

Should Standards Be Free?

This issue has been a point of much contention, one that the standards industry has turned into a public discussion. Following is an opinion which represents one side of the debate.

1998 World Standards Day Paper Competition
Sponsored by the
World Standards Day Planning Committee and the
Standards Engineering Society

The Myth of Free Standards: Giving Away the Farm

by Andrew N. Bank
Vice President, Business Development
Techstreet

First Place Winner

Why was this paper written?

World Standards Day is an annual event celebrated by the standards and business communities to focus national attention on the importance of standards to all sectors of commerce, industry, and government. In 1998, World Standards Day was observed on September 23. In addition to week long activities to highlight the role of standardization, a paper competition was held on a given topic.

The paper competition is sponsored by the Standards Engineering Society in cooperation with the World Standards Day Planning Committee. This year's paper competition topic was "Standards for Fee or Free: What are the Consequences?" This year's winning entry was awarded to Andrew Bank, Vice President of Business Development of Techstreet, during the annual World Standards Day Dinner on September 23, 1998 in Washington, DC.

The paper topic was intended to make a case for whether U.S., regional, and/or international standards should be fee-based (as most are now) or provided free of charge to all interested parties. "Standards for Fee or Free" is becoming a contentious issue as global trade expands and more companies are compelled to standardize their products and services. Some standards users and standards publishers believe that the standards and specifications which necessarily allow companies to compete in the global market should be free of charge. But other users and publishers believe that standards development and implementation is an expensive undertaking and holds a pricetag to be shared by all.

This year's winning paper details the many reasons why standards should not be free.

[Read the paper online](#) or [click here](#) to request a paper copy of the essay.

The Myth of Free Standards: Giving Away the Farm

"Information" has become the newest buzzword in our fully-integrated Internet culture. With the pervasiveness of personal computers and kids learning how to surf the Web at an increasingly younger age, information is now at your fingertips with just the click of a mouse. As Thomas Jefferson said nearly 200 years ago, information has truly become "the currency of democracy." The free flow of information can facilitate public empowerment, corporate productivity, and greater prosperity and education among a population.

However, even Jefferson would not claim that information should be given away for free. In the case of standards information, it should not.

If information is the currency of democracy, standards are the bridges that link global trading partners. Standards are a unique type of information and their widespread circulation and incorporation into products and services is essential for eliminating barriers to trade. A growing consensus among standards developers and users contends that making standards available at no cost will further their use and development, thereby strengthening bridges and shrinking barriers to trade. Nevertheless, proponents of free standards are forgetting one important fact: bridges have to be designed, constructed and maintained. Giving standards away free will eliminate the most significant source of funding for standards development. It will also create a greater imbalance of support between contributors and non-contributors (to the development process) and lead to a host of other problems. The cost of standards has become a confounding and contentious issue. This essay seeks to resolve the question of "Standards: Fee or Free?"

The Fundamental Reasons

The standards development process costs a great deal of money. This fact is not new, but a good portion of standards users fail to understand the many steps required to provide them with the standards that they so eagerly desire. There are significant expenses other than the cost of printing and distributing printed editions.

Much like the United Way or any other volunteer organization, standards developers spend time and resources on coordinating the efforts of volunteers in the development process. From the moment a standards project is initiated through its arrival on a user's desk (or computer screen), funds are spent on testing, materials, meetings, distribution of draft documents, balloting, and adoption of the initial project as a standard. Every five years, a standard must be revised, reaffirmed, or withdrawn to address current technology. All of these activities require a full time staff employed by the standards developing organization (SDO). While some organizations can operate with a small support staff, others like ASTM and ASME require dozens of people dedicated to supporting the efforts of their respective volunteers.

Once a standard is developed, there are additional costs for publishing, printing, and public relations. Users frequently require assistance in finding the standards appropriate for their needs, thereby requiring a staff of information specialists to provide support. There are also

considerable resources spent on promoting the acceptance of standards in the marketplace. SDOs regularly invest in the education of federal, state, and local officials to prove the merit and integrity of standards and the development process. Since users rely on market acceptance of standards to operate commercially, this is an important function provided by SDOs.

The distribution and access systems may be the most significant costs of standards development. Catalogs are created and maintained so users know what is available. Distribution outlets are staffed to provide fulfillment by printed editions or other formats. In the case of electronic dissemination, the costs of printing and distribution are less, but there are weighty costs for electronic document publishing, electronic file maintenance, facilities and equipment for providing online or other methods of access, and customer support for electronic applications.

Standards as Commodities

Information is any bit of knowledge or data which provides the recipient with a greater understanding of their competition or market, or which provides an advantage in dealing with a future event. Information fuels technology, innovation, and creation. Information is a critical component of design, production, and manufacturing. Information can build profits, increase efficiency, and keep you ahead of the competition. Virtually all companies would place a value on gaining these competitive advantages, so we can safely assume that companies would (and do) pay for information. Information holds value. Information is a commodity.

Standards are no different. An industry standard which dictates the consensus rules for designing, manufacturing, testing, inspecting, or installing a product or service on the commercial market holds significant value. Standards strengthen a company's position in national and foreign markets, ensure product quality and safety, and set them ahead of their competition. Consequently, standards are undeniably critical pieces of information. If a company needs to comply with regional or international standards to get a product to market, they should be willing to pay for the information required to do so.

Like other forms of information, the use of standards is an investment in the success of a product or service. Ford Motor Company pays for demographic information on customer preferences in China -- an investment in foreign markets. Citibank pays for credit information on their cardholders -- an investment in maintaining its collection rate. University students pay for textbooks -- an investment in their education. If using a standard is considered necessary for the success of a product or service, then standards users should not see it differently than obtaining any other component of the product.

Contrary to the popular beliefs spawned by our Internet culture, information is not free. Like all other commodities, information trades at a market value based on supply and demand. Standards too should be traded on a supply and demand basis, fetching a cost that pays for their development and funds the publishing, marketing, and distribution processes.

Reducing the Incentive for Private Innovation

Third-party standards providers are some of the most adept organizations at selling information, including the niche market of standards. Fueled by increasing sales, healthy cash flow, access to the newest technology, and a vastly different corporate structure than SDOs, they combine innovative products with professional information services. It cannot be denied that these private standards providers significantly improve the access to and distribution of standards documents. Nevertheless, while these companies may voice their opinion in this debate, only SDOs will make the final decision on "fee or free."

If SDOs decide to make standards available free of charge, users will be quick to find the free sources. Consequently, private companies could no longer expect to earn profits on document sales and information services. Naturally, we would see a quick demise of the products and services, and possibly even the companies themselves, that have complemented the standards community for so long. Some SDO administrators and standards users would praise their passing. But the truth is that these companies are an integral part of the international standards community and without them, the information infrastructure will suffer. Powerful Web databases, subscription services, electronic media formats, free information searching, and professional assistance in finding standards information will be harder and harder to find.

Certainly, SDOs could pick up some of the slack from diminished corporate presence. But unless they receive vast influxes of cash (and it won't come from standards sales, will it?) and technical expertise, then most likely, users will be left without the valuable tools that private companies provide. Before making standards free of charge, we should examine standards users' dependence on these companies and decide if the decision will be worth the sacrifice that users will have to make.

Undermining the Perceived Value of Standards

We already have determined that standards are commodities that possess significant value. The value of a standard is determined primarily by its usefulness in gaining market acceptance of the product and the success of the standard in improving safety and quality of the product. However, a standard's value is also determined, to a lesser extent, by something less tangible, something more attributable to the quirks and psyche of our consumer society: the price tag. Information users place a greater value on information that comes with a cost than on information obtained for free. In many cases, providing a standard free of charge would undermine much of its perceived value and use of the standard would decline.

The "you get what you pay for" mentality permeates our buying habits and has a strong impact on what we deem valuable and non-valuable. It applies to standards as much as it does to washing machines and automobiles. The price tag that an information publisher puts on its information serves as a psychological measure of value, and users are affected by this perceived value. Although the empirical value of standards is obviously determined by more concrete criteria (as stated above), the perception of monetary value does make a difference. We are a society of consumers that would tend to pose the question, "If it has no monetary value, how valuable could it be?"

By making standards available at no cost, we are effectively saying to users, "An army of volunteers just spent colossal amounts of time and money on developing this standard. It should be an essential part of your product development, one of the important requirements for market acceptance, and the blueprints for the utmost safety and quality of your product. Now, here it is for free." How credible are our statements of value and integrity if we give standards away for free? Imagine buying a new washing machine. You are at the store, reading the features listed on each machine and comparing price tags. You come to a machine that claims to do everything that the others do, but it costs \$300 less. Do you quickly write a check and take it home, or do you get suspicious and wonder why in a whole store of \$500-600 washing machines, is this one \$200? Standards users will wonder, "in a world full of information that costs money, why are standards given away for free?"

Judith Gire, Professor of Law and Director of the Law Library at Franklin Pierce Law Center, has firsthand experience on this issue. "In my experience as a librarian, when people get their information for free, they place less value on its usefulness and its integrity." Professor Gire also said that years ago, before they charged for the information provided through their law library, users were scarce, they gave less weight to what they received, and less respect to the people providing the information. "But after instituting a pricing policy for research and for the information received, people started using the library much more and they put a greater value on the information received," she said.

Granting License to Violate Copyright

"It's free, so I can copy it." These words are often spoken by copyright neophytes, Internet surfers, standards users, and many others who mean well but fail to understand the complexities of copyright law. Volumes have been recorded about the virtual thievery that takes place on the Internet. Many information seekers regularly duplicate anything that looks interesting, using it freely in presentations, term papers, advertising, and articles of their own. The central impetus for their misguided literary urges is a basic ignorance of copyright law. Many users believe that only fee-based information is copyrighted. Others believe that only individual authors have protection under copyright, while others have the oddly false notion that

only the most commercially published information is protected, i.e., books, newspapers, and journal articles.

All of this confusion is obvious in the standards community. Even though standards currently come with a price tag, many users believe that the documents are in the public domain and therefore have no copyright protection. Standards users often decline to purchase multiple copies of documents because they think they can simply copy what they have on hand. Eliminating the price tag will only worsen the problem.

Providing standards information free of charge will relegate standards to the class of information that is generally deemed free to copy. It will result in a proliferation of unlawful duplication, effectively granting users a license to violate copyright. Without a second thought or any mention of sources, users will distribute text and graphics, duplicate the information on their own servers, and incorporate portions of text into presentations, advertising, and articles of their own authoring.

Tom Field, Professor of Intellectual Property Law at Franklin Pierce Law Center agrees with this and compares it to the case of Freeware. Freeware is software that is generally deemed legal to copy and distribute although in most cases, there are conditions set by the software developer. Professor Field remarks that people obviously copy and distribute the programs legitimately, but that a greater frequency of people go beyond those limits, using the software in ways that they should not. Field says, "I see the software being used on intranets, on Web sites, and some people even tweak and rewrite the software to their own liking. They think that since it's free, it belongs to the world."

Laura Gasaway, Professor of Law and the Director of the Law Library at the University of North Carolina said the Internet has exacerbated the problem of understanding copyright on free information. "This is from personal experience doing copyright law workshops for librarians and teachers -- they mix up 'public domain' with 'publicly available'." The prevailing attitude toward copyright protection and free information should convince standards publishers to think twice before putting standards into possible peril.

Membership Fees Will Increase, Causing Greater Inequity*The Belly and the Members**by Aesop*

One fine day it occurred to the Members of the Body that they were doing all the work and the Belly was having all the food. So they held a meeting, and after a long discussion, decided to strike work till the Belly consented to take its proper share of the work. So for a day or two, the Hands refused to take the food, the Mouth refused to receive it, and the Teeth had no work to do. But after a day or two the Members began to find that they themselves were not in a very active condition: the Hands could hardly move, and the Mouth was all parched and dry, while the Legs were unable to support the rest. So thus they found that even the Belly in its dull quiet way was doing necessary work for the Body, and that all must work together or the Body will go to pieces.

The standards development process is similar to the "Body". Volunteers, SDO coordinators, SDO members, and paying users all play an important role in the process. If paying users suddenly ended their financial contribution, the process would break down.

In the current state of affairs, most SDOs depend on operating revenue from one of two sources: standards sales and annual membership fees. In order for organizations to meet their annual operating budgets, they must obtain sufficient funds from one or both. Therefore if standards sales decrease, membership fees must increase. As long as SDOs have cut costs wherever possible, there are no alternatives.

Companies and individuals that invest in membership have a strong voice in the standards development process, leading to standards that are more favorable for their particular product or service. They often benefit from a reduced cost for purchasing standards. Standards users who opt not to become members and do not participate in the development process still gain significant benefits from standards; they incorporate standards into their products or services and gain market acceptance through the use of the standards. The cost of standards represents users' contributions to the development process. The harmony of standards sales and membership fees offers a fair and equitable way for members and non-members (or paying and non-paying users) to jointly support the standards development process.

But what if standards were free to all non-members? What if the companies and individuals that previously paid their way by purchasing standards were no longer required to do so? If this were the case, companies and individuals would sit back and be spectators in the standards development process yet still have every right to incorporate the resulting intellectual property into their product or service thereby gaining market acceptance.

What if users paid nothing for the considerable advantage gained in the marketplace? First, the cost of membership would rise. As described above, if sales revenue consistently declines, membership fees would have to make up for the loss. According to figures published for 1997, ANSI's publication sales make up approximately 65% of total revenue, while membership fees total about 20%. If standards were free, ANSI would have to raise membership fees over 30% to recover the lost revenue from standards sales. Consequently, in any association, fewer companies and individuals would maintain their memberships, and it would be more difficult to attract new members.

Furthermore, as membership fees rise, a greater inequity of benefits would become apparent. Standards users who pay nothing for membership or participation and obtain standards free would gain significant benefits. Members who do pay the increasing membership fees would gain a voice in the development process, but they would also begin to fund the standards use of all non-members. As time goes by, the disparity in contribution versus benefits would become more apparent, creating bitterness among paying companies. More companies would drop their memberships due to rising fees, and an increasingly smaller percentage of the commercial population would be funding the standards development process. This situation is a downward spiral that would lead to increasing anger among the paying companies, less revenue for standards developers, and less participation by standards users.

An analogous situation already exists at ANSI. Members of the ANSI Federation have been funding the international standards programs for many years, but they are no longer willing to pay for the participation of those who receive the benefit of national or international participation without paying their fair share of costs. In 1995, the ANSI Board of Directors established an Ad Hoc Group to study the factors affecting the Institute's short- and long-term financial well-being. One of the Group's Agreements in Principle was: "The value of ANSI shall rely on meaningful participation and useful information, but that value shall not be given away. Those who directly benefit from a given service shall be required to pay for that service." (http://web.ansi.org/public/ansi_info/funding/background.html)

Companies and individuals have to accept the fact that in order to gain benefit from standards, they must participate in and help pay for the development process. Not every company can afford the costs of participation, but most companies can afford the cost of purchasing standards.

The Bottom Line: Be Rational!

The standards funding and development process is not ideal. Instead of cutting our nose off to improve the look of our face, we should give ourselves a nose job; we should be dreaming of novel solutions. One solution is to fully exploit the Internet. When the Web first reared its pubescent head, it was immediately apparent as an excellent medium for exchanging ideas and delivering information. Yet even now, only a few SDOs have taken advantage of all the possibilities available to them. We should also take a step back and view standards as a product marketed to users. What do users want and what have we given them? Apparently, users are unhappy with the status quo. Delivering straight content is not enough anymore; the key to future success is offering value-added, content-rich business solutions with a choice of format and pricing models. We need to maintain users' participation as well as their funding, which can come with streamlined methods of development.

We should all agree on the importance of standards sales revenue and the equity that standards sales bring to the funding and development process. The pricing of standards may very well need an examination to determine if it is fair and financially sound. But the common rationale for eliminating the fee-based system is a myth: the cost of standards is not prohibitive to their use, nor will the elimination of fees jumpstart the global standardization process for companies who are not already involved. The negative consequences of free standards are clear and compelling: under-funded SDOs, less innovation in distribution and access, reduced value placed on standards information, increased copyright violations and greater inequity in the funding process. Let us now turn to our alternatives and work together to materialize the solutions. Otherwise, standards publishers, purveyors and purchasers might begin to see "For Sale" signs affixed to the "homesteads" of many SDOs and third-party standards providers -- to the detriment of us all.

Please send questions or comments to Andrew Bank at: andrew.bank@thomsonreuters.com.

