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*From the Physical Secretary and Vice-President Professor JE Enderby CBE FRS*  
4 September 2001  
Our ref: L109043J

*Dear Professor Vickers*

#### **Academic Journals**

I appreciate your invitation to express the views of the Royal Society regarding the merits of a review of practices in the market for scientific, technical and medical (STM) journals. Many issues were raised during the Competition Commission's review of the proposed (now cleared) merger between Reed Elsevier plc and Harcourt General Inc. Some are worthy of consideration in the more general context of the STM market as a whole.

Issues of general significance include business strategies and practices (such as bundling and pricing) that have implications for the availability of information, and the viability of smaller journals.

The Royal Society both publishes scientific journals and represents many in academe for whom the quality, timeliness, accessibility and cost of journals are of great importance. It is thus in a position to have a balanced understanding of the issues.

Publishers add great value to the papers as originally submitted by academic authors. They play an essential (and increasingly technical and complex) role in the scientific information chain, to the benefit of authors and readers. For example,

- Authors gain a free-of-charge quality control service from the sophisticated peer review process that is increasingly conducted online to provide the speed to publishing decision that is a key author demand.
- Once the paper is accepted for publication, the publishing operation involves five main skilled activities:

desk editing and close liaison with the author on academic, style, technical and legal issues;  
data coding and file manipulation in preparation for online and printed publication;  
online hosting and management (seamless, linked e-publication and subsequent archiving);  
producing media-friendly summaries for journalists to ensure wider dissemination;  
and  
marketing and customer care services to ensure proper world wide distribution of the final version of the author's work.

- Authors rightly demand even faster times to publication. Publishers are responding by setting up rapid pre-publication online facilities through which a paper can be published many weeks before its appearance in the relevant printed journal. The Royal Society's FirstCite® service is a prime example. These facilities are designed to pave the way for an emerging publishing model, welcomed by authors and readers alike, which will be individual-article based as opposed to being journal-issue based.
- Authors also increasingly require that 'older' content be made freely available to non-subscribers. In common with many other publishers, content of the Royal Society's main journals is freely available online two years post-publication, either via its web site (from January 1997) or via the JSTOR archive (from 1665 to 1997). The time before access is freely available is an aspect of the market that is hotly debated.

Publishers, whether commercial or learned societies, need to make reasonable profits to permit re-investment and development of these services. Commercial publishers also need to provide dividends for shareholders. (Learned societies do not need to make profits for this reason, but generally use any profits to support science – e.g. by subsidising conferences.)

Most respondents to the Competition Commission's investigations into the proposed acquisition of Harcourt General Inc by Reed Elsevier plc were concerned by the high prices of many STM journals. The prices of journals from commercial publishers tend to be higher than those of learned societies, despite many learned societies not having as large a publishing portfolio / circulation over which to defray the high costs of modern multi-media publication. The high prices have two deleterious effects. First, they increase the cost to libraries and other buyers, or reduce the range of titles that can be obtained with a constant budget; and second, since budgets are generally constrained, and some titles are seen as essential, others are squeezed out – to the detriment of learned societies and science as a whole.

STM publications are more labour-intensive than those in the humanities, but the differences in prices are generally high and it is not clear that the annual price increases should be proportionately greater.

Figures suggest that prices may be higher than is necessary to provide a reasonable profit / turnover ratio:

- The Science and Medical segment of Reed Elsevier's business, for example, achieved an adjusted operating profit of £252 million in 2000, on a turnover of £693 million.
- It is difficult to see why such profit/turnover ratios are appropriate in a low-risk business, or why, with such profits, any annual price increases are necessary.
- Reed Elsevier's pledge to hold annual price increases to below 10% is a welcome constraint, but rises substantially above inflation, that would be damaging to the dissemination of information and the survival of other journals, could still occur.

Price rises have been justified as compensating for shrinking sales (due to displacement of some titles by new specialist journals, and as library budgets must accommodate price increases). It is however a self-fulfilling prophecy to increase prices to accommodate reduced sales – a pricing approach that would not be acceptable in a normal market, one that limits information to scientists, and one that is anti-competitive, leaving less of library budgets for others' titles.

High prices are possible because, on the one hand, there is little alternative but to pay what is asked, and on the other, the costs incurred in publishing are constrained by much unpaid work. Thus:

- Price rises are practicable in this market since some titles are seen as essential, almost regardless of cost. In scholarly publishing demand is strong and inelastic, and so profits can exceed norms.
- High profits are also possible because of the illogical structure of the scientific information chain, whereby authors gain no direct recompense for their work, funding agencies do not include dissemination costs and whereby library budgets are normally separate from research budgets. Authors are interested in effective dissemination of their work, and the funding structure does not give a clear incentive to optimise the cost/benefit. Funding bodies such as universities do in effect have to pay for the research and then pay again to have access to it in published form – and there is little incentive for authors to ensure that the access cost is minimised.
- By acting as reviewers and editors, authors and university staff even provide, unpaid, much of the intellectual input to the publications for which they must subsequently pay commercial publishers.

Surpluses for learned societies are generally proportionately much smaller, and indeed some do not make a surplus at all. Any surpluses that are made are ploughed back into the support of science.

Bundling of journals usually involves publishers offering, additionally, the electronic form of journals to which a library subscribes, at modest additional charge; and additional titles (of, probably, lesser interest) electronically, also for a modest fee. Bundling can bring benefits, but even when the bundle is an alternative to the original order, the cost of that original order does not shift and the journals remain available individually at realistic prices, it can be anticompetitive since it reduces the funds available to continue subscription to other journals.

The STM market is complex, with strong, inelastic demand for certain titles and unsatisfactory methods for controlling prices and maximising information availability and competition. It is worthy of consideration by the Office of Fair Trading, as could be carried out under Section 2 of the Fair Trading Act 1973.

*Yours sincerely*

*John Enderby*