Response from the University of California to the Public statement from Nature Publishing Group regarding subscription renewals at the California Digital Library

June 10, 2010

The University of California appreciates the full and detailed response provided by Nature Publishing Group (NPG) to the informational letter recently shared with the University of California Faculty. As NPG has requested, we are providing a response of our own, attempting to answer in order the points that NPG has raised.

The UC letter that has been circulated was issued not from the California Digital Library (CDL) alone, but jointly from CDL, the UC Libraries, and the University Committee on Library and Scholarly Communication (UCOLASC), which is made up of Faculty representatives from each of our ten campuses. The letter was intended to be an internal informational update to alert our Faculty to the challenges surrounding the renewal of our site license with NPG for 2011. Our Faculty library committees have explicitly requested that they be consulted on major negotiations and journal cancellations. We also wanted to provide information on a separate grass-roots initiative developing among a group of senior Faculty who are concerned about the proposed price increases that NPG had presented to CDL. As this letter was issued by a large public university, we are not surprised that it made its way to the press, though that was not our intent.

To begin, CDL has a different impression of our last meeting in May to which NPG refers. While CDL had not yet proposed a counter-offer to NPG, we were led to understand quite explicitly that no counter-offer was possible, that ‘this was the price,’ and that the NPG offer had a firm deadline. NPG suggested to us several times that canceling journals was our most likely opportunity to achieve the cost controls we sought. The demeanor was markedly different from other publishers with whom we regularly conduct negotiations. As to the confidential nature of these discussions, again our communication was to our own Faculty community, with whom we have an obligation to consult in the course of internal business.

Contrary to what NPG claims in their response, the UC letter does not state, and nowhere implies, that NPG has increased its list prices by 400%. Rather, the letter states that NPG proposes to raise our site license fees by that amount. Any misrepresentation on this point is solely attributable to NPG. Whether the historical, published price increases by NPG have been reasonable—or whether they even mirror reality—is another and more debatable matter. On the first point, an increase of 7% per year translates to an increase of 40% over five years. Few, if any, library budgets have gone up at even a fraction of that amount over a comparable period (the materials budget of the UC Libraries increased by 7.46% between 2005 and 2009 and is now slated to decrease during the next few years). In other words, 7% increases compounded annually are budget busting (also note that 7% is more than three times the average US rate of inflation for the past few years).

In our most recent negotiations, nearly all publishers from whom we license content have worked with us to meet the significant budget challenges presented by the current economic downturn, significantly reducing fees in many instances. We would be acting in bad faith in our dealings with those providers if we turned around and accepted an increase of the magnitude that has been proposed by NPG. Moreover, doing so would completely negate the savings reductions achieved to date, which still fall short of cuts being absorbed by UC libraries.
On the second point, the past price increases of NPG journals at the University of California are instructive about the tactics of NPG. Between 2005 and 2009, NPG increased their licensing fees to the University by 137% (granted this included some new titles, but truthfully not enough to warrant such a dramatic price increase). Even when our license was placed on a new and, we believed, more stable footing in 2008, our fees still increased by 5%. But now, NPG claims that their proposed 400% increase is to make up for “an unsustainable discount” that they have provided UC all along. We find this to be an implausible explanation given the remarkably large sums of money others and we already pay to NPG every year. The notion that other institutions are subsidizing “our discount” is nonsensical. If anything, other institutions are simply paying too much.

NPG also refers to their proposed new license fee as a 50% discount off of list price, but this is misleading and has been taken out of context. First of all, NPG is free to set list price at any amount they want, so in many ways this is a meaningless number. Most academic institutions receive substantial discounts off of list price. Historical subscription patterns in the context of long-standing journal agreements tend to be the main determinants of price (as indeed they were for our original NPG agreement). But we recognize that NPG has a different perspective on this issue and welcome their commitment to authentic discussions.

The question of how to determine value is also a complex matter. Indeed, the UC Libraries have devoted significant resources to studying this issue. While we agree that NPG publishes very high quality content, so do many other publishers, at more reasonable costs. The Fact Sheet appended to our Faculty letter indicates that the current average price of NPG journals at UC is appropriately aligned with other content licensed at the University, whereas the new proposal from NPG would position its journals as significant outliers. While there is no question that cost per use for NPG journals at UC is low, the characteristics of these journals must also be taken into account to ensure that like is being compared with like. As many observers and analysts have noted (including those in Nature such as Andrew Odlyzko, http://www.nature.com/nature/focus/accessdebate/7.html), the marginal cost to a publisher of increased online usage is very low in comparison to first-copy costs. There are many extrinsic factors that drive usage in today’s digital environment, most of which bear little relation to a publisher’s internal cost structure. We look forward to working with NPG to determine a fair assessment of value as we continue discussions.

We appreciate that NPG recognizes that the scientific community is both its core audience and its major stakeholder. And we agree that NPG has been a leader in adopting the “green” publishing policies that many scholars seek today and commend them for these forward-looking perspectives. With respect to our attempt to assign a monetary value to the contributions of UC researchers to the NPG enterprise, we would be happy to share with NPG how we arrived at this estimate and to learn if NPG has a different way of calculating such figures. We note here only that our estimate made no attempt to factor in the value of peer review, editorial or advisory board service by UC Faculty, or the contribution value of UC articles in other NPG journals besides Nature itself. In fact, we would welcome more transparent means of determining what UC Faculty contribute and how this virtually free labor gets factored into revenue calculations or potentially could be used to offset subscription rates.

We have also frequently sought a dialogue with publishers about new business models needed to sustain high quality online publication. In an earlier era, journals were supported by more diversified sources of revenue, such as page charges, personal subscriptions, advertising, and the like. In today’s site license
environment, a significantly higher percentage of a publisher’s revenue now depends on institutional library budgets. Using grant funds to support article processing charges for open access publication is intended in part to address this, as is the suggestion that journals with extremely high rejection rates consider charging submission fees. Unfortunately, we have found publishers largely unwilling to engage with libraries or authors on these issues despite repeated attempts on our part to enter into such conversations. UC would welcome an opportunity to have such conversations with NPG.

In summary, the CDL, UCOLASC, and UC Libraries categorically reject the notion that we have resorted to misinformation or distortion of any sort, as well as any suggestion that we sought to engender premature publicity. We included accurate information, not misinformation, in an internal communication intended for our Faculty. As the UC Libraries contemplate budget reductions of 20% or more over the next two years on top of reductions already taken in 2010, we are faced with difficult choices and seek publisher partners who are willing to work with us over the long-term. That being said, we want to emphasize that the UC letter represents the deliberations of many Faculty committees and librarians across the UC System who unanimously felt that UC needed to take a stand on this issue as a matter of principle and not merely as a budgetary consideration. Plainly put, UC Faculty do not think that their libraries should have to pay exorbitant and unreasonable fees to get access to their own work. A key concept in our letter is that UC ultimately wants to reach a "sustainable and mutually rewarding relationship with NPG" but Faculty and librarians feel that this cannot be achieved with the present proposal from NPG. Thus, we stand by our letter and look forward to a productive dialogue with NPG on these issues.