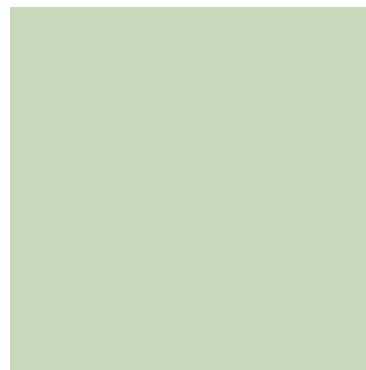
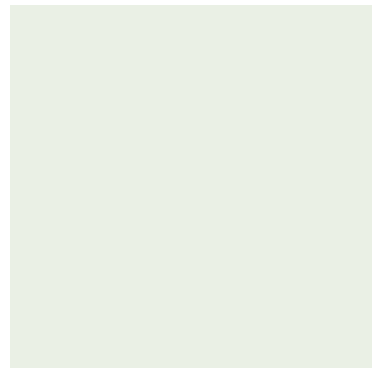
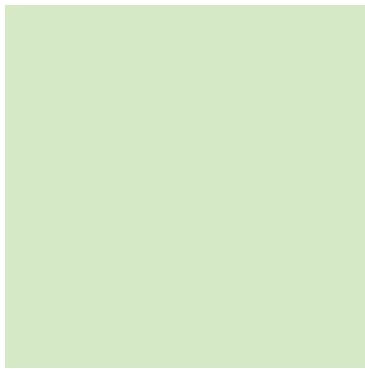
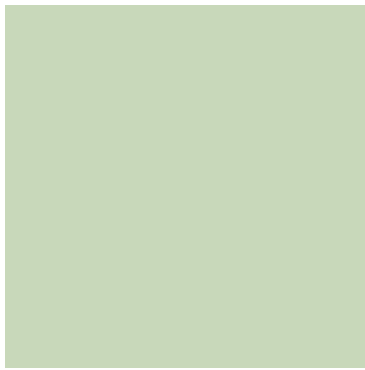




ELENDING LANDSCAPE REPORT 2014



BACKGROUND

In December 2013, the Australian Library and Information Association (ALIA) commissioned Brussels-based Civic Agenda to produce a worldwide elending landscape report, identifying public library-led initiatives to secure ebooks for borrowers.

This report is the latest step in a project, delivered in collaboration with the National and State Libraries of Australasia (NSLA) and the Council of Australian University Librarians (CAUL), that has involved think tanks held around Australia; formal discussions with library leaders, including the ALIA ebooks and elending reference group, and the publication of a series of papers on the ALIA website (www.alia.org.au).

These activities have helped move the conversation with other book industry stakeholders forward, but Australian public libraries continue to experience great difficulty in obtaining ebooks for elending and finding a platform that will meet the desired criteria.

- A secure, trusted repository that contains ebooks from the big publishers, as well as from authors direct, and from local publishers
- Content procured at a fair price
- Providing access to local history content
- Library branded
- Providing content that can be accessed from all sorts of devices
- With a clever discovery layer
- The options of loan or buy.

This landscape report on elending platform developments internationally is intended to help identify practical solutions for Australian public libraries.

For more information about the ALIA ebooks and elending project, visit our website or email advocacy@alia.org.au.

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1 INTRODUCTION

The development and expansion of the global ebook market and associated models for library lending are still in an evolving state of flux and uncertainty. Publishers continue to exhibit concerns surrounding the potential erosion of long term revenue streams, which are often designed into the pricing and licensing regimes offered to libraries or result in library access to their ebook catalogues being withheld. Many of these fears overlook the fact that in many respects piracy represents an equal threat to the ambitions of both publishers and libraries. (Publishers want to monetise their product and libraries want to pay to offer public access to that product.) Furthermore, libraries play a key role in fostering a continued culture of reading (an essential ingredient for future publishing profits) and socialising the next generation with a culture of legitimate free access/consumption via controlled library lending (financed by library purchasing) as opposed to unlimited illegal access/consumption.

On a positive note, evidence¹ from the US market at least suggests that publishers are generally moving to make more ebooks available to libraries, with some restrictions. In 2012, three out of the big six publishers (Hachette, HarperCollins, Macmillan, Penguin, Random House and Simon & Schuster) were still refusing to make their ebooks available to libraries. By 2013 all but one of these major publishers had revised their position to make at least some of their digital titles available to libraries. Indeed that one remaining publisher, Simon & Schuster, launched a pilot lending project with three New York libraries in March 2013, offering access to its entire catalogue for one year.²

If we tentatively assume (on the basis of recent developments in the US market) that the prevailing trend is inexorably moving towards greater (as opposed to less) library access to digital titles, the primary focus of the lending debate from a library perspective is likely to hinge increasingly upon the costs associated with acquiring, licensing and delivering ebooks to their patrons. Current differential pricing rates for ebooks offered to libraries, as opposed to consumers, certainly illustrates part of the problem. For example, in January 2014 the fourth bestselling ebook on the New York Times fiction list, *The Goldfinch*, is available to consumers via Amazon for US\$7.50, but is only available to libraries via aggregators Overdrive and 3M for US\$90.00 (a mark-up of 1,200%).³

1 Urban Libraries Council, Briefing Paper: Libraries, Publishers and Public Access to Ebooks, page 3

2 Ibid, page 3

3 Douglas County Libraries Report, Pricing Comparison as of January 3 2014

In addition, with publishers adopting an assortment of different pricing and licensing regimes designed to artificially inject friction in to the lending process, limited library collection budgets are struggling to support access to an appropriate range of digital titles, whilst financing third party distributor charges and administering user-friendly lending systems for patrons. Indeed, most libraries are currently attempting to run physical lending and lending services in parallel, while budgets remain static or decrease, which adds further pressure on library systems to secure access to more affordable digital content. Finally, in a context where most ebooks are leased rather than owned, switching distributors runs the risk of shutting off access to previously purchased digital titles.

In response to these challenges, library systems in Canada, the United States and Europe have been exploring a variety of new approaches and models for lending. These library-led initiatives are designed to address a range of objectives including securing access to a wider range of more affordable digital content, developing alternative library platforms which bypass mainstream aggregators and publishers, investing in library infrastructure to improve patron experience and discovery of titles from a range of sources, as well as steps to increase direct ownership of digital titles and minimise reliance on licensing.

2 METHODOLOGY

This report examines a selection of library-led initiatives in Canada, the United States and Europe. These initiatives include library-managed platforms for accessing and licensing digital content from multiple sources; library consortia led licensing arrangements with aggregators, and library-developed platforms for hosting owned digital content. Each case study includes:

- Overview of the initiative
- The original motivations and objectives behind the initiative
- Key domestic market dynamics (library expenditure versus size of commercial market)
- Specifications and scope of the initiative
- Assessment of the long term viability and sustainability of the initiative.

3 CANADA

3.1 PUBLIC LIBRARY EBOOK LENDING INITIATIVE — CANADIAN URBAN LIBRARIES COUNCIL

3.1.1 OVERVIEW OF THE INITIATIVE

In February 2013, the Canadian Urban Libraries Council (CULC) issued a request for proposals for its Public Library ebook Lending Initiative. The objective was to invite proposals from potential vendors to develop 'a made-in-Canada solution that will provide ebook lending capabilities to all Canadian public libraries from Canadian publishers'.⁴ This request for proposals was based on on-going discussions and negotiations with eBOUND Canada — the digital publishing arm of the Association of Canadian Publishers.

3.1.2 MOTIVATIONS AND OBJECTIVE BEHIND THE INITIATIVE

The primary aim of the CULC initiative was to increase the scope of Canadian public library access to digital content whilst developing 'a solution wherein patrons are permitted to seamlessly borrow, purchase and download content within the public library's existing discovery layer, without the appearance of leaving it'.⁵ The project also sought to expand access and increase the discoverability of indigenous Canadian digital titles. The ultimate objective was therefore to develop a Canadian-controlled infrastructure for the storage and distribution of digital content which could manage multiple lending agreements between libraries and publishers — as well as transactions between libraries and patrons.⁶

3.1.3 COMPARATIVE MARKET DYNAMICS

Figures for 2012 indicate that the Canadian book market was worth an estimated \$973 million Canadian dollars — 15% relating to ebook sales.⁷ In 2013, CULC member libraries spent \$105 million (Canadian dollars) on collection content of which \$12 million was allocated to digital content, which adds up to approximately 11% of the commercial book market and 8% of the digital book market. Furthermore, in certain publishing sectors, public library spending on printed material can account for up to 25% of that commercial market sector. It should be noted that CUCL member libraries account for approximately 80% of all library use in Canada.

4 CULC, Public Library eBook Lending Initiative, Request for Proposals, July 2013, page 3

5 Ibid, page 3

6 Ibid page 3

7 Booknet Canada, 2012 Market Snapshot

3.1.4 SPECIFICATIONS AND SCOPE OF THE INITIATIVE

The proposed 12 month pilot project would initially launch across four CULC library systems, Hamilton, Ottawa, Toronto and Vancouver public libraries, and potentially support as many as eight million ebook loans over that period, to around four million users.⁸ The intention was to include at least 10,000 titles from Canadian publishers (including French language titles). It was anticipated that each library system participating in the pilot would acquire funding to purchase around 10,000 ebook titles, with payment spread over several years.⁹ It was hoped that beyond the pilot period, the platform would be extended to all CULC members, encompassing several hundred library systems.

The long term initiative would be underpinned by a formalised agreement between CULC (representing Canadian public libraries), eBOUND (representing Canadian publishers) and selected vendors providing the infrastructure and hosting requirements of the platform. This agreement would allow public libraries to access digital content from any publisher without having to enter into contracts with multiple distributors.¹⁰ The resulting platform/technical infrastructure should be designed to deliver a robust, stable and scalable solution which would be capable of iteratively responding and adapting to an evolving market for digital content and its underlying technologies. It was also stipulated that the prospective platform should support Digital Rights Management (DRM) via Adobe Content Server to protect content and apply lending rules, and store digital content which is compatible with existing ereader applications (or develop suitable applications for Apple/Android devices).¹¹

The proposed platform included a number of distinguishing characteristics, notably the capacity for participating libraries to include a 'buy button' in their discovery layer to support commercial purchasing of titles by patrons (as an alternative option when a particular item was unavailable). The selected vendor platform would be responsible for developing Application Programming Interfaces (API's) which were capable of integrating with the discovery layers/ Integrated Library Systems of participating libraries (including supplying relevant metadata).

8 CULC, Public Library eBook Lending Initiative, Request for Proposals, July 2013, page 4

9 CULC, Vendor Questions from the RFP, February 2013, page 7

10 CULC, Public Library eBook Lending Initiative, Request for Proposals, July 2013, page 5

11 CULC, Public Library eBook Lending RFP Technical Requirements, Appendix B (Excel file opens from link on page)

3.1.5 INITIATIVE VIABILITY AND SUSTAINABILITY ASSESSMENT

On 27 November 2013, CULC issued a press release announcing that after several months of negotiations with the selected vendor the conclusion had been reached that the proposed Canadian ebook platform 'could not be developed at a cost that was sustainable for all parties while still achieving the goals of the pilot project.'¹²

Much of the impetus for this decision came from concerns that future cost projections were subject to a high level of uncertainty and that the current project would not be scalable past the four pilot libraries involved to serve smaller Canadian library networks. Jefferson Gilbert, Executive Director of CULC subsequently commented that one of the key questions which the project had sought to answer since its inception in 2012 was whether the problem they were trying to solve needed a \$200,000, \$2 million or \$20 million solution. Mr Gilbert suggested that in the first two instances there was significant scope for CULC to lead the charge, but the latter circumstances would effectively constitute an insurmountable barrier.¹³

In retrospect it should be considered that the scope of this project was impressive in both innovation and ambition, and that despite the failure to implement the pilot, significant progress was made as a result of the developmental phases of the initiative. This progress is illustrated both in the project's overall contribution towards nudging the needle of publisher and aggregator perceptions and future plans (most major multinational publishers now make their content available to libraries in some form) — as well as the baseline technical specifications generated by the CULC project, which have subsequently been shared with vendors via the Readers First initiative. Throughout the duration of the project, CULC has also developed a range of helpful resources¹⁴ including vision papers, ebook pricing models and statements, along with a list of all stakeholders consulted, which collectively serve as a valuable foundation for future attempts to navigate this complex ecosystem and generate subsequent solutions.

12 CULC, eBook RFP ends without a pilot, 27th November 2013

13 Phone interview with Jefferson Gilbert, Executive Director, CULC, February 2014

14 CULC/CBUC work on eBooks and Public Libraries

4 UNITED STATES

4.1 DOUGLAS COUNTY LIBRARIES ELENDING PLATFORM

4.1.1 OVERVIEW OF THE INITIATIVE

In 2011, Douglas County Libraries (the third largest library system in Colorado) launched a new self-hosted ebook platform which, in its first 12 months of operation, secured the support of 10 small and medium publishers, including the Colorado Independent Publishers Association (CIPA).¹⁵ By June 2011, Douglas County Libraries (DCL) had secured access to over 7,000 ebook titles for its seven member libraries serving nearly 300,000 users.¹⁶ In March 2012, an updated version of the platform was released integrating leased Overdrive titles, and by September 2013 the DCL collection of directly hosted ebooks reached 35,000 (including 10,000 self-published works through distributor Smashwords).¹⁷

4.1.2 MOTIVATIONS AND OBJECTIVE BEHIND THE INITIATIVE

The initial motivations behind DCL developing its own in-house ebook platform arose from a multitude of interdependent factors. From 2009–2010, US sales of ebooks rose 160% alongside rising demand from library patrons to access a greater range of titles.¹⁸ At a time when most of the big six US publishers were refusing to sell ebooks to libraries, and those publishers and distributors who were still offering digital titles to libraries did so at prices which were several multiples of the print book price.¹⁹

Aggregators such as Overdrive frequently exercised their market dominance when dealing with library consortia seeking to mitigate digital content costs across their library systems — a tendency well-illustrated by its 2010 proposal during (ultimately unsuccessful) negotiations with Kansas State Library of ebook price increases totalling just under 700% over a three year period.²⁰ Indeed, the propensity of aggregators including Overdrive, 3M and Baker & Taylor to unilaterally raise prices, cut off library access to previously licensed content in the event of contractual termination, and insist on library patrons being directed to external proprietary platforms and interfaces when checking out digital titles were all cited as key motivations for DCL to look for alternative solutions.²¹

15 Douglas County Libraries' DIY Ebook Hosting, ALA TechSource, March 13th, 2012

16 Carson Block Consulting, DAZL Report, 2012, page 8

17 Information Today, Own Your Own Ebook Lending Service, Monique Sendze and Laurie Van Court, Sept 2013

18 Information Today, Own Your Own Ebook Lending Service, Monique Sendze and Laurie Van Court, Sept 2013

19 An open letter about eBooks and Douglas County Libraries

20 Information Today, Own Your Own Ebook Lending Service, Monique Sendze and Laurie Van Court, Sept 2013

21 Ibid

In addition, DCL felt that this status quo denied libraries access to further significant sources of digital content, including titles from independent and medium sized publishers, local historical documents and self-published works. In a context where self-published titles represented the fastest growing segment of published content (projected to rise from 350,000 new titles per year in 2011 to 600,000 new titles per year in 2015), the case behind developing a new approach to acquiring, managing and lending ebooks became increasingly attractive.²²

4.1.3 COMPARATIVE MARKET DYNAMICS

The value of the US trade book market in 2012 was US\$15.5 billion, with ebooks accounting for 20% of those sales (US\$3 billion).²³ Figures from 2010 indicate that US public libraries spent US\$847 million on printed materials and a 2013 report from OCLC estimates that 2012 public library spend on ebooks was in the region of US\$30.8 million.²⁴ Based on these statistics, US public library expenditure accounts for just over 5% of domestic trade in printed books and a little over 1% of the commercial ebook market.

4.1.4 SPECIFICATIONS AND SCOPE OF THE INITIATIVE

The key components of the DCL platform include Adobe Content Server software for Digital Rights Management (DRM), title searches, content purchasing and reporting; and the use of open source VuFind software acting as the digital content discovery layer (integrating with member libraries' Integrated Library Systems, providing centralised access to titles purchased/owned by DCL and additional titles leased from aggregators such as Overdrive and 3M).²⁵ DCL also developed a bespoke HTML5 ereader application based on the white label product BlueFire Reader.²⁶ Library users can either access streamed content or use the ereader application to download DRM protected EPUB files. Creative Commons licensed, public domain content and library-created content (usually scanned local historical documents) are available for unlimited simultaneous access/download (powered by MySQL).

With the exception of leased content accessed through Overdrive/3M, titles hosted on the DCL platform are effectively owned, in that DCL hosts the digital file and can therefore guarantee perpetual access or even decide to sell digital items if they are removed from the library catalogue.²⁷ In purchasing new ebooks from participating publishers, DCL seeks to apply a similar approach as that previously applied to physical books, with typical list price

22 Information Today, *Own Your Own Ebook Lending Service*, Monique Sendze and Laurie Van Court, Sept 2013

23 Paid Content, *Ebooks made up 20% of US consumer book industry in 2012*, 15th May 2013

24 OCLC, *The Big Shift*, 2013, page 11

25 Public Libraries Online, *The eBook Experiment*, Monique Sendze, January 2012 pages 4-5

26 Information Today, *Own Your Own Ebook Lending Service*, Monique Sendze and Laurie Van Court, Sept 2013

27 Carson Block Consulting, *DAZL Report*, 2012, page 11

discounts of 45%.²⁸ DCL also uses the same lending model which it previously applied to printed titles for the lending of digital items it hosts. For example, DCL purchases one ebook file per simultaneous user with a maximum loan period of three weeks (with an additional digital file purchased for every four holds on that title).²⁹

The DCL model also includes the addition of a 'click to buy' button (introduced in 2012)³⁰ which offers patrons the option of directly purchasing digital titles if they are unavailable for library loan. This mechanism arguably incentivises publishers participating in the platform by streamlining and integrating the process by which library users can potentially be converted to ebook buying customers.

In order to streamline and facilitate negotiations with future publishers to acquire additional digital titles to be hosted on the platform, DCL created a standard letter³¹ to publishers setting out how DCL will use purchased items, and it consulted copyright lawyers to produce a Statement of Common Understanding for Purchasing Electronic Digital Content.³² According to Monique Sendze, Associate Director of Information Technology at Douglas County Libraries, 'these two documents have saved us immeasurable time and effort in negotiating e-content acquisition.'³³ As of November 2013, DCL has successfully persuaded over 35 publishers (representing more than 900 imprints) to permit DCL to purchase and host their digital titles on its platform, adding up to a collection of over 35,000 digital titles.³⁴

4.1.5 INITIATIVE VIABILITY AND SUSTAINABILITY ASSESSMENT

As of September 2012, one source estimates that DCL had spent US\$785,000 on developing its ebook platform.³⁵ This figure includes US\$560,000 on acquiring digital content, US\$110,500 on outsourced technology start-up costs, US\$75,000 on technology infrastructure investment, and over US\$200,000 in additional staff time (including hiring additional technology focused staff). It is worth noting that while the open source VuFind software which manages the DCL discovery layer is free to use, the process of iteratively tweaking and adding further functionality to this software still involved consultancy costs of US\$100,000.³⁶

28 Carson Block Consulting, DAZL Report, 2012, page 11

29 Douglas County Libraries letter to publisher partners, May 2012

30 No Shelf Required, Douglas County Libraries adds 5 new publishers in eBook ownership model, 7th May 2012

31 Douglas County Libraries letter to publisher partners, May 2012

32 Douglas County Libraries, Statement of Common Understanding for Purchasing Electronic Content, January 2013

33 Information Today, Own Your Own Ebook Lending Service, Monique Sendze and Laurie Van Court, Sept 2013

34 LSTA Grant Application, Appendix A, eVoke Colorado Statewide eBook Pilot Project, 29th July 2013, page 8

35 Carson Block Consulting, DAZL Report, 2012, page 13

36 Ibid, page 33

Despite the substantial costs involved in developing the DCL platform, the model has gained significant momentum across the US library community, with Colorado's Marmot Library Network, Anythink Libraries and Wake County Public Libraries in North Carolina implementing the same approach.³⁷ In 2012, Arizona State Library commissioned investigative research designed to inform future steps towards building a proprietary state ebook platform drawing upon the foundations established by the DCL model.³⁸ In May 2013, CALIFA, the largest California library network, announced the launch of its open source enki ebook platform, which also builds upon the DCL model (see section 3.2). In June 2013, DCL reached an agreement with an established ebook system provider based in Spain, OdiloTID, to work in partnership to export an enhanced version of the DCL model to other library networks and state library systems across the US.³⁹

Perhaps even more significant is the announcement in November 2013 that DCL and the Colorado Library Consortium (CLiC) have been awarded a Library Services and Technology Act (LSTA) grant of US\$209,460 for their project proposal 'eVoke 2.0: Colorado Statewide eBook Pilot Project'.⁴⁰ The core objective of this project is to roll out the DCL model to develop a prototype ebook management system which is scalable to all libraries in Colorado.⁴¹ According to the LSTA grant application form submitted by DCL and CLiC this pilot project will develop an alpha stage eContent Management platform by October 2014⁴² with the objective of demonstrating 'a large-scale model for library managed content, through a system capable of ready replication throughout the nation'.⁴³ In January 2014, it was announced that OdiloTID will expand its partnership with DLC to 'power the Colorado Statewide eBook Pilot Project' via the OdiloConsortia platform for ebook purchasing, management and lending.⁴⁴

Finally, in February 2014, Connecticut's Department of Consumer Protections released a study on the *Availability of Electronic Books to Users of Public Libraries*.⁴⁵ The report followed a decision by Governor Daniel Malloy in June 2013 to sign Special Act 13-10, which specifically requested the Commissioner of Consumer Protection to undertake such a study. The resulting report⁴⁶ examined whether/how ebooks are being made available to public libraries, assessed the

37 The Digital Shift, Momentum builds for DCL eBook Model, May 9th 2012

38 The Digital Shift, Declaring Independence, 26th July 2013

39 Digital Book World, Douglas County Libraries Partners with OdiloTID to Expand its Library eBook Model Nationwide, 24th June 2013

40 Press Release: LSTA Awards Douglas County Libraries and CLiC more than \$209,000, November 2013

41 SWLA Policy & Research, ebooks in library advocacy, eVoke 2.0: Colorado Statewide eBook Pilot Project, 27th November 2013

42 LSTA Grant Application, Appendix A, eVoke Colorado Statewide eBook Pilot Project, 29th July 2013, page 8

43 Ibid, page 6

44 Digital Book World, OdiloTID Scores Ebook Platform Deal with Colorado Libraries, 21st January 2014

45 Infodocket, Connecticut's Dept. of Consumer Protections Releases Report on Availability of Ebooks in Public Libraries, 14th February 2014

46 Report to the General Assembly's General Law Committee pursuant to Special Act 13-10 "An Act Concerning a Study Regarding the Availability of Electronic Books to Users of Public Libraries"

problems associated with current practices and produced several key recommendations on how the state legislature might increase the availability of ebooks to library users. In its concluding chapter the study argued that 'the most forward-thinking and sustainable option the legislature could pursue to increase ebook availability at public libraries is to make a significant State-wide investment in the creation of an ebook distribution platform' along the lines of the Douglas County Libraries model.⁴⁷ Other secondary options proposed included the creation of a centralised special fund for the library purchase of ebooks, paid for by a tax on publishers who failed to offer digital content to libraries on reasonable terms (although it was suggested this might be open to challenges under the First Amendment to the US Constitution), or simply adopting a 'wait and see' approach⁴⁸.

4.2 CALIFA / CONTRA COSTA COUNTY LIBRARY — ENKI PLATFORM

4.2.1 OVERVIEW OF THE INITIATIVE

In May 2013, the CALIFA Library Group (consortium of 220 California public libraries) and Contra Costa County Library announced the launch of the open source enki ebook lending platform. enki facilitates the collective (and individual library) purchase and hosting of digital titles from self-published authors, small publishers and independent distributors, allowing participating public libraries to purchase directly and manage a significant portion of their ebook collections without licensing this content from a mainstream aggregator.

4.2.2 MOTIVATIONS AND OBJECTIVE BEHIND THE INITIATIVE

Initial motivations and objectives behind the development of the enki platform included supporting the ability of libraries to own rather than licence purchased ebooks, reducing the cost paid by individual libraries in accessing content through collective purchasing, reducing the reliance on mainstream aggregators such as 3M and Overdrive, as well as fostering greater discovery and circulation for titles from self-published and independent publishers. The overarching objective was to develop a platform which afforded participating libraries enduring access and ownership of the digital content acquired and hosted on that platform, as well as supporting individual libraries in offering their patrons access to a broader range of content than they would be able to purchase acting alone.

47 Report to the General Assembly's General Law Committee pursuant to Special Act 13-10 "An Act Concerning a Study Regarding the Availability of Electronic Books to Users of Public Libraries", page 15

48 Ibid; page 18

In particular, Contra Costa County Library's early support and collaboration with CALIFA on the development of the enki platform stemmed from previous experiences with Overdrive (at a time when they represented the only aggregator in the US market, prior to the arrival of Axis 360 and 3M). In 2008, after investing significant resources in acquiring content for a shared platform, Contra Costa County Library (CCCL) received communications from Overdrive which stipulated that continued participation in that platform would result in CCCL's removal from the shared Overdrive digital content platform. The end result was the CCCL was required to enter into a separate agreement with Overdrive, which involved new platform costs and purchasing new content.

4.2.3 COMPARATIVE MARKET DYNAMICS

See section 3.1.2 which covers the US market.

4.2.4 SPECIFICATIONS AND SCOPE OF THE INITIATIVE

The enki platform currently hosts 18,000 titles from more than 50 participating publishers and is open to all public libraries in California. Self-published content is acquired through distributor Smashwords. Ebook titles are made available on a one user per licence model, so multiple licences need to be purchased in order to support simultaneous usage/lending. In addition, Kansas State Library provided the enki platform to all libraries in Kansas after contributing towards its initial development costs. Other library consortia and state library networks have also expressed interest in following suit.

The enki platform uses a modified version of open source software (VuFind+) as its discovery layer and Adobe Content Server software to store metadata and handle DRM. Titles are made available in EPUB and PDF format and can either be streamed or downloaded to a range of devices using the white label Bluefire reader application.

4.2.5 INITIATIVE VIABILITY AND SUSTAINABILITY ASSESSMENT

The enki platform is currently financed by US\$300,000 of grant funding (US\$200,000 from California State Library and US\$100,000 from the Bay Area Library and Information Network) alongside varying contributions from participating libraries (Contra Costa County Library and Kansas State being the largest contributors).⁴⁹ According to 2012 estimates, enki start-up costs involved spending US\$115,000 on information technology and infrastructure costs (including US\$10,000 for Adobe Content Server Licence, US\$25,000 for VuFind+ development and implementation, and US\$30,000 annual hosting costs); and US\$60,000 on digital content.⁵⁰ It should be noted that these estimates do not include library staff time costs associated with the platform.

49 The Digital Shift Library Journal, June 26th 2012

50 DAZL Report, Carson Block Consulting, September 2012, page 35

CALIFA and CCCL are currently investigating options for additional grant funding for the enki platform, including an application to the Institute for Museum and Library Services (IMLS) to develop enki into a national public library content platform.

Generally speaking, enki is a significant development in that it offers participating libraries direct access and control over digital titles which are hosted within a library-sponsored ecosystem. Alongside other library-led lending initiatives in the United States, it demonstrates to digital content aggregators/distributors and publishers that libraries can and will pursue alternative options and approaches when the mainstream terms for access and licensing are deemed unsatisfactory. That said, it is clear that in its current form, enki remains a supplementary resource, with libraries still making additional arrangements with Axis 360, Overdrive and 3M (among others) in order to access the most popular titles. In addition, as with the Douglas County Libraries model, the costs of developing a bespoke digital content hosting and access system, particularly one which needs to function across a range of different Integrated Library Systems, remain considerable, even when much of the architecture is open source.

4.3 MASSACHUSETTS LIBRARY SYSTEM EBOOK PILOT

4.3.1 OVERVIEW OF THE INITIATIVE

In November 2013, the Massachusetts Library System (MLS) announced the launch of a six month ebook pilot project to explore different models and platforms, in cooperation with partners Baker & Taylor and Bibliolabs. In February 2014, MLS announced a further partnership with EBL (Ebook Library) offering access to an additional 170,000 titles.⁵¹

4.3.2 MOTIVATIONS AND OBJECTIVE BEHIND THE INITIATIVE

The primary objective of the pilot, identified by the Massachusetts Board of Library Commissioners (MBLS) is to expand access and availability of ebooks to Massachusetts library users. The project also sought to address the problem that while demand for ebooks from patrons had increased by over 5,000% between 2005–2012, vendor lending restrictions mean that many Massachusetts library users have limited access to these digital resources. It was contended that this experience of 'digital lockout' represents the opposite to the 'democratic library principle of equal, free and open access to all.'⁵²

4.3.3 COMPARATIVE MARKET DYNAMICS

See section 3.1.2 which covers the US market.

51 MA Ebook Project, EBL Joins the MA Ebook Project, 26th February 2014

52 FY2015 Legislative Agenda

4.3.4 SPECIFICATIONS AND SCOPE OF THE INITIATIVE

Under the MA ebook pilot, project partner Baker & Taylor will make over 3,000 ebooks available to 51 libraries in the Massachusetts Library system via the Axis 360 platform in EPUB, PDF and Blio format.⁵³ The Massachusetts Collection Development Taskforce will be able to select ebooks from a choice of 500,000 titles on the Axis 360 portal. At the same time, Bibliolabs will offer more than 30,000 ebook titles via its BiblioBoard platform on an unlimited multi-user basis.⁵⁴ In addition to ebooks the BiblioBoard system offers access to hundreds of curated collections of digital images, documents, audio and video content organised by theme. Bibliolab's collection is built upon historical (and presumably out of copyright) content, alongside a growing selection of contemporary published content including children's books, graphic novels, comics and non-fiction. EBL will offer a short-term loan model, which will allow access to over 170,000 ebooks (primarily academic and professional subject area titles) for unlimited multi-use access. MLS is in the process of working with all three vendors to engage with publishers to increase access to additional content and deliver fairer pricing models.

A distinguishing feature of the MLS project is that it involves the participation of school, academic and special institutional libraries alongside public libraries. Members of the pilot libraries are involved in all aspects of the project, including collection development, promotion, training and sustainability.

4.3.5 INITIATIVE VIABILITY AND SUSTAINABILITY ASSESSMENT

Following the success of the six month pilot project, the long term goal is to create a single ebook platform and shared collection for all 1,700 Massachusetts libraries and their patrons. This initiative would serve three key priorities: (1) confirmed ownership (or perpetual access) to all platform titles; (2) a user-friendly patron experience (potentially supported by a state-wide library card, and simplified/integrated search, discovery and authentication systems); and (3) expanded local content provision through developing connections with local content providers.⁵⁵

The costs of this initiative in the form of platform fees, content and promotion materials are supported by US\$165,000 in MLS funding and a further grant of US\$150,000 from the Institute for Museum and Library Services (IMLS). In terms of financing the future costs of the project, MLS plans to supplement its initial funding with a 'sustainable, equitable funding model created and developed by representatives from public, school, academic and special libraries for continued purchasing of online content'.⁵⁶

53 MLS Press Release, 25th November 2013, page 1

54 Ibid, page 1

55 Ending the Digital Lockout & Goals of the MA eBook Project, 27th December 2013

56 MLS Statewide eBook Project, Slideshare presentation by Deb Gerety Hoadley, May 12th 2013

4.4 MINNESOTA — METROPOLITAN LIBRARY SERVICE AGENCY LENDING PILOT

4.4.1 OVERVIEW OF THE INITIATIVE

In October 2013, Minnesota Metropolitan Library Service Agency (MELSA) launched a pilot project to share ebook titles via a new Cloud Link service offered by distributor 3M. MELSA represents a federation of eight member library systems, which include over 100 libraries serving 2.9 million residents.

4.4.2 MOTIVATIONS AND OBJECTIVE BEHIND THE INITIATIVE

The driving force behind the new project with 3M is the desire to make a wider range of content available to library patrons at lower cost. All eight library systems within MELSA currently have individual contracts with Overdrive — but it became clear early on that Overdrive was not prepared to allow a consortium of MELSA's size to pool ebooks on behalf of its member libraries. A further incentive behind the project was that many 3M titles enjoyed the benefits of a portable licence, which meant that participating libraries would still be able keep access to those titles if the contract with 3M was not renewed (although, of course, subsequent arrangements to host this content would need to be made).

4.4.3 COMPARATIVE MARKET DYNAMICS

See section 3.1.2 which covers the US market.

4.4.4 SPECIFICATIONS AND SCOPE OF THE INITIATIVE

The MELSA initiative involves an initial investment of US\$500,000 on a centralised collection of ebooks (including eight copies of 2,264 of 3M's most popular titles), which will be accessible through the 3M Cloud Link portal and also catalogued via each participating Integrated Library System. MELSA has also agreed to cover the access charges for all member libraries for the first year so that each can maintain an individual 3M account.

However, the unique aspect of this project is that all titles held by individual MELSA consortium members will also be visible via the 3M Cloud Link portal. This means that patrons of an individual library are actually able to search for and check out ebooks which are part of another MELSA member library's collection. The only element of friction in this system is that titles are only globally visible if they are not on hold or already checked out. Ebooks which have already been reserved or checked out will then only be visible on their local library system.

While this approach introduces some potential for confusion and uncertainty for library patrons (sometimes a particular title will appear in their local library's 3M ebook portal — and other times it won't) this needs to be balanced against the benefit of widening the range of content which is frequently available, without each local library having to directly acquire that content.

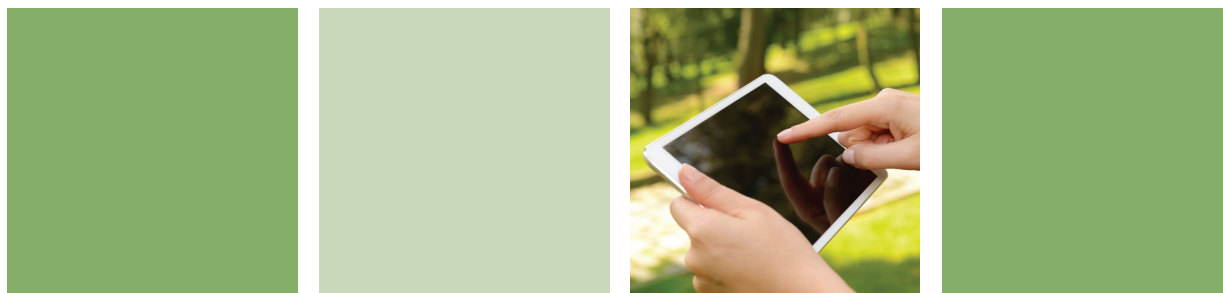
4.4.5 INITIATIVE VIABILITY AND SUSTAINABILITY ASSESSMENT

The long term premise of this approach is that, alongside MELSA's investment in a centralised resource of ebooks, the individual libraries will also continue to build their local collections, widening the scope of digital content available across the consortium. MELSA will prioritise investment in the more expensive high demand titles, while local libraries will focus on cheaper, more niche long tail titles.

It should be noted that access to front list titles via the 3M Cloud Link portal varies according to the prescriptions and pricing models applied by each publisher. MELSA is currently experimenting with a range of options to increase access to front list ebooks which includes both one-off fees for on-going access as well as more limited licences and subscription models. Ideally the objective is to achieve a good balance between these different options, allowing MELSA to invest in enduring access to titles which are likely to experience sustained long term demand, while securing short term access to titles which are liable to large initial spikes in demand.

Thus far the early statistics from the project have shown increases in the numbers of digital items checked out by patrons across all three potential channels (the central MELSA ebook depository, individual library holdings, as well as items held by one library but checked out via another). This represents preliminary evidence that all three components of this approach are currently seen as attractive/valuable to library patrons.

Currently MELSA's Board has decided to follow up its initial US\$500,000 investment in centralised digital content with a similar level of expenditure in 2014. It has also agreed to finance the 3M Cloud Link portal charges for all local libraries for a further three years.



5 EUROPE

5.1 DENMARK — EREOLEN (E-SHELF) NATIONAL ELENDING PUBLIC LIBRARY PLATFORM

5.1.1 OVERVIEW OF THE INITIATIVE

The eReolen national public library lending platform was originally launched in the autumn of 2011, funded by the National Development Programme for Public Libraries, managed by the Danish Agency for Culture. During its first 12 months of operation, eReolen enjoyed the participation of all seven major Danish publishers (as well as over 100 small/medium publishers), with access to both back list and front list titles on a pay per click licensing system. All 98 municipal public libraries in Denmark also signed up to the service.

5.1.2 MOTIVATIONS AND OBJECTIVE BEHIND THE INITIATIVE

Back in 2011, the primary motivation behind the creation of the eReolen project was that no other major ebook lending platform existed in Denmark. The initiative also benefited from the fact that the Danish Agency for Culture was exploring ways to migrate access to cultural and creative content towards digital channels as part of a mainstream policy thrust.

5.1.3 COMPARATIVE MARKET DYNAMICS

2013 figures suggest that the Danish commercial book market is valued at €540 million — of which ebooks represent 1% of transactions⁵⁷. Other sources suggest that total revenue from Danish Publishers was €241 million in 2012, of which 5% (€12 million) came from digital publications. Based on the latter figures, public library expenditure currently represents about 11% (€27.4 million) of annual publishing revenue and an estimated 13% (€1.53 million) of ebook revenue.⁵⁸

5.1.4 SPECIFICATIONS AND SCOPE OF THE INITIATIVE

The eReolen library user-facing interface is based on platform independent architecture designed to facilitate successful integration with existing public library user interfaces. The content delivered by eReolen is hosted on a third party platform, Publizon, which is owned by a consortium of the larger publishers.

Publizon is also the main commercial platform for selling ebooks in Denmark — so when a publisher uploads a title to this platform they submit the EPUB file, associated metadata and then decide whether that ebook should be made available for library lending as well as for customer purchase. The public library selection team then reviews the titles available and

57 Global ebook Market Report 2013, page 44

58 Figures provided by Jakob Heide Petersen, Director of Copenhagen Libraries — translated from 2012 statistics released by Danish Publishers

confirms which will be added to the eReolen platform. This mechanism can also be used by authors to submit self-published ebook titles to the eReolen platform, providing their works are available through any of the self-publishing platforms connected to Publizon (eg Saxo.com) although whether they are successful will often depend on evidence of positive reviews, and so on.

The eReolen platform operates on a metered licence or pay-per-click model. Each ebook loan generates a payment of €1.5 to the publisher/rights holder, a €0.20 fee paid to the Publizon platform and a €0.25 contribution towards eReolen's upkeep and maintenance. Digital content is currently streamed to laptops, desktops and tablets or downloaded as an EPUB file for offline use on smartphones and ereaders, using a dedicated library developed app.

5.1.5 INITIATIVE VIABILITY AND SUSTAINABILITY ASSESSMENT

For its first 12 months of operation, the eReolen platform offered access to 4,171 ebook titles at a library cost of €2 per loan from 127 Danish publishers (681,000 loans from November 2011 – November 2012)⁵⁹.

However, in the autumn of 2012 the seven largest Danish publishers withdrew from the platform — allegedly because of a drop in their summer sales figures and concern that the platform was cannibalising the sales of front list titles. In January 2013, these major publishers launched an alternative lending platform eBib.dk, which offered a model of four loans per ebook licence (after which the licence must be renewed). This initially secured the tentative engagement of several large Danish public libraries.

Nevertheless, despite the availability of front list bestsellers via the eBib.dk platform, public library demand for this service trailed off towards the end of 2013 and the large publishers decided to discontinue the project. This was partially due to the less desirable licensing model and the costs of engaging with both platforms (eReolen and eBib) in parallel, as well as the superior literary content (including author biographies and book reviews) offered by the library-maintained eReolen platform.

The major publishers have now entered into fresh talks with the Danish Public Libraries Joint-Negotiation Secretariat to re-host their catalogue on the eReolen platform, although obstacles remain as to the best licence model to apply to popular front list titles. Ultimately, the library position is that even if 1% of available ebook titles are restricted, this should not prevent the library system adopting sensible models which secure on-going access to the remaining 99% of titles.

59 2012 A breakthrough for ebooks in Denmark, Helen Niegaard, The Danish Library Association

A separate set of negotiations is also taking place with one major publisher to establish a Private-Public Partnership agreement whereby public libraries will agree to digitise 1,200 backlist titles from 2000–2011 and host them on the eReolen platform (subject to the relevant rights being cleared). These titles will be offered on a 15 loans per licence model, with a set library cost per licence (the cost of the first 15 loans to be payable by libraries upfront, followed by a pay per click licence model thereafter).

In conclusion, the eReolen platform has been extremely popular with public library users and successful in engaging a broad cross section of Danish publishers. If the plans for the digitisation of back list titles and the on-going negotiations with the major publishers (to secure access to front list titles) succeed, then eReolen will be likely to further expand the range of digital content available. For the time being it is believed that the €2 cost per loan implemented via eReolen's pay-per-click model is financially sustainable. However, a longer term challenge will be how public library budgets will be able to accommodate an ever increasing demand for ebooks without a significant decrease in the demand for print books. Unless there is a general migration among library patrons towards digital content and channels, the Danish public library system may struggle to straddle the twin horses of physical lending and digital lending simultaneously.

5.2 NETHERLANDS — DUTCH DIGITAL LIBRARY PROGRAMME: WWW.BIBLIOTHEEK.NL

5.2.1 OVERVIEW OF THE INITIATIVE

On 21 January 2014, the Dutch Digital Library Programme launched a new national ebook lending platform offering access to 5,000 titles from the top 50 Dutch publishers (about 25% of the total number of ebook titles available in the Netherlands). Under this model, library patrons are able to borrow multiple titles at the same time. For the first two months all titles will be available for loan free of charge. After April 2014, access to certain categories of content will require patrons to pay a fee of €20 for 18 ebook titles.

5.2.2 MOTIVATIONS AND OBJECTIVE BEHIND THE INITIATIVE

One of the driving incentives behind setting up this new platform was to secure more favourable pricing/licensing for ebook titles from Dutch publishers. Two years ago many publishers were still charging €2,000 for access to a two-year-old ebook title. While it could be argued that this represents an acceptable investment for uncapped use, it was felt that these upfront payments would put too much pressure on library budgets. Other publishers were asking for fees of €3 per week per ebook title. A further key objective for the platform was to provide an alternative to traditional ebook licensing models, which restricted the number of simultaneous loans libraries could offer. It was felt that while library patrons understand the concept of signing up for a waiting list until a physical book has been returned to the library,

this approach is more difficult to justify when it comes to digital titles. Finally, it was also felt that libraries had a key role to play as a legitimate alternative to piracy, given that, in the Netherlands, only 10% of the estimated 128 million books downloaded to ereader devices have been acquired by legal means.

5.2.3 COMPARATIVE MARKET DYNAMICS

In 2013, the Dutch trade book market was worth €557 million, with ebook titles representing 2.2% of revenue⁶⁰. The annual collection budget for the entire Dutch library system (including the national library) is €60 million, with around €6 million invested in digital content.⁶¹ This means that Dutch library purchasing accounts for about 10.8% of the trade book market. In 2014 around €3 million of the digital content budget will be used to purchase ebook licences (representing 33% of the trade ebook market). This market share is expected to rise to over 50% of the trade ebook market over the next few years.

5.2.4 SPECIFICATIONS AND SCOPE OF THE INITIATIVE

The Dutch Digital Library ebook platform consists of a library-developed patron interface which supplies digital content hosted in EPUB/PDF format on the third party CB⁶² (Central Book House Platform). This is the platform most Dutch publishers use for the commercial sale of ebooks. Publishers are able to login to the CB platform and select titles to be automatically listed for loan via the Digital Library ebook platform. Titles can be streamed to laptops, smartphones and tablets. The Digital Library's ebook platform's bespoke ereading app (VakantieBieb) also allows patrons to read titles offline after download (with a watermark applied). Around 25% of ebook titles can be downloaded to other ereaders using DRM. The Digital Library has also developed standalone ereading apps which are being made available with selected rights-free content and/or copyrighted titles during holiday seasons. These promotional offerings have been extremely popular (top three ranking on iTunes) and have attracted both national and local press coverage.⁶³

Digital content is split into three categories:

- Model 1: Head titles (less than one year since publication) — precise details are still subject to negotiation with the publishers. Current options include (a) offering these titles on a one loan per copy basis with a patron charge of €13; or (b) offering some of these titles under the same pricing/loan structure as Model 2 below.

60 Global ebook Market Report 2013, page 45

61 Introduction to Dutch Library Programme, Presentation for EBLIDA, 2013, slide 2

62 CB — digital distribution (company website)

63 Introduction to Dutch Library Programme, Presentation for EBLIDA, 2013, slide 10

- Model 2: Shoulder titles (one to three years since publication) — these 2,500 titles are offered as part of an 'ebook plus' package, which is supplementary to standard library membership. Patrons pay a fee of €20 for access to 18 ebooks. It is anticipated that this fee will be sufficient to cover both licence charges and platform costs.
- Model 3: Long tail titles (at least three years since publication) — these titles (over 2,500) are offered to all library members free of charge, without any simultaneous loan restrictions. The budget for this is provided by local government.

Model 2 titles involve a library payment to the publisher of €0.36–0.40 and Model 3 titles involve a payment of €0.12–0.24. Each loan also carries platform maintenance costs of €0.20–0.30 (including data and digital rights management costs). As a result, the average library cost per loan is around €0.60–0.70. For Model 2 titles, the (early adopting) publishers have received a non-refundable initial payment of €360 per title for 1,000 loans, after which they will receive €0.36 per subsequent loan. In 2015 this arrangement will migrate to a pay-per-use model, with prepayments only used in exceptional cases (such as to acquire a particular attractive set of head titles).

Additionally, the Dutch Digital Library Programme plans to make the collections of all public libraries and the National Library of the Netherlands (*Koninklijke Bibliotheek*) available through the National Library Catalogue. This catalogue will eventually be available online to all Dutch citizens and will include 250,000 copyright free ebook titles (currently being digitised by Google for the National Library) along with the 40,000 titles that are already digitised. A further 1,500 titles are being digitised (funded by the Dutch government) and will be made available for publishers to sell as ebooks and for the public libraries to lend free of charge. Part of this list is already available on the current platform.

5.2.5 INITIATIVE VIABILITY AND SUSTAINABILITY ASSESSMENT

In the Netherlands, public library membership involves an annual charge of around €30–40 per year, though this does not often apply to students, the elderly and those under 18 years of age, so in general the annual membership fee is drawn from employed adults. Public libraries also pay a lending fee of €0.12 to publishers for each physical book loan (author receives 70% of the fee). Licence fees for ebooks tend to be more favourable to the publisher, with the author receiving between 10%–50%.

This pre-existing culture of paying a nominal fee to access public library services (which covers around 15% of operational costs) clearly makes migration to a digital lending service which charges for certain titles far more viable than in countries where all library services are traditionally free of charge. In addition, in January 2015 the Dutch Government will enact new legislation which will provide an anticipated centralised annual budget of €15 million for purchasing digital content for public libraries. It is likely that the combination of supplementary library member charges for premium titles alongside a dedicated/centralised government

budget for acquiring public library digital content will be a substantial contributing factor towards the on-going financial sustainability of the Dutch Digital Library model. Furthermore, the provision of titles under the Model 3 long tail category, which offers €0.12 per loan payments to publishers, could provide them with an additional source of growing revenue from titles which normally would be dwindling in sales/value.

5.3 NORWAY — THE BOOK SHELF (BOKHYLLA.NO)

5.3.1 OVERVIEW OF THE INITIATIVE

In 2012, the Norwegian National Library entered into an agreement⁶⁴ with Kopinor (an umbrella group representing major authors and publishers), which will make over 250,000 digitised books, still in copyright, available online free of charge to anyone with a Norwegian IP address. Norwegian law offers an 'extended collective licensing' framework, which empowers the National Library to sign agreements with rights holders that then apply to all Norwegian publishers/authors and orphan works. The agreement stipulates that all copyrighted works published before the year 2001 can be digitised (with the consent of the copyright holder) and hosted on the National Library's digital platform Bokhylla.no (The Bookshelf). So far 3,500 titles have been withdrawn from the platform by publishers — although the majority of these titles are university/school text books.

5.3.2 MOTIVATIONS AND OBJECTIVE BEHIND THE INITIATIVE

Since 2006 the Norwegian National Library has been in the process of digitising its entire collection in support of its overarching mandate to preserve and provide access to Norwegian cultural heritage. The project is scheduled for completion by 2020 and will include a range of multimedia content including books, radio, newspapers and films. By 2012 the National Library had already successfully digitised 350,000 newspapers, 235,000 books and 240,000 pages of handwritten manuscripts⁶⁵. The objective is to provide Norwegian platform users with access to a wide variety of digital content from any location at the time of their choosing. Access can also be granted to researchers from foreign institutions on a case by case basis. The agreement with Kopinor allows the platform to expand its collection of copyrighted ebook titles to an anticipated 250,000 titles by 2017.

64 Contract between National Library of Norway and Kopinor, 2013

65 Norway is Digitizing all its Books, Huffington Post, 12th November 2013

5.3.3 COMPARATIVE MARKET DYNAMICS

According to the 2013 ebook market report, the Norwegian book market is worth around €800 million, with ebook sales representing €1.34 million (about 0.2% of the market).⁶⁶ According to OCLC, the overall budget for Norwegian public libraries in 2004 was €97.8 million.⁶⁷ The National Library projects that by 2017 it will be paying around €1.9 million a year to Kopinor (see section 4.3.4) to provide patron access to 250,000 digital titles, which would represent 141% of the 2013 market value from trade ebooks.

5.3.4 SPECIFICATIONS AND SCOPE OF THE INITIATIVE

The Norwegian National Library hosts all digitised titles on its own bespoke platform. Titles made available through the agreement with Kopinor can be streamed online to anyone with a Norwegian IP address, but not downloaded. The agreement requires the National Library to pay Kopinor an upfront fee of €0.03 per page uploaded to the platform, which is then distributed to the relevant rights holders. All titles which are out of copyright will be available for download. Scanned book pages are stored in high resolution JPEG2000 format and also subjected to Optical Character Recognition (OCR), which allows users to search the entire scanned text, in addition to the available metadata. The Digital Library currently offers two options for viewing documents, the first is a Flash-based commercial application and the second is bespoke HTML5-based viewer developed in-house by the National Library.

5.3.5 INITIATIVE VIABILITY AND SUSTAINABILITY ASSESSMENT

The viability and sustainability of this project is substantially enhanced by Norway's domestic legal framework (section 16a, cf section 36 of the Norwegian Copyright Act, which allows the National Library to negotiate an 'extended collective licence' that applies to all publishers and orphan works) as well as Norway's specific financial circumstances. With a population of just over 5 million, and significant offshore petroleum resources, Norway has the second highest GDP per person in Europe.⁶⁸ In 2014, the Norwegian budget for culture will exceed 1% of the national budget reaching €1.24 billion (€243 per person).⁶⁹ This development stems directly from the Government's 2005 commitment to allocate 1% of its budget to culture by 2014.⁷⁰ The annual budget allocated to the digitisation project is around €2.7 million.⁷¹

66 Global ebook Report 2013, pages 44–45

67 oclc.org/global-library-statistics.en.html

68 European Commission, Norway Country Profile 2013, page 3

69 ThorNews, October 16th 2013

70 Official Norwegian Report on Cultural Policy 2014, page 1

71 European Commission, Implementation of the Commission Recommendation on Digitization and Online Accessibility of Cultural Material and Digital Preservation, Report on Norway, 2010, page 3

The full extent of the upfront cost of the agreement to access copyrighted works via Kopinor is difficult to assess. The contract⁷² with Kopinor commits the National Library to being 'invoiced for the prevailing number of pages which have been made available' on an annual basis. The National Library currently estimates that once all 250,000 titles are uploaded to the platform this will represent an annual payment to Kopinor of approximately €1.9 million. In any event, the annual fee will need to be adjusted to reflect new titles uploaded to the platform, as well as any that have been withdrawn by particular publishers.

Another important ingredient for sustainability is that the Digital Library initiative can be shown to deliver demonstrable public value, with its services enjoying widespread uptake from citizens. Of the 137,000 copyrighted titles currently hosted on The Book Shelf platform, 85% have been accessed online, which demonstrates that public demand has clearly not just been confined to a minority selection of popular titles.

5.4 SWEDEN — DIGITAL LIBRARY, STOCKHOLM PUBLIC LIBRARY (BIBLIOTEKET.SE)

5.4.1 OVERVIEW OF THE INITIATIVE

In 2012, Stockholm Public Library (representing 40 branch libraries across Stockholm) negotiated an agreement with Ordfront (a medium-sized publisher) and Publit (the second largest Swedish ebook distributor) to pilot a dual licensing model. Under the agreement, Stockholm Public Library will cover the cost of digitising back list titles and in return will receive free elending rights for those titles for 11 years. The agreement also stipulates that Ordfront will make all new ebook titles available to the library on release (under a pay per loan licence), with a higher cost per loan for the newest titles and a discounted cost per loan for titles older than four months.

5.4.2 MOTIVATIONS AND OBJECTIVE BEHIND THE INITIATIVE

Previously all public libraries in Sweden licensed ebook titles from ELIB (Scandinavia's largest distributor of audio books and ebooks), which enjoyed a monopoly on digital distribution to libraries until 2013. Elending through ELIB required that libraries direct their patrons to an external ELIB commercial interface, which existed outside the library's digital ecosystem. In addition, many titles remained unavailable, with 25% of all ebooks being withheld from elending — either through embargo/windowing restrictions on new titles, or an across the board refusal to allow elending. In addition, library ebook prices were fixed at €2.26 per title. There was also a lack of commercial incentives for many publishers to digitise their back list titles, with most still focusing on revenue from physical books.

72 Contract between National Library of Norway and Kopinor, 2013

5.4.3 COMPARATIVE MARKET DYNAMICS

According to the Global Book Market Report 2013, total sales for the book industry in Sweden were €783 million,⁷³ with public library collection expenditure accounting for roughly 5.6% (€44 million) of that total. Ebooks currently represent around 1% of the commercial market, while the prevalence of e-lending is significantly higher (eight ebooks are checked out from public libraries for every two ebooks sold commercially).

5.4.4 SPECIFICATIONS AND SCOPE OF THE INITIATIVE

The Digital Library is an open source (Drupal/Apache Solr) platform, which integrates searchable access to digital titles drawn from PUBLIT/ELIB hosted catalogues (as well as library hosted digital and audio-visual content). The platform has also been designed to support the generation of detailed circulation statistics and analytics surrounding e-lending. The Digital Library currently offers access to 8,000 titles to all library card holders in Stockholm free of charge, with a limit of five ebooks per user per week. In 2013 the Digital Library conducted 240,000 digital loans (7% of all loans). Titles are available to download in either EPUB or PDF format using Bluefire Reader (third party white label ereader application) with Adobe Digital Rights Management.

Aside from the back list titles and other material which has been digitised by the library, access to newer commercial titles is provided on a fee per loan basis (paid for by the library), with differential pricing between the newest titles (€2.80 per loan) and those older than four months (€1.68 per loan). This means that listing an ebook in the library catalogue is free of charge and payment is only required when a loan takes place. This model allows the Digital Library to accommodate large spikes in demand for a particular title by flexibly financing multiple uncapped user access, safe in the knowledge that once demand for that title trails off, resources can be quickly reallocated to a wider range of titles. This model also allows all libraries in Sweden (regardless of size) to access a wide range of long tail titles without any upfront cost.

5.4.5 INITIATIVE VIABILITY AND SUSTAINABILITY ASSESSMENT

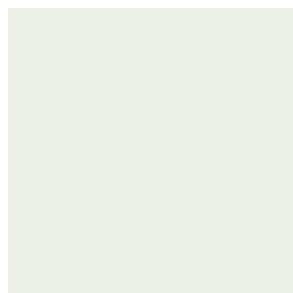
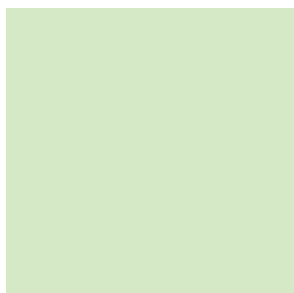
The collaboration between Stockholm Public Library and Publit/Ordfront (currently scheduled to continue until the summer of 2014) is beneficial to both library and publisher because it provides significant value to both parties. The library carries the upfront cost of digitisation for the publisher, but in return achieves unrestricted access to front list titles as well as more favourable prices for e-lending (free in the case of the digitised titles). The publisher also benefits from greater discovery and exposure for its newly digitised back list titles. This represents a fresh revenue stream generated from a previously non-existent resource. Ultimately the library sees lower

73 Global eBook Report 2013, page 43

costs per loan and the publisher experiences reduced publishing and distribution costs.

In 2013, Publit entered into a partnership with Axiell (a leading library technology provider) to launch a new e-lending platform called Atingo in August of that year. This platform provides participating libraries and publishers with a dashboard interface which allows them to engage in real-time negotiations on e-lending rights and prices. This model supports library access to a greater range of titles, but it also introduces a high level of unpredictability for library collection budgeting, as publishers can adjust the prices of individual titles at any time.

Stockholm Public Library is currently working with the Swedish Association of Local Authorities and Regions to develop a general agreement setting the prices and conditions of e-lending for all public libraries in Sweden — ideally based upon the existing Publit/Ordfrent lending model (both the differential pricing and digitisation components). A secondary objective would be to enlist the support of the Swedish National Library to develop a single digital aggregation infrastructure, which would enable public libraries to engage with both ELIB and Publit catalogues without maintaining multiple Application Programming Interfaces (APIs). It is also contended that this new system should avoid hardcoding friction within the system based on publisher requirements, but instead allow libraries the flexibility to adjust levels of friction according to available budgets. For example, this would allow libraries to reduce friction for children's literature or digital audio books (in support of the hearing impaired) whilst imposing a limited number of loans for more popular or expensive titles.



6 CONCLUSIONS AND OPTIONS AVAILABLE TO AUSTRALIAN PUBLIC LIBRARIES

The library-led approaches and initiatives to support lending covered within the scope of this report exist across a range of different political, cultural, linguistic, economic, institutional and legal environments. Particularly in the case of the European examples, many of the components and supporting environmental factors which make certain approaches attractive or possible may not always be easily transposed into an Australian context. Indeed, in many instances options pursued by libraries in other predominantly English language markets such as the United States may be the most readily transferrable or applicable to the Australian market.

That said, if there are two defining characteristics of the market for ebooks and digital content, they are that this market is becoming increasingly global whilst experiencing a period of rapid evolution and change. In such an uncertain and fluctuating international landscape, it is perhaps incumbent for libraries to examine all possible opportunities and to draw upon the full available spectrum of experiences and practices of other library systems to shape and inform the complexion of domestic debate surrounding lending and the associated discussions with aggregators, publishers and authors.

6.1 DEVELOPING CONSORTIA OWNERSHIP AND IN-HOUSE LIBRARY HOSTED DIGITAL CONTENT PLATFORMS

Based on the experience of Douglas Country Libraries and CALIFA, the development of an open source library managed platform for acquiring and owning digital content on behalf of a consortium of libraries represents an innovative solution with both significant benefits as well as limitations.

6.1.1 KEY BENEFITS:

- Full ownership of digital content — libraries can potentially negotiate terms with small and medium publishers, self-published authors and self-publishing platforms to secure full and permanent ownership of the digital files (offered by DCL to patrons on a one file per simultaneous user basis, with additional copies purchased depending on demand).
- Resale of purchased digital content — in principle, the DCL system supports this, providing consent is obtained from the publisher/author.
- Discovery layer which integrates content from multiple sources — although most projects seeking this objective have experienced initial technical challenges, an end result which ensures interoperability with multiple Integrated Library Systems can offer seamless and searchable access to both library-owned digital content and titles leased from aggregators.
- Patrons remain within a library managed ecosystem when borrowing ebooks instead of being directed to external/proprietary commercial platforms.

- Patrons access a wider range of long tail digital content at lower cost — a library managed/hosted digital platform can offer a wide range of local historical content, copyright free works, small/medium publisher titles and self-published ebooks at a lower cost per loan.
- Nudging the needle benefits — the proactive step of multiple library systems developing their own hosted platforms and embracing alternative routes to acquiring digital content is likely to influence the perspectives of aggregators and major publishers as to the need for greater flexibility in the terms and options they offer libraries in the future. In addition, the US experience shows that once one approach achieves a level of success, other library systems increasingly move to replicate or synthesise that model.

6.1.2 KEY LIMITATIONS:

- The costs and logistics associated with developing and maintaining the technical infrastructure of a library managed content hosting platform can be significant — even when many components are open source.
- Sustainability — many existing US initiatives have been supported by grant funding which may or may not prove sustainable in the long term — although the recent success of the Colorado Statewide eBook Pilot Project (eVoke 2.0) in securing a LSTA grant to expand the DCL model is a promising development (alongside recommendations from Connecticut's Department of Consumer Protections to explore a similar state-wide initiative).
- This model remains a partial solution — all library-managed digital platforms reviewed in this study still depend on separate licensing agreements with mainstream aggregators such as Overdrive or 3M to access the most popular titles.
- Does acquiring long tail content best serve the library or the patron? Investing in ownership of the long tail of digital content does not necessarily represent what patrons want, unless current appetites for popular material can be successfully redirected towards those long tail titles (although the Danish experience suggests that this is sometimes possible).⁷⁴
- Long tail abundance creates new problems — faced with an exploding number of self-published titles of varying quality, libraries have to choose whether to invest in a continuous and time consuming title vetting or to risk undermining the quality of their digital collection (DCL employs a Smashwords algorithm⁷⁵ based on previous sales data to select titles to avoid this potential headache, but accepts that this approach can still pose issues).

74 Mikkel Christoffersen, Senior Digital Consultant & Advisor at Copenhagen Libraries, suggests that patrons will still enthusiastically access digital content that is available through libraries even if it excludes front list titles

75 Publishers Weekly, Giving Them What They Should Want, March 2nd 2013

6.2 CENTRALISED NATIONAL/STATE BUDGET FOR ACQUISITION OF DIGITAL CONTENT

6.2.1 NATIONAL BUDGET FOR LIBRARY DIGITAL CONTENT

In the Netherlands, the Dutch Digital Library is funded by central government with an annual operational budget of €18 million (with €6 million allocated to investing in digital content). In January 2015, new legislation will come into force which will establish a centralised budget for digital content expected to be in the region of €15 million. This development is likely to be extremely beneficial to Dutch public libraries, as it supports shared access to a publically funded pool of digital titles and resources without additional cost to individual libraries. However, despite the undeniable benefits of this approach from a library perspective, it is doubtful whether this model is easily transposable to other countries (particularly English language markets), given the current climate of financial austerity and the fact that such legislative action would represent a political and cultural precedent. Furthermore, the fact that the value of Dutch library expenditure on ebooks is predicted to rise to over 50% of the domestic market for trade ebooks offers rather unique leverage for negotiating terms with publishers.

In Norway, the National Library has engaged in an extensive digitisation program, which is predicted to offer access to 250,000 copyrighted titles to all users with a Norwegian IP address by 2017. However, Norway benefits from a number of specific environmental factors, which include a collective extended licensing framework and generous funding for digital content acquisition supported by a government commitment to allocate 1% of its national budget to culture by 2014 (€2.7 million per year to support digitisation and acquisition costs).

6.2.2 STATE BUDGET FOR LIBRARY DIGITAL CONTENT

In the United States, a report published in February 2014 by Connecticut's Department of Consumer Protections included as one of its recommended options for consideration the development of a centralised special fund to support all libraries in the state in acquiring digital content. Under this proposal, the fund would be supported by a tax on publishers who failed to offer digital content to libraries on reasonable terms. Even assuming the development of an agreed definition of what 'reasonable terms' should mean in practice, the fact that this initiative would be predicated on an additional levy on publishers runs the risk of it being struck down as being in violation of the First Amendment to the US Constitution (as it would seek to impose a fee on a select group of publishers).⁷⁶

⁷⁶ Report to the General Assembly's General Law Committee pursuant to Special Act 13-10 "An Act Concerning a Study Regarding the Availability of Electronic Books to Users of Public Libraries", page 18

6.3 COLLECTIVE BARGAINING WITH AGGREGATORS TO TRIAL INNOVATIVE PILOTS

Several library consortia in the US have recently begun innovative pilot projects with ebook aggregators using new lending models. In October 2013, MELSA (representing over 100 libraries in Minnesota) entered into a pilot project with 3M after dissatisfaction with the current consortia terms offered by Overdrive. The core of the deal with 3M is that, in addition to MELSA investing US\$500,000 on developing a centralised catalogue of licensed digital content, individual libraries within the consortium are able to access and lend out each other's 3M Cloud Link catalogue titles. The only restriction is that only members of the local library can put a hold on that library's 3M catalogue — but providing the title in question is not already out on loan or on hold, then it becomes accessible and visible to the entire MELSA library network.

This constitutes an interesting example of securing wider access for consortium members to shared digital content in return for agreeing to introduce a moderate quantity of artificial friction into the system. Effectively this arrangement constitutes a slightly amended version of inter-library loan. This can be illustrated by the experience of MELSA member, Ramsey Country Library, which, through the deal, is now able to offer its patrons access to 60,000 digital titles via other MELSA libraries, in addition to the 6,000 titles it has already purchased.⁷⁷ An additional feature of the agreement is that MELSA has negotiated a degree of portability for centrally licensed titles so that if MELSA left 3M in the future, those licences could be migrated to a new provider (unless this is specifically prohibited by individual publishers).

In November 2013, MLS in Massachusetts entered into a six month pilot project with Baker & Taylor, which secures access to 3,000 digital titles (from a choice of 500,000) for 51 member libraries via the Axis 360 platform. If the pilot is successful, the next step will be to roll out this shared collection to 1,700 public, school, and academic libraries throughout Massachusetts.⁷⁸ Alongside the deal with Baker & Taylor, MLS has also secured access to 30,000 ebook titles and a wider library of images and video via an agreement with Bibliolabs (primarily offering historical/non-copyright content with a smaller selection of contemporary titles), as well as a further 170,000 academic and professional ebook titles via EBL.

77 The Digital Shift, MELSA, 3M Develop New Ebook Sharing Feature for Consortia, 5th November 2014

78 Providence Business News, Baker & Taylor tapped for Mass. Ebook project, 9th December 2013

6.4 ADOPTING AN EXTENDED COLLECTIVE LICENSING LEGAL FRAMEWORK

The Norwegian Digital Library model benefits significantly from the existence of an Extended Collective Licensing (ECL) legal framework, which empowers the National Library to sign agreements with rights holders that then apply to all Norwegian publishers/authors and orphan works. These legislative provisions also mandate that publishers and rights holders collectively negotiate such agreements via a national collecting agency (Kopinor) and that any agreements reached will apply to all rights holders irrespective of whether they are directly represented. Similar ECL frameworks are also in place in Denmark, Sweden, Iceland and Finland.⁷⁹

An ECL legal framework certainly strengthens the ability of libraries to negotiate access terms with rights holders, publishers and authors, but the existence of long standing and established ECL regimes in Scandinavia and Northern Europe does not necessarily imply that such frameworks can be quickly transposed to other national jurisdictions, with varying historical experiences of copyright and legislative intervention.

6.5 ACCESSING EBOOKS AS A SERVICE NOT A PRODUCT (SUB-CONTRACTING FRICTION)

In contrast to many approaches in the US and Canada which have concentrated (when possible) on securing direct ownership of digital ebook files and the right to host them on library managed platforms, the Swedish elending model, exemplified by Stockholm Public Library, has embraced the concept of ebooks as a licensed service. Under this system, listing an ebook in the Stockholm Public Library digital catalogue is free of charge and payment is only triggered once a patron checks out that title.

This allows the library to avoid the traditional gamble of investing in multiple digital collection titles and hoping this budget allocation will not exceed (or be surpassed by) patron demand. It also helps the library to accommodate large spikes in demand for specific titles (given that the number of loans in this model is uncapped) whilst securing the assurance that once demand decreases the library will not have committed itself to an unnecessary on-going cost for access to those titles.

Indeed, in many ways this model represents a system where friction is no longer hardcoded into the licensing terms offered by publishers and is instead sub-contracted out to the library itself, where the primary determinate of friction will be budget scarcity. In the face of rising digital demand from patrons, libraries will still need to allocate finite budgets across a broad spectrum of desirable content and determine the appropriate point to restrict the number of

⁷⁹ Berkley School of Law, Comments to Orphan Works and Mass Digitization Notice of Enquiry, 6th March 2013, page 52

loans available for particular titles. In a context where access to this content is centralised or centrally provided, this model is likely to limit the capacity of smaller libraries to determine their own collection policies.

Furthermore, the experience in Denmark shows that there are concerns around how an unlimited pay per click elending model may impact future library budgets in a context where the demand for physical books remains static. Furthermore, runaway success based on this model can also potentially give participating publishers cold feet — as evidenced by the decision of the seven largest Danish publishers to withdraw from the eReolen elending platform in the autumn of 2012, after a summer of diminished front list sales and a spike in library elending.

6.6 INCLUDING A 'BUY NOW' OPTION WITHIN ELENDING SYSTEMS AND PLATFORMS

A further option which has been investigated (and in some instances adopted) by several of the library-led elending initiatives examined in this paper is the step of including a 'buy it now' button, which gives patrons the option of directly purchasing digital titles if they are unavailable for library loan. This mechanism arguably incentivises publishers participating in the platform by streamlining and integrating the process by which library users can potentially be converted into ebook buying customers.

Indeed, one of the distinguishing characteristics of the CULC Public Library elending Initiative in Canada was the capacity for participating libraries to include a 'buy button' in their discovery layer to support the commercial purchasing of titles by patrons when that item was unavailable. This approach was also implemented within the DCL model. In a recent interview shortly before his departure as Executive Director of DCL, Jamie LaRue, commented on the advantages for publishers engaging with the DCL model: 'We help people find you... in our catalogue, every title now has a 'click to buy' button.'⁸⁰ It is likely that this facility will also be included in the scope of the Colorado Statewide eBook Pilot Project announced in November 2013, given its objective of rolling out the DCL model to all libraries in Colorado. The CALIFA /Contra Costa County Library platform has also signalled that it is presently considering integrating a 'buy it now' button.⁸¹

80 Castle Rock News-Press, A Real Page Turner, LaRue leaving after transforming Douglas County Libraries, 14th January 2014

81 CALIFA Products and News, Update from eBookland, 14th March 2013

Finally, in the UK, the Sieghart Review of Elending in Public Libraries⁸² published in March 2013 (commissioned by the Department for Culture Media and Sport) commented that:

'There are many encouraging signs from studies that borrowers of digital books go on to buy copies of the book they have read or other titles by the author or published by the publisher. There is therefore a potential opportunity for digital loans to lead to a relationship between publishers and borrowers and between booksellers and borrowers. A 'buy now' option after a digital loan could allow the purchase of titles from a variety of sources including local retailers.'⁸³

Following the recommendations which emerged from the Sieghart Review, in October 2013 the Society of Chief Librarians and the Publishers Association released an invitation to tender for library authorities to participate in a series of elending pilots designed to provide publishers, authors, agents and libraries with an evidence base to test remote elending (on a one copy per user, limited number of loans model).⁸⁴ Part of the agreed criteria for these elending pilots is that all participating local authorities will provide a 'click to buy' button for all books included in the elending service.⁸⁵

6.7 HELPING DOMESTIC PUBLISHERS DIGITISE BACK LIST TITLES TO SECURE FRONT LIST ACCESS/FAVOURABLE ELENDING TERMS

Library systems in Denmark, Sweden, Norway, and the Netherlands have all negotiated agreements with publishers where libraries shoulder the cost of digitising back list titles in return for free or discounted elending rights. In Sweden, the collaboration between Stockholm Public Library and publisher Ordfront involves free access to all digitised titles as well as the right to licence all front list titles for elending. However, one of the common domestic environmental factors which has supported the development of these arrangements is that all these countries have relatively small populations whose primary language is contained within their national borders. As a result, the size of the domestic publishing market is rarely sufficient to entice publishers to take on the cost of extensive back list digitisation. In contrast, publishers operating in the English language market benefit from much wider economies of scale across multiple sales territories, which diminishes the leverage that libraries can bring to this equation.

82 An Independent Review of Elending in Public Libraries in England, William Sieghart, March 2013

83 Ibid, page 11

84 SLWA Policy & Research, ebooks in libraries advocacy, Tender for Library Authorities to Join UK elending pilots, 17th October 2013

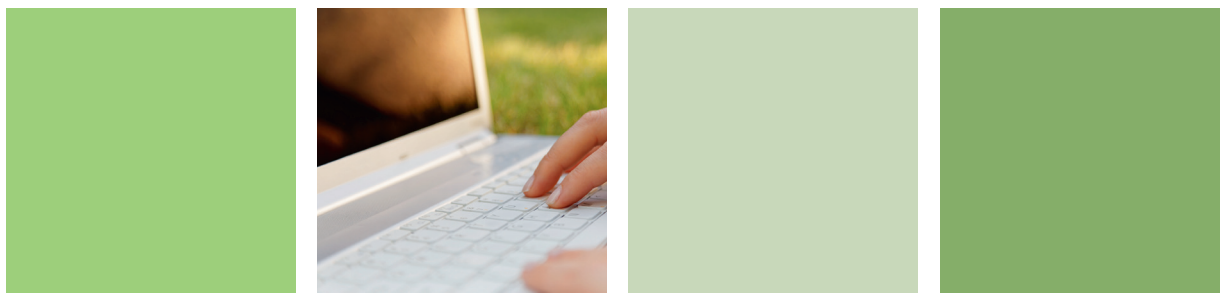
85 Shelffree.org.uk, Testing the impact of elending, 4th October 2013

6.8 CHARGING PATRONS FOR ACCESS TO POPULAR TITLES

As seen in section 4.2 the Dutch Digital Library has successfully developed a national ebook lending platform which has secured access to 5,000 titles from the top 50 publishers in the Netherlands. Under this model, long tail digital titles are available to all library members free of charge — and titles which are between one and three years old are available for a patron charge of €20 (for 18 ebook loans). The clear benefits of this system are that the fee is calculated to cover both platform costs and content licence charges — and that there is no limit to the number of simultaneous loans that can take place. However, as previously mentioned, it is difficult to imagine this model being embraced by library systems in countries where such services are traditionally offered to all patrons free of charge. In addition, public library membership in the Netherlands already involves an annual charge of €30–40 per year (covering an estimated 15% of operational library costs) which indicates that Dutch library patrons are already acclimatised to the concept of directly contributing towards library finances.

6.9 COLLECTING AND SHARING DATA ON ELENDING

One of the key features that many of the library platforms and initiatives examined in this report have in common (whether they are designed to centralise/facilitate access to multiple sources of content or directly host owned content) is that they offer varying degrees of opportunity to collect, analyse and share suitably anonymised data on patron elending patterns and interactions with a range of different catalogues and types of digital content. In a context where many commercial ebook licensing and pricing models are built on a simplified and reactionary heuristic designed to avert the worst potential outcomes of library elending, it might be argued that the most effective evidence-based antidote to this predicament is to share sufficient information and data with publishers to allow new models to be founded on market realities as opposed to the potentially unwarranted spectre of anticipated commercial catastrophe.



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Director
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Executive Director
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Director
Copenhagen Libraries

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Director, Digital Library
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Director of ICT and Digitization
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