solved it."* [5]

Some members of the library community have difficulty reconciling that view with the cancellation programmes that they are currently having to run to balance their budgets. Even more remarkable was the opinion of Graham Taylor, speaking on behalf of the Publishers Association who, when asked about potential cost saving, opined that:

> *"The only way for universities to save money is to make people redundant"* [6]

The only way?

For those who recognize that there is a problem, we might ask whether Mr Taylor is correct and redundancies within our institutions really are the only way to cut costs. The UK HE sector currently spends approximately £190 million per annum on journals and databases. This is roughly 10% of the total QR funding to the sector from the funding councils, and the proportion is increasing. Surely the sector should be able to leverage its market power to improve the terms and conditions received from publishers. It is certainly true that historically we have not been as successful at this as we perhaps should have been. But during previous negotiations we have not provided a coherent approach to JISC Collections outlining the needs of the sector, with a commitment to support a firm and robust negotiating position. RLUK is looking to change this.

At its conference in Edinburgh in November, RLUK announced it would not support future journal big deals unless they showed real price reductions. With the budget issues described above, it is inevitable that without price reductions, libraries will be forced to cancel significant numbers of journal subscriptions, which will fatally compromise the UK's capacity for research. The decision was taken for RLUK to instruct JISC Collections (who negotiate with publishers on behalf of the UK higher eduction sector) to secure contracts which will not only rescind the unreasonable price rises of the last three years, but also offer affordable deals for the future. If reasonable deals cannot be struck, RLUK libraries will be forced to provide information resources to their researchers and students in other ways.

While this initiative has been started by RLUK, our hope is that other institutions in the UK will join with the members of RLUK in requiring real price decreases for new deals. RLUK is not seeking a fairer deal only for its members, but for the entire UK sector, and the more support there is from the sector, the greater the chance of progress. Clearly, to be successful, any such negotiation must be based on the knowledge that the library community will be willing to walk away from unacceptable deals. The reluctance to do so in the past has caused many of the problems that we see today.

As part of this process, RLUK has been working with the administration of our members and with academics to ensure that they understand the issues and are behind us in our efforts to support research by achieving more reasonable prices. We have been able to show examples of where libraries, academics and administrators act in concert they can obtain better deals from publishers. The University of California, for example, recently resisted a reported 400% increase in the licence to the Nature Group of journals. The entire system came together to object to the price rise and today both parties are negotiating a revised deal.[7]

Means and ends

It is important to remember that achieving fairer, more affordable big deals is not an end in itself. RLUK has taken this position not out of ideological vigour or in a fit of anti-publisher pique, but as an essential step to maintaining the UK's robust research and teaching infrastructure. If we continue to pay ever-increasing sums in subscriptions, then other parts of our activities will suffer. Either the level of service we offer to students and researchers will need to be reduced, or our collections will lose their breadth and depth, so threatening future research. Alternatively, without resources we will fail to innovate and keep up with new models of research or teaching. Our aim is to develop services that meet the needs of 21st-century scholars and students. Without a move to a better balance in terms of our spending, we will find ourselves continuing to service an increasingly outmoded and expensive model of dissemination.

We hope that we can work with publishers to reach agreement and to ensure that researchers in the UK continue to enjoy the easy and comprehensive access that they have seen over the past decade. However, there must be a realization that the environment has changed and we need to reassess the value proposition. Without such a reassessment the danger is that we all lose out – researchers, students libraries and publishers.

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