Study on the economic and technical evolution of the scientific publication markets in Europe

A response by SPARC Europe

SPARC Europe warmly welcomes the recent report *Study on the economic and technical evolution of the scientific publication markets in Europe* published by the European Commission. This independent and thorough analysis of the environment for scholarly communication gives us valuable insights into how and why the current system fails to meet the needs of researchers and points the way, through a series of balanced recommendations, to addressing many aspects of a dysfunctional market.

The authors identify the huge importance of the dissemination of and access to research in building the European Research Area. It has long been accepted that research and development spending plays a key role in encouraging economic growth. This has been recognised in the EU Lisbon agenda, one aspect of which includes a commitment to increase R&D spending to 3% of GDP in Member States by 2010. The Report identifies significant dysfunctions in the current market (lack of access, barriers to entry, etc.), that lead to inefficiencies in scholarly communications, and so do not maximise the benefit that could accrue from increased R&D spending.

We strongly endorse the key conclusions of the Report that ‘policies should make sure that the market is sufficiently competitive and “dissemination-friendly”. In particular, they should address the need to:

i. enhance access to research outputs;
ii. prevent strategic barriers to entry and to experimentation.’

While supporting all of the recommendations made within the Report and commending them to both the EC and individual Member States, we would particularly draw attention to the first two, the adoption of which would ensure significant advances in the dissemination of research outputs from European researchers.

Recommendation A1 looks to ‘Guarantee public access to publicly-funded research results shortly after publication’. **We believe that research funding agencies within Europe should make it a condition of grant that researchers place copies of their final peer-reviewed papers in suitable open access repositories.** We agree with the recommendation that this should be a European policy for all articles resulting from EC-funded research and we endorse the call for the EC to work with Member States to implement such a policy at the national level. We would, however, go further than the recommendation and suggest that **papers should be made available on publication rather than after an embargo period.** Research is only useful if it can be read, used, and built upon. Embargos limit the usefulness of research and fail to maximise its
effectiveness. Further, in fields where the full-text of papers is already available at, or even before, formal publication (such as some areas of physics) there is no evidence of harm to publisher revenues.

The second Recommendation, A2, encourages us to ‘aim at a ‘level-playing field’ in terms of business models in publishing’. As the Report makes clear, there are significant barriers to entry implicit in the current system and to ensure that experiments with new models of dissemination have a fair chance to succeed education and research funding bodies need to be aware that decisions on funding, research assessment, promotion and tenure, etc. all affect the way in which researchers wish to disseminate their research outputs. Care must be taken to ensure that these conditions do not unfairly favour the status quo.

The Problems of Lack of Access

The internet revolution over the past 15 years has materially affected the dissemination of scholarly research outputs. It is certainly true that the reduction of marginal distribution costs of electronic resources to almost zero has allowed many libraries to offer access to a greater number of titles than ever before. However, even this increase has not brought us to the stage where the typical researcher has access to all of the research that they need. The average UK library, for example, takes about half of the total number of peer-reviewed journals published world-wide. The Report makes clear ‘…the societal cost linked to high journal prices, in financial terms for public budgets, but also in terms of the limit on the dissemination of knowledge and therefore of further scientific progress.’ (p. 87) Lack of access decreases the utility of the research and diminishes the return on the investment made to produce the research. As noted above, the report draws-out the connection between research spending and economic growth and it becomes clear that reducing access and dissemination reduces the potential for increased economic benefits.

Dysfunctions in the Current Market

The rigorous economic analysis of the Report highlights a number of dysfunctions in the current market. In particular, it is shown convincingly that the very large price increases observed over the past 30 years cannot be justified by increases in costs and publishers have been able to ‘…take advantage of the relative price insensitivity of buyers, and especially for their most popular journals.’ (p. 41) The Report provides further evidence that journals published by commercial organisations are more expensive than those produced by not-for-profit organisations and we agree with the authors’ suggestion that these price differences indicate significant market power. This power imbalance has been exacerbated over the past 10 years following the introduction of the ‘big deal’ and bundling.

Bundling

Bundling or ‘big deals’ allows a customer to have electronic access to all or a large proportion of a publisher’s portfolio for a premium over the customer’s current spend
with that publisher. Many librarians initially welcomed bundling as it gave them increased access to journals. However, there has been growing unease at some aspects of bundling, many of which are identified by the Report. These include:

a) Lack of budget flexibility. Many big deals are multi-year contracts (three to five year) which tie-up significant parts of the libraries’ budgets, leaving them less able to react quickly to new offerings in the market.

b) Punitive cancellation penalties, which ensure that the libraries take titles that may not be priorities for them.

c) Price increases for bundles greater than either inflation or increases in library budgets. This together with (b) results in an ever-decreasing proportion of the total budget available for non-bundled material. This is of especial concern as it is often society publishers who are unable to offer their content in bundles and so risk being squeezed out.

d) Confidentially clauses enforced by publishers, which result in a lack of transparency in pricing and create difficulties for libraries in ensuring value for money.

The Report makes it clear that this type of pricing favours the large, monopolistic suppliers (in this case the commercial publishers) and allows them to extract the most surplus from their customers. (p 49) The point is also made that bundles act as a deterrent to entry for new players and products, reducing the diffusion of knowledge.

The Report makes two specific recommendations on the pricing on big deals and bundles:

a) ‘The price of the electronic access within consortia or for a single library should not depend on the historical number of print subscriptions.

b) Prices should be related to the actual usage by institutions. If measurement of use is difficult, pricing should be based on variables like number of faculty, students, stock of computers with access to the internet, etc. It is very important to stress that overall increased usage over time should not lead to price increases if the publisher costs do not increase as a result in the rise in usage.’

We agree that a fundamental review of pricing policies should be undertaken, producing a model that is fairer for the libraries while still ensuring the viability of publishers. However, we would caution adoption of pricing models that link price directly with usage measurements as we have seen massive growth in online usage for a wide range of scholarly resources – whether priced or free at the point of use – and it would be wrong to adopt financial ‘penalties’ for the use of the research literature.

It may be helpful for the Commission to provide a framework in which all stakeholders could come together to discuss a way forward on online pricing.
Permanent Access and Preservation

The international library community is very concerned at the shift in preservation practice that has occurred as we move into the electronic environment. Libraries no longer pay for physical copies of journals that they can preserve, but they license time-limited access to electronic content. Responsibility for the long-term preservation of this content is ill-defined, with some publishers taking on the task (but perhaps only for as long as there is a commercial justification to do so). **We welcome the Report’s recommendation (A4) that attention is paid to the issue of long-term access and that actions are taken to ensure perennial access to digital archives.**

Standards and Interoperability

We fully agree with the importance that the Report places on standards and interoperability within the scholarly publishing environment and **fully support the recommendation (A5) that calls for the support of research and development on interoperability issues and the promotion of wide implementation of linking technologies and interoperable standards.**

Mergers and Acquisitions

The Report makes a strong case for the negative effect of market-concentration and the resultant increases in price following mergers and acquisitions. **We agree with Recommendation B2 that further acquisitions should be scrutinized closely.**

VAT Issues

The Report eloquently outlines the brake that the current taxation regime is having on the rate of transfer to the electronic environment. Differential VAT rates within Europe for print and electronic versions of the same content mean that it can be more expensive for the library to take the electronic version on its own. The VAT rules are artificially protecting the market for print journals at the expense of efficiencies in moving to electronic-only provision and causing harm to the environment (with unwanted and unread print journals being printed, shipped internationally and either stored or dumped). **We join with the authors of the Report in calling for a resolution of this problem (Recommendation B3) – either by amending Annex H of the EC VAT Directive or by encouraging the adoption of a tax refund mechanism.**

An Advisory Committee

Recommendation C1 suggests that an advisory committee be formed to give input to the European Commission. **As a pan-European group SPARC Europe would be happy to join such a Committee.**
SPARC Europe (http://www.sparceurope.org) is an alliance of European research libraries, library organizations, and research institutions. We advocate change in the scholarly communications market, support competition, and encourage new publishing models (in particular, Open Access models) that better serve the international researcher community. We have over 110 members in 14 European Countries:

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Katholieke Universiteit Leuven
Université Catholique de Louvain (UCL)
University of Gent
Universite Libre de Bruxelles
VOWB

Denmark
Aalborg University Library
Aarhus School of Business
Copenhagen Business School
Danish Electronic Research Library
Det Kongelige Bibliotek
The University Library of Southern Denmark

Finland
National Library of Finland
Finnish Meteorological Institute
Helsinki School of Economics
Helsinki University Libraries
Library of Parliament
National Public Health Institute
Stakes - The National Research and Development Centre for Welfare and Health
Swedish School of Economics and Business Administration
Tampere University of Technology
The UKK Institute
Turku School of Economics and Business Administration
University of Art and Design
Helsinki University of Applied Sciences
University of Joensuu
University of Jyväskylä
University of Lapland
University of Oulu
University of Tampere
University of Turku
University of Vaasa
VATT - Government Institute for Economic Research
VTT Technical Research Centre of Finland
Åbo Akademi University

France
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University College Dublin
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University of Limerick

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La Sapienza, Rome

The Netherlands
CWI - Centrum voor Wiskunde en Informatica
Delft University of Technology
Erasmus University Rotterdam
Nijmegen University
Universiteit van Amsterdam
University of Groningen
University of Utrecht
Vrije Universiteit
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Norway
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Norwegian University of Science and Technology
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