CDL Negotiation Update: May 2011

5.21.2011 – I. Anderson

Savings as of May 2011

In the last two quarters (October and February), CDL provided an update on systemwide license negotiations and our progress in meeting a proposed 15% expenditure reduction target. We reported success in meeting that target in our major negotiations undertaken in the prior year (i.e. the most expensive contracts such as those with Wiley, Thomson-Reuters, etc.); we also reported substantial cost control in remaining expenditures, arrived at through a combination of negotiated reductions, negotiated price caps, and outright cancellations (including the cancellation of the entire Informa HealthCare journals package in 2011). Actual expenditure reductions accounted for $1.7M in savings, while the combined effect of reductions and avoided cost increases produced an overall savings value of $3.27M.

Since then, the cancellation of 376 Springer journals has yielded an additional annual savings of $280K ($288K if avoided cost increases are included), bringing the total savings achieved through cancellations and other reductions to $2M. This represents a 15% reduction against a $13M base cost of these resources prior to cancellation.

Total Costs before Reduction:	$13,143,411
Cancellations and Reductions:	$1,990,001
Percent Savings:	15%

A public letter has been posted on the CDL website to provide context for the journal cancellations undertaken this year. The campuses will be evaluating additional database resources for possible cancellation in the upcoming months; however, most of the databases that are licensed systemwide are either extremely core to their disciplines (e.g. MLA Bibliography, INSPEC, RILM) or modest in cost yet important to particular constituencies, so savings in this area may not be possible.

Another strategy in which the collection officers have expressed interest is a review of locally-licensed resources, to see if collaborative licensing might yield savings to some campuses and an extension of access to other campuses. This may be explored later in the year.

The Value of Systemwide Licensing

While the libraries will continue to look for resources that warrant cancellation among our shared portfolio, more rather than less systemwide licensing remains a superior cost control strategy in the marketplace as it exists today, and the best means to ensure that UC continues to develop a pre-eminent digital collection that represents the best possible value and access to content across the University.

This is demonstrated by a review of the long-term cost avoidance value achieved by a shared approach to licensing. For example, savings and cost avoidance achieved in 2010-2011 alone will compound in value from $3.5M in 2011 to $4.5M annually in five years (using a standard 5% increase).

2011	2012	2013	2014	2015	2016
$3,560,000	$3,738,000	$3,924,900	$4,121,145	$4,327,202	$4,543,562

A more dramatic demonstration of this effect is the data from a recent comparison of systemwide journal licensing costs to the cost of licensing those same journals at list price. The systemwide journals licensed through a combination of CDL and campus coinvestment would cost the University more than four times what we currently spend – upwards of $83 million, or ***30% more than the combined materials budget of all ten campuses*** – if they were independently licensed by each campus at list price. This extraordinary value is due in large part to the ability to aggregate content across all campuses through systemwide collaboration. If UC did not acquire this content collectively, the number of journals and other resources available at individual campuses would drop precipitously.

Our experience with Springer, Informa, and Sage has made it increasingly clear that journal publishers will not make it easy to further reduce the cost of UC's large journal packages (for example, Springer's initial 'cancellation' offer would have entailed a return to list price, resulting in a 65% increase in the cost of the journals remaining in the package!). Both current and prior analyses (e.g. the 2006 CDC Value-based Prices paper) bear out that breaking up these deals is extremely costly in terms of both actual costs and lost access. This is attributable in large part to the compound savings and greatly expanded access that systemwide licensing has achieved for UC over the past decade.

Breaking up systemwide agreements should be undertaken not for purposes of cost control, but for strategic reasons – e.g. in order to produce change in the scholarly communication system. From a value for money perspective, systemwide licensing remains our most cost-effective strategy for the extraordinary challenges that confront us over the next several years. The deployment of CDL funds to support campus coinvestment is also an important ingredient in smoothing out disparities among the campuses, maximizing access and expanding the range of resources that can be made available to students and faculty systemwide.

CDL is dedicated to these goals and will continue to negotiate aggressively in order to produce the best possible savings and cost avoidances for the campuses.