

# Fairer Global Pricing Project

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*12 October webinar*

*Note: the following transcript and the Q&As have been edited and summarized for clarity*

## Welcome by Johan Rooryck, cOAlition S

Welcome everybody. Thank you for coming to our webinar about why a fair pricing framework is needed for APCs.

First, I would like to contextualize this webinar. It fits into a broader set of actions that Coalition S is undertaking with various partners on fairness and equity. You may know about our initiatives together with the Association of African Universities, the International Science Council, Open Access 2020, Science Europe, and UNESCO. We organized several workshops on practical mechanisms and action plans to remove barriers for readers and authors.

You also probably know about the work that we also currently undertake on Diamond open access to make equity greater for authors and readers.

This workshop also fits in that context, namely as long as we have APCs how can we make them fairer. Some of us may not like APCs, but they are widely used at present. A single price for all around the globe is rather strange. Compare that to other types of services, which are mostly priced as a function of the context in which the service is being offered. Medication, airline tickets are all priced differently, according to the purchasing power of the consumer and the country they are in.

This question of fairer pricing is an issue that came up in one of the seminars that we had with African countries some time ago, namely the request for cOAlition S to do something about the equity of APCs. Is there something that could be devised to make APCs more fair, and we see it at coalition as our role to launch these kinds of discussion with stakeholders such as publishers, librarians, and the research community.

I would like to say, also, as a kind of a disclaimer, this is not a policy that cOAlition S is trying to enforce. We are not a price regulator. It's very important to know that we are not a price regulator. The only thing that we are trying to do is to launch a dialogue. This doesn't have to be the right framework. It doesn't have to be the right proposal. This is an invitation to a dialogue first and foremost. It's that dialogue that we want to work, to explore how can we invite publishers to become more equitable, in line with the UNESCO declaration.

Equity has become a big discussion in open access publishing in the last few years. How can we encouraging publishers to adopt more equitable pricing mechanisms?

## Presentation by Lorraine Estelle, Information Power

Thank you very much for that introduction.

Before I start, I just want to say a few things about how we will organize the webinar. We have divided the webinar into three parts, with pauses for discussion and questions after each. In the first part we will be talking about purchasing, price parity, and the purchasing price indices. Then we will talk about the banding of countries into groups for differential pricing. Finally, we will discuss risk sharing in respect of exchange rates.

I'm joined by two colleagues. Herman Mentink, an Economist, and Dave Jago. They've been very involved in this project and they are here to answer your technical questions.

So as Johan said in his introduction, this is very much a discussion, very much a consultation. We have spoken to librarians and library consortia in several countries, and to a wide range of publishers. We're very grateful to those who've already shared their time and their insights with us. This webinar is an opportunity to really broaden this out to develop the discussion across a far wider stakeholder group. We have a survey running and we really hope to get your feedback through this webinar and also that survey.

## Purchasing Power Parity

The first part of the webinar is about purchasing power parity. This is a concept. It's the concept around it being more equitable to charge different prices for the same goods and services based on factors varying by country. And as again as Johann says, this does happen already in the case of certain goods and certain services.

Purchasing power parity is an important concept because current pricing practices in scholarly communication do not reflect local purchasing power. And so the objective of this project is to develop a fairer global pricing framework. We seek to deliver inspiration for publishers to adopt more equitable approaches to pricing. In undertaking this project, we start with that concept of purchasing power parity. But in order to develop a framework that we can use, we need some data to provide a numerical expression of the differences between countries. It's very important for transparency that this framework is data driven. We use data that is independently calculated, that is reliable, objective and most importantly transparent. We are very mindful that most data sets include outliers that have unusual or unexpected values and these outliers do, of course, need careful consideration.

We evaluated a wide range of purchasing price indices, or PPI as they are called. There are a number of these, and it was quite eye opening how many there are. We evaluated the purchasing price indices in terms of their methodology, the countries that they cover, their data

quality, and the frequency of update. And in the report that runs alongside this consultation, there's an appendix which gives you a lot of detail about the evaluation of all these PPIs.

We chose to use the ICP World Bank data which provides the greatest coverage. There are 47 different ICP World Bank PPIs. Again, we had to evaluate each to see which we thought would be the most useful for this framework. We chose the World Bank GDP PPI. We chose that because it's broad, both in terms of the countries covered and in the economic factors covered. The data we are using is 2017 data. And as we are all very aware, a lot has happened in the world since 2017. But the data will be updated this year which is great for this project. The data will be refreshed every three years thereafter.

One very good question that has come up from people we've interviewed is that we're looking at data at a country level but there are differences within countries. Some countries have relatively wealthy parts of them usually around cities, and less wealthy parts more often in the rural areas. There isn't a PPI available for regions within countries. So that is why we're working on the country level.

Another thing to note about the PPIs is that their primary use is to compare economies between countries. They weren't originally envisaged as a tool for comparative prices or differential pricing.

Question	Answer
<b>For whom is this tool and how will it affect different stakeholders?</b>	
Fair is not always the same thing as equitable or parity. They are not exact synonyms. Where (and to whom) is your primary focus of the goal for "fairness". Fairness for whom ?	Fairness here is intended for authors and institutions who pay for APCs. It does not seem fair that scholars in LMICs are paying the same price as authors in North Atlantic countries.
Are researchers/authors from the low GDP countries in favour of the framework - especially those who would have previously received an APC waiver and would now be charged a fee?	APC waivers are erratic in the sense that they vary from publisher to publisher. They are often considered neo-colonial and patronizing.  Nothing in this framework requires a publisher to charge in all countries. Fees can be waived entirely, just as they are now for some countries via Research4Life or negotiated by EIFL..
In conversation with publishers, is there a concern for fairness to them ?	The project is focussed on finding a fair way forward for all stakeholders, including publishers.
How practical do you think it is for small publishers, particularly non-profits, to implement this kind of complex pricing model? Do you anticipate e.g. annual revisions?	The PPI data is refreshed every 3 years. We've had a positive response from some smaller publishers to the framework, particularly for new products and services. Transitioning existing services to this framework is more tricky. One smaller publisher comments "do-able but difficult", for example. There has been more concern about the idea of charging in local currencies.

<p>From your experience, Do publishers consider APC payers as customers and content providers?  Publication is a "service", so to speak; and articles are content.  Publishers need customers and content.  Are the publishers amenable to the idea of accepting different APCs so that they don't price their customers and content providers out of the market?</p>	<p>Differential pricing for customers AND for types of contents are already used in publishing.   Subscriptions for instance were always priced differentially according to country and university.</p>
<p>Do you have any concerns that this approach could devalue certain high profile journals and affect their standard in the community?</p>	<p>No, we do not see why this would be the case. The income for the publisher could be the same, just differentiated according to country in a transparent way.</p>
<p>Once the framework has been developed/consulted on, is it voluntary implementation by publishers?</p>	<p>Yes, that's correct.</p>
<p><b>How were the tools and concepts chosen, and are these the right ones?</b></p>	
<p>You've mentioned that PPP is used in setting prices for medicines. Can you share some examples? Ie what examples are there for setting prices for drugs</p>	<p>See this report on differential pricing in <a href="https://assets.publishing.service.gov.uk/media/5a78b6beed915d07d35b1d94/diff-pcing-pharma.pdf">https://assets.publishing.service.gov.uk/media/5a78b6beed915d07d35b1d94/diff-pcing-pharma.pdf</a></p>
<p>How relevant is a PPI for a specific developing country author if their research funding is coming from a northern hemisphere funder e.g. Gates or Wellcome?</p>	<p>If the funding body is the customer -- and pays a publisher directly for the services they provide - then the funder's country is the relevant one.   Where this is not the case, but a researcher happens to be supported by a northern hemisphere funder, then the publishing fee would be based on the PPI for that country.   We recognise that in such cases, the PPI is imperfect. However, in aggregate we believe that publishing fees which take into account the purchasing power of the country where the researcher is based are more equitable than the current system.</p>
<p>Is a macroeconomic tool really suitable for setting prices for a niche product?</p>	<p>Academic publishing globally generates \$19bn annually and the inequity in OA prices has become a priority to address in the community.   As mentioned in the presentation, the PPP concept was indeed not originally intended for setting prices but to compare economies.</p>

<p>The PPI used has more than a few "outliers". Brazil, Argentina, Belize, Costa Rica, etc are all in a bracket above payments for Poland, Czech Rep, Hungary, etc.</p> <p>Isn't this a sign it is the wrong index?</p> <p>This differs enormously from GNI per capita, or economic classifications by the World Bank, in which these Latin American countries are classified correctly as less advantaged.</p> <p>Why use this index, given it will decrease equity for Latin America?</p> <p>Why not GNI per capita? Why not World Bank income classifications?</p>	<p>There is a difference between income and relative ability to pay which is also influenced by inflation/deflation, productivity, taxation, currency exchange rates, etc.</p> <p>We believe that the PPI used is the most inclusive and fair of the extensive range of PPIs we evaluated. This choice is explained fully in Appendix 1 our report which you can find online here: <a href="https://www.coalition-s.org/wp-content/uploads/2023/09/FairerPricingFrameworkConsultation_15Sept2023.pdf">https://www.coalition-s.org/wp-content/uploads/2023/09/FairerPricingFrameworkConsultation_15Sept2023.pdf</a></p> <p>This PPI will increase, not decrease, equity and prices in Latin America. Brazil and Argentina would be in the same band as the Eastern European countries you mention.</p>
<p>Why weren't the Research4Life eligibility categories used?<a href="https://www.research4life.org/access/eligibility/">https://www.research4life.org/access/eligibility/</a></p>	<p>We are very aware of the excellent work done in this area by Research4Life, and are aware they are currently reviewing their own metrics. In any case, those categories are only for lower income countries and are not global and also they are using indices more focussed on health sectors (given the importance of the HINARI program).</p>
<p>I propose 4 categories by World Bank economic classifications: High income, upper middle income, lower middle income and low income.</p>	<p>There is a difference between income and relative ability to pay which is also influenced by inflation/deflation, productivity, taxation, currency exchange rates, etc.</p>
<p>The proposal predicts the implementation of this proposal will increase APCs by ~39%. This means authors in Brazil, Argentina, Belize, Portugal, Spain, and Italy will pay ~110% of what they pay now. Latin American authors already can't afford these payments, and also cannot get waivers based on individual requests.</p>	<p>This is incorrect. It would *not* increase APCs by 39% or even 10% in Brazil. Careful application of banding would ensure that Latin American countries benefit from a reduction in price. Please see Appendix 3 of our report which you can find here: <a href="https://www.coalition-s.org/wp-content/uploads/2023/09/FairerPricingFrameworkConsultation_15Sept2023.pdf">https://www.coalition-s.org/wp-content/uploads/2023/09/FairerPricingFrameworkConsultation_15Sept2023.pdf</a></p>

## Country Banding

Next, we're going to talk about banding countries. Banding countries together into groups based on their PPI values makes sense for a number of reasons. You can imagine that different prices in 200 different countries would be an administration nightmare. So bundling countries into groups really helps with administration. Another reason for banding is to provide stability as the PPIs are updated, for both customers and publishers. A third reason for banding is there are some countries, just a few, which aren't covered by a PPI and banding

helps us position them in based on geography and other factors. Fourth, banding helps with one of the main outliers which is China.

Banding does not require for a moment that every country has to pay something. Some countries are exempt from payments now and can continue to be moving forward. In our example, countries in the Alpha band could continue receiving full waivers. We're *not* saying everybody has to pay.

We have provided an example with four bands. Banding can be done in different ways and could be much more granular. The USA is set as one in this in this ranking, and that is because we've made them the baseline for our work because many publishers set their prices in US dollars. Even if they're not based in the US, often pricing is based in US dollars.

When they do charge publishing services, the banding would help publishers do so more equitably. Of course, publishers do respond to countries when they're facing unexpected challenges and crisis. And there is nothing here to suggest that they would not continue to do that. And I'm sure they would anyway.

The framework we present could be used in a number of ways:

- It could be used a conversation starter. The framework could also be used by librarians and funders, as a conversation starter with publishers about equitable global pricing. It could be a conversation starter about the contributions different countries could make to shared open infrastructure such as diamond publishing platforms.
- This framework can be used for launching entirely new services with equitable pricing built in from the outset.
- It could also be used for transitioning existing services. A really close to dialogue between the stakeholders is needed to ensure that the framework is deployed in ways that work well for the customers, and that it really does advance equity. When we talk about transitioning existing services, we need to be mindful that lowering prices in some places may mean publishers raise prices in other places in order to ensure their revenue remains neutral.

When we spoke to librarians and library consortia about this framework, they all thought that the PPI allocation was fair. They also said they would find getting additional money to pay higher prices. difficult, if not impossible. We calculated this figure by looking at all the articles published in fully open access journals in 2022. We assumed an APC of 1000 US dollars for each. We also looked at where waivers are usually applied. And across all the publishers we saw we got that figure of 39% the uplift that will be needed if the PPI were applied with no banding. We then drilled down and we looked at four publishers in more detail.

Application of weighted bands mitigates this to quite a degree. We've created a tool that publishers can use to do their own modelling. We made it in Excel, so that you can see all the formula so that it's absolutely open and transparent. There is a tension between the simplicity and transparency of using our example, and the flexibility that may be needed especially to transition existing services to fairer global pricing.

A question that we have been asked is that surely this framework would enable publishers to increase their customer base. The whole point of a framework like this is to make participation in open access more accessible to everybody. However, we think the expansion would not plug the potential revenue shortfall completely and certainly not in the short term.

I want to focus a bit on China, because most of the publishers we have spoken to have outlined China as a problem, because it has a relatively low PPI at 0.62 but the largest output of journal articles. Now, one response to the issue of China could be to introduce differential pricing for countries with a PPI of less than 0.6 but this would really disadvantage countries like Brazil, Chile, Argentina, Slovenia, and so on. However, we think a better and fairer approach based on data would be to recognize that there are multiple entries for China, Hong Kong, and Macau. The highest of these is 0.7 for Hong Kong, and this is the figure that can be used for China. It would place China in the Delta band. Countries in Eastern Europe and South America would be in the Gamma band.

Question	Answer
<p>Given you have landed on four bands to simplify administration, I would like to understand whether you considered using the World Bank high/upper-middle / lower-middle / low income bands as an alternative? They're already in use among many publishers as a way to set waivers and discounts, and are easy to understand.</p>	<p>Yes we did, but there is a difference between income and relative ability to pay which is influenced by such factors as inflation/deflation, productivity improvements/decline, taxation, currency exchange rates, etc.</p>
<p>Given the weighted banding is looking at where papers are historically coming from, and given that "corresponding authorship" is intangible and easily changed between international authors, how is this addressed? Publishers saw corresponding author tourism with transformative agreements as people sought out "free" APCs. Fully-OA publishers have seen the same shifts when launching APC discounting memberships.</p>	<p>This behaviour is problematic for all pricing approaches.</p>

**Exchange Rates**

I'm going to move on now to talk about exchange rates and risk sharing. One of the things we were asked to look at as part of this project was the whole issue of exchange rates. In some countries they have currencies that fluctuate greatly and this causes problems because they are paying the majority of the money they spend on scholarly communications not in their own currency but in dollars, or euro, or sterling. Prices are set usually annually, and if the currency fluctuates before it comes time to pay this can be hugely difficult.



We had to think about how this risk could be mitigated and how the risk could be shared differently. The idea we developed is that the Publisher sets their global prices informed by PPP in their normal currency. Then at that point the prices are translated into local currencies using the then-current exchange rate (or a 3-month or 6-month average could also be used). Those fixed prices would be published and transparent. The publisher would issue invoices to the customer at the fixed price. That could be in dollars, or it could be in the local currency. The customers invoiced in dollars would bear the cost of any currency exchange. Customers invoice in the local currency would convert the amount into dollars for payment. The publisher would be in effect bearing the risk that exchange rates change between the price setting and the actual time of the payment.

There are some challenges to this approach. Clearly it is more complex to implement for publishers, and it might be unreasonable to expect it of smaller publishers. And clearly there is some administration required. All publishers might be concerned about losing existing revenue due to exchange fluctuations, which is understandable. We did some modelling to try and quantify this risk to publishers. We found that across all publishers there would be annual fluctuations in the overall income of up to minus 2.5%, if applied to all countries. Of course, the actual figures would vary by publisher, depending on the geographical spread of papers, and the banding they may adopt.

Question	Answer
<p>Will the rate of devaluation of a country's currency in a six-month period be considered when assigning APC. Some countries currency such as South Africa can be very volatile</p> <p>For clarity South Africa spends 80% in USD and 98.5% in major currencies (USD, GBP and EUR).</p>	<p>This is what the proposals regarding currency selection are intended to address. The suggestion is that prices in the lower bands should be converted into local currencies at the time they are set in dollars, typically at some point in the year before they apply, and this local currency price will apply throughout the following year to provide stability. Publishers may choose to use the exchange rate on the day the price is set, but it seems much more likely they would use an average for the months leading up to that point. So for example, a dollar price for APCs might be set in September 2024, and a Rand equivalent set at the same time based on the average ZAR/\$ rate for Apr-Sept 2024. That Rand price would apply throughout 2025.</p>

**General Q&A**

Question	Answer



<p>This framework is taking things into account from the "country" level.</p> <p>Does this framework include differentiation between APCs funded from public/Govt funding vs. private funding?</p> <p>Not all authors are funded from public funds.</p>	<p>No, we are not distinguishing between public vs private funding.</p>
<p>For instance --- Large multi-national and corporate projects may fund research and publishing in countries in the lower bracket.</p>	<p>Yes, this is correct.</p>
<p>Why would a country have more than one PPI value? Or does every country have multiple values?</p>	<p>No, not all countries have multiple values. Only a very few do. China does, for example, because of the historic economic differences with Macau and Hong Kong.</p>
<p>Is there any chance that Coalition S will consider using a different index? Why are you so set on this clearly inadequate one? I don't understand why this PPI is unchangeable, except, of course, for the fact that it "protects" poorer countries within Plan S, but not those of us in Latin America.</p>	<p>Today's webinar is a consultation. If you have an alternative open and transparent data source to recommend, please let us know through the survey. <a href="https://www.coalition-s.org/fair-global-pricing-consultation/">https://www.coalition-s.org/fair-global-pricing-consultation/</a></p>
<p><b>How can I participate in this work?</b></p>	
<p>I tried to give feedback, but the consultation is not open to authors. Why is the consultation on this proposal only open for publishers and librarians, and not authors, who pay most APCs? Shouldn't we be heard?</p>	<p>Authors are welcome to respond, and indeed we welcome this. Please tick the 'Other' box in response to the first question, which asks what sort of role you have in the scholarly publishing world.</p>
<p><b>Feedback:</b></p>	
<p>Good presentation. The givens for the project were explained well. Not sure the arguments (eg PPI seems wobbly as an index) are convincing, but certainly material for consideration in the larger scheme of things. Cheers.</p>	<p>Thank you, and hopefully the report is more fulsome in providing background and explanation. We will also reflect on today's discussion as we revise and finalise that report.</p>
<p>This was very interesting. Thank you all for organising.</p>	<p>Thank you for participating!</p>
<p>I think this a very, very important milestone in working toward fairer pricing. Congratulations to Information Power and the team. It will certainly help with many conversations.</p>	<p>Thank you!</p>

## Next Steps

We invite you to complete the project survey. Please see: <https://www.coalition-s.org/fair-global-pricing-consultation/>