

HOUSE OF LORDS INQUIRY: UK-EU TRADE IN NON-FINANCIAL SERVICES WRITTEN EVIDENCE FROM THE PUBLISHERS ASSOCIATION

1. The Publishers Association is the leading trade organisation serving book, journal, audio and electronic publishers in the UK, spanning fiction and non-fiction, academic and educational publishing. Our members represent over 80% of the UK publishing industry including global companies such as Elsevier, Wiley, Pearson, Penguin Random House, Hachette and the University presses, as well as many independent publishing houses.

Sectoral overview

2. The UK book and journal publishing industry was worth £4.4 billion in 2015.
3. Publisher export sales of books (physical and digital) in 2015 were £1.42 billion with education, academic and ELT (English Language Teaching) publishing accounting for two thirds of this. Sales of physical books accounted for £1.2 billion. Digital sales were £218m although this figure does not include exports of journals.
4. Publishing exports from the [UK grew the fastest](#) out of all the creative sectors from 2009-2014, jumping 165.7%. In the year 2013-14 publishing exports grew by 62.8%.
5. While UK books are exported to every region in the world, Europe is the largest market for UK published material. Sales of physical books to the continent accounted for 36% of total physical export revenues.
6. Physical book exports to the Middle East & North Africa and East & South Asia are increasing, and now make up 16% and 17% of the export market respectively.
7. Sales of journals reached £1.1 billion in 2015 with exports conservatively accounting for 75% of this.
8. [Government figures](#) show the UK book, journal and newspaper publishing industry employing 200,000 people.
9. The UK is the [largest exporter](#) of physical books in the world according to the United Nation Statistics COMTRADE.
10. The UK journal publishing industry is also a world leader, with UK publishers responsible for five thousand journal titles and a fifth of the articles published globally each year.
11. Publishing and the wider creative industries compare favourably with other more high-profile industries. For example the creative industries [contribute 5.2%](#) of the UK economy and employ [1.9m people](#), while the car industry contributes 4% to GDP and employs 800,000 people.

The wider contribution of book and journal publishing

12. UK books have also been the inspiration behind many top films, TV shows, musicals and plays. The top three grossing film franchises of all time – James Bond, Harry Potter and Lord of the Rings – were based on books, as were award winning shows like Game of Thrones and Wolf Hall and top West End hits such as Matilda and Les Miserables.
13. Academic publishers are at the forefront of research, playing an important role in investing in innovation, helping academics build on and scrutinise the work of others and helping them share and refine their own work. Without this curation, dissemination and validation scientific progress would be virtually impossible.

14. Despite representing just 0.9% of the world's population and 4.1% of researchers, the UK published research accounts for 9.5% of downloads, 11.6% of citation and 15.9% of the world's most highly-cited articles
15. Educational publishers play an important role in producing high quality learning resources which are crucial in helping pupils achieve great results as well as [reducing teachers' workload](#) – allowing them to get on do what they do best, teach.

EU and market access

16. The publishing industry has benefitted from being part of the EU, which has enabled it to freely export goods to Europe, recruit the best staff and move its workforce around European offices and locations.
17. Particularly for academic publishers, where the UK comprises just 25% of the sector's total revenues, access to international markets is integral, with many of academic publisher's staff, authors, readers and customers coming from across the EU and beyond.

1. Access to the single market

18. In a survey of our members, a quarter of publishers said that access to the single market was the most important thing the UK should seek in its negotiations to leave the EU.
19. While book exports are growing across a number of regions, the European Union remains the UK's biggest market for physical book exports. Over 35% of book export sales come from the EU, with the figure rising to almost 40% for academic and professional books. Therefore continuing competitive access to this market is vital for the industry
20. Tariffs could reduce the competitiveness of publishers selling to the EU, while non-tariff barriers add to the cost of exporting to the EU. To help publishing continue to thrive, barriers on trade with the EU should be kept to an absolute minimum. We urge the Government not to accept trade barriers on books and other publications (physical or digital) in exchange for lowering them on other goods.

2. Freedom of movement

21. Freedom of movement has enabled the publishing industry to attract and bring in a skilled workforce from the EU.
22. The publishing industry employs around [10% of its workforce from Europe](#), compared with 5.6% for the rest of the economy, meaning that any change in their status would disproportionately affect the sector.
23. EU workers are highly valued, with almost a third of publishing houses saying that retaining freedom of movement is their top priority post-Brexit. A number of others said that securing the status of EU nationals living the UK was their primary concern
24. Publishing houses not only employ EU nationals in the UK, but they also have offices in various European countries and benefit from moving their workforce around different locations. For example one large academic publisher said UK nationals made up about 15% of its staff in the EU.

3. Indirect impact of freedom of movement on publishing

25. Freedom of movement has also had an indirect impact on the publishing industry, particularly on academic publishers as international students are crucial in helping fund higher education. This in turn helps fund UK world-leading research, with the UK producing 15.9% of the most cited articles, second only to the US, despite the UK making up less than 1% of the world's population and 4.1% of researchers.
26. According to Universities UK, international students contribute around one-eighth of universities income and around £7 billion a year to the economy.
27. If the number of international students falls as a result of Brexit, either because of onerous visa requirements or a perceived lack of attractiveness of studying in the UK now it does not also provide easy access to Europe, this would reduce funding for higher education, reducing how much money could be invested in research.
28. Flows of researchers are also hugely important for university funding. UK universities often attract many of the brightest and best academics, which helps make the UK successful when bidding for grants from international funding sources. This in turn bolsters university finances, drives research output and supports the UK publishing industry.
29. Being part of the EU has also fostered collaboration between UK researchers and partners with the EU. The need for this was highlighted in a post-Brexit [survey by the Biochemical Society](#), where 35% of respondents said they had co-authored with non-UK EU based scientists on at least half of the papers they published the past five years.
30. Research is an international enterprise. If the UK wishes to maintain its leading position, it needs to understand the importance of access to non-UK researchers and students.

Other Brexit challenges

31. As well as the impact on access to the single market and freedom of movement, leaving the European Union has brought up a number of other issues for the UK publishing industry

1. Business uncertainty

32. Although most publishers remained resilient post-Brexit, with over 70% of our members saying that the vote would not change their business investment plans, there is concern regarding the uncertainty created by the Brexit vote.
33. In particular there is little clarity over what policies the new Government might pursue and what sort of relationship the UK might have with the EU post-Brexit. This makes it hard for publishers to plan for the future.
34. One in four publishers surveyed said that increasing business certainty by being clear and swift in negotiations around leaving the EU is the most important step the UK should take.
35. The Government should therefore outline a clear plan and timetable for negotiating a new relationship with the EU in order to provide certainty to ensure continued investment in the UK and to boost confidence among consumers.

2. Higher costs of doing business

36. Already the vote to leave has caused currency fluctuations which could raise the costs of doing business. Although a weaker pound makes exports more competitive, publishers rely on imports of goods such as paper which become more expensive.
37. Over a third (35%) of our members said that higher costs of doing business was the biggest challenge post-Brexit.

3. Loss of UK influence

38. Even with the UK outside the EU, UK publishers as major exporters will still be affected by policies the EU and its members states pursue (for example on data protection, copyright etc.), and there is a concern that the UK will have a reduced voice in the development of these policies once it leaves the EU.
39. In particular, the vote to leave has come at a time when the EU is considering a range of proposals aimed at developing the Digital Single Market. Amongst these proposals includes a new copyright directive. Without UK involvement the legislation could have a negative effect on the publishing industry. Current discussion around exceptions for text and data mining and education are an example.
40. The UK has been a strong pro-business voice in EU deliberations on copyright, often balancing the views from member's states which do not have large vibrant content industries. Given the size of UK publishing exports to the EU and its importance as a market, it will be necessary for the UK to have consistent copyright legislation with remaining EU members to reduce additional costs for businesses.
41. The UK currently has led the world in developing a strong open access system, encompassing both Gold and Green options. To date, being part of the EU has enabled the UK to be influential in assisting other member states in the development of their own policies and systems, and given us the opportunity to demonstrate the benefits of our approach. There is a concern that this influence could be lost as other countries develop their policies.

4. Loss of EU research funding

42. According to figures from the [Royal Society](#), in total the UK received £8.8bn of funding for research from the EU between 2007 and 2013, making it the second largest recipient of EU funds. To put this into context, the [UK spent](#) £4.6 billion on research and science in 2012/13, meaning EU funds make up a substantial percentage of the overall funding on the sector.
43. Therefore access to funding, including that provided by the Horizon 2020 project, is one of the major concerns academic publishers have following the vote to leave the European Union. In a survey of our members 53% of academic publishers said that reduced funding for research and higher education institutions was the main challenge to scholarly research and the UK's place within it posed by Brexit.
44. As well as any impact on science and research, which is a significant concern in itself, a loss of funding could also have a knock on effect on the £1.1bn journal market, the export revenues it generates, and the ability for UK research to receive as wide an audience as possible. The export revenues of academic journals amounts to over £800m per year.

45. Increased pressure on funding will also inevitably reduce the time that researchers can devote to book-writing, which could lead to fewer academic books being published from UK-based authors, and increasing dominance of US authors and US approaches to education.
46. A loss of funding could also impact the UK's [good progress](#) towards open access, as article processing charges are paid out of research budgets. If these budgets were shrunk, there may also be an impact on Gold open access, with more authors having to publish via the Green route.

5. Loss of EU cultural funding

47. Publishers also benefit from EU funding for creative works. Creative Europe supports publishers and publishing houses through providing funding for the translation of literary works from one European language to another.
48. The 2007-2013 programme of funding provided support for 11 different publishing houses based in the UK to translate a number of different works. For example Macle hose Press, an imprint of Quercus, received €94,108 in 2014 to help fund the translation of seven novels, a number of which have been bestsellers in their own countries.

6. Divergence between EU and UK law

49. Academic publishers increasingly use personal information to help match users to relevant content, meaning that the EU's data privacy regulations on flows of cross border data is very important to publishers.
50. If the UK's data privacy regime diverges materially from the EU's post-Brexit, this could risk the UK being embroiled in a privacy shield type-discussions with the EU which would curtail publisher access to data relating to EU researchers.
51. This would impact how publishers are able to develop new digital services and how they can sell those services in the EU.
52. Similarly, given the large percentage of publishing exports to the EU, it will be necessary for the UK to have consistent copyright legislation with remaining EU members to reduce additional costs for businesses.

Future UK-EU trade relationships

53. The publishing industry exports £439m worth of physical books to the European Union as well as selling a significant number of digital ebooks to the region. Additionally, a number of publishers import paper from the EU. Many publishers are also European and global businesses employing an international workforce and offering UK-based staff the opportunity to work in offices overseas. Therefore the type of relationship the UK will have with the EU going forward will have a direct impact on the UK publishing industry. Below is an initial assessment of the potential impact on the publishing industry of the different trade options currently under discussion.

1. European Economic Area

54. Retaining access to the single market through membership of the European Economic Area or via some other model would undoubtedly deliver the best results for publishers in terms of maintaining stability and certainty of trading and staffing arrangements.
55. It would enable the UK to continue to trade under present terms with the EU while also retaining freedom of movement, thereby enabling the industry to continue to hire the talent it needs, a priority for the publishing industry.
56. It would also allow the UK to access Creative Europe funding, Horizon 2020 and successor science funding programmes through an associated country status.

2. Free-Trade Agreement

57. A bespoke free-trade agreement with the EU must allow the publishing industry and businesses to access the talent they need with minimal restrictions, while also ensuring the easy movement of academics and students from the EU to higher education and research institutes.
58. It should also seek to secure access to EU funding programmes (Creative Europe, Horizon 2020 and its successor funding package) via an associated country status.
59. The UK should also commit to continued cooperation with the EU on copyright issues, particularly on legislation and action to reduce infringement.
60. The Government must have respect for copyright within treaty negotiations to counter the threat to a strong copyright regime internationally.

3. Operating under WTO rules

61. The PA assumes that the UK would only revert to operating under WTO rules if it left the EU without having in place alternative arrangements such as joining the EEA, joining the European Free Trade Association or negotiating a bespoke free trade agreement.
62. Under WTO rules the publishing industry would still be able to trade in services with the EU as currently the EU does not impose any tariff duties on books imported from third-party countries and there are no tariff duties on licensing of copyright.
63. However, WTO rules have no provisions for freedom of movement, so under this scenario free mobility between the UK and the EU would cease. In such a circumstance this could hamper the publishing industry's ability to hire the skills it needs. As the publishing industry hires a disproportionate amount of people from the EU compared with the rest of the UK economy, this would have a significant impact on the sector.
64. Additionally, as already outlined, the easy movement of academics and students is crucial not just to academic publishers but to the status and impact of UK-based research.
65. Operating under WTO rules would also make it more difficult for the UK to access EU science funding. Non-EU countries can currently access research funding by becoming an associate country. But [current EU rules](#) state that this status will only be open to candidate countries or members of the European Free Trade Association. Only Israel has associate country status without having to accept some form of freedom of movement, and this arrangement was made before freedom of movement was incorporated into EU law.

66. Therefore under WTO rules the UK would likely have to become a non-associated third country participant. Third party countries have varying arrangements with Horizon 2020 and there is no single model, meaning the extent to which UK-based institutions would have access to Horizon 2020 funds would depend on what type of deal the UK negotiates with the EU.
67. The UK currently is a net beneficiary of EU science funding and therefore any loss of funding would damage the UK's ability to produce world leading research unless the Government replaced this with new strategies for domestic investment.

Conclusion

68. Almost 40% of our members we surveyed said that the main opportunity following the Brexit vote was a strong Government commitment to the existing copyright framework. Publishers also said the vote to leave the EU could be an opportunity for the UK to legislate to create stronger copyright rules to encourage investment in the UK and to protect creators.
69. There is also an opportunity for publishers to take advantage of fast growing markets. Although Europe is currently the biggest export market for publishers, 40% of our members said that North America would be their most important export market post-Brexit and 29% identified South and East Asia as the most important. This compares with 10% who selected Europe.
70. To help publishers take advantage of these markets, the Government should start tackling trade barriers, such as with countries which impose tariffs on books or impose non-tariff barriers which similarly restrict trade. For example in Nigeria there is a 50% import tariff and levy on print books and in China there are restrictions preventing international publishers from operating in the country.
71. Publishers also suffer from the problem of intellectual property erosion and infringement in overseas markets, and therefore would benefit from continued and vigorous UK support on IP overseas.
72. The UK should also make the strong protection of intellectual property rights a red line in all future trade agreements worldwide.