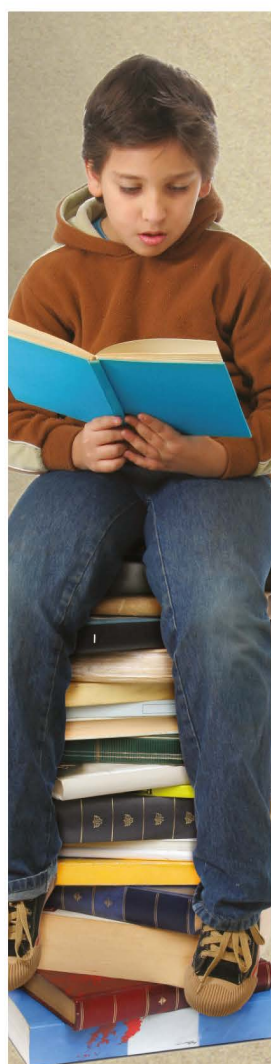


DIRECTORATE-GENERAL FOR INTERNAL POLICIES

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Agriculture and Rural Development



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**RESEARCH FOR CULT
COMMITTEE - E-LENDING:
CHALLENGES AND
OPPORTUNITIES**

STUDY



DIRECTORATE-GENERAL FOR INTERNAL POLICIES
POLICY DEPARTMENT FOR STRUCTURAL AND COHESION
POLICIES

CULTURE AND EDUCATION

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POLICY DEPARTMENT FOR STRUCTURAL AND COHESION
POLICIES**

CULTURE AND EDUCATION

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Abstract

This briefing identifies key challenges and opportunities in the evolving field of e-lending via public libraries based on an analysis of 18 different e-lending models in Europe and North America. It concludes that ongoing dialogue between libraries and publishers, alongside better comparative data on e-lending and e-book purchasing across all EU Member States, will be among the key enabling factors for e-lending in the future.

CONTENTS

LIST OF ABBREVIATIONS	4
LIST OF TABLES	5
EXECUTIVE SUMMARY	7
1 INTRODUCTION	11
2 LICENSING MODELS	15
2.1 Methodology	15
2.2 Single-user	16
2.3 Hybrid licensing	17
2.4 Dual-licensing	18
2.5 Pay per loan / simultaneous-use	19
2.6 Library hosted model	20
3 QUANTITATIVE ANALYSIS	23
3.1 Scale of e-lending versus physical book lending	23
3.2 TABLE 1: 18 Model Comparison Matrix (2014 figures)	25
3.3 Average e-book loans per month	26
3.4 Average cost per loan	26
3.5 Availability of e-book titles for e-lending	26
3.6 Percentage of published titles available for e-lending	27
4 KEY TRENDS AND ENABLING FACTORS	29
4.1 Government policy	29
4.2 Cultural factors	30
4.3 Willingness to negotiate (and renegotiate)	31
4.4 User experience	32
4.5 Evidence-driven decision-making	32
5 FURTHER CONCLUSIONS AND RECOMMENDATIONS	35
REFERENCES	37

LIST OF ABBREVIATIONS

- CULT** Culture and Education Committee
- EBLIDA** European Bureau of Library Information and Documentation Associations
- ECJ** European Court of Justice
- EKZ** Einkaufszentrale für Öffentliche Büchereien (Shopping Centre for Public Libraries)
- ELLU** e-Ramatukogu (e-Library)
- HELMET** Helsinki Metropolitan Area Libraries
- IFLA** International Federation of Library Associations and Institutions
- OCLC** Online Computer Library Center
- PLR** Public Lending Right

LIST OF TABLES

TABLE 1

18 Model Comparison Matrix (2014 figures)

22

EXECUTIVE SUMMARY

Background

For the majority of human history the products of knowledge, culture and learning were only accessible to a small proportion of society. Indeed, until the arrival of mainstream literacy, fuelled by the expansion of public education programmes in Europe and North America and the industrial revolution, only a small fraction of the population were able to read and write. The developments of the last 200 years simultaneously led to the establishment of the public library as a state-funded institution delivering universal public access to the outputs of human knowledge and culture. In parallel, copyright regimes were created to protect the creative incentives of authors and Public Lending Right systems were established to ensure authors were remunerated by library lending.

The arrival of the internet age has unlocked an exciting new chapter in the democratisation of access to information and ideas – whilst creating new challenges for the relationship between libraries and publishers. Publishers are continuing to evolve their traditional analogue business models while digital communication and distribution networks have reduced the potential barriers to piracy and illegal distribution.

In this new digital world, physical ownership has been largely replaced with licensed access to content. This conflicts with traditional consumer perceptions of ownership, and has erected new obstacles for libraries seeking to purchase and lend e-books whilst fulfilling their mission of supporting public access to a balanced composite of digital resources. Key issues include concerns about availability of e-book titles for e-lending, rising complexity and cost, questions around on-going reliability of e-lending services and legal options for digital preservation, alongside a lack of transparency around author remuneration from e-books. There is also enduring debate and uncertainty as to the legal status of e-lending depending on the interpretation of the 2001 Information Society Directive and the 2006 Rental and Lending Rights Directive (we are currently awaiting a preliminary ruling from the European Court of Justice on this very subject). In addition the European Commission has announced plans to modernise EU copyright rules to address unnecessary fragmentation and frictions and support an effectively functioning Digital Single Market.

Licensing models

In the absence of e-lending being offered a firm legal basis under copyright exceptions and limitations or associated Public Lending Right (PLR) regimes, the resulting jungle of varying licensing terms, conditions, loan durations and pricing has spawned a broad range of different library e-lending models.

- **Single-user licensing models** are attractive to many publishers as they allow the e-lending process to mimic some of the frictions contained in the physical book lending process;
- **Pay-per-loan/simultaneous-use models** offer a more attractive experience for library users – but place greater responsibility on libraries for careful budget management and how much to accommodate patron demand for specific titles;
- **Hybrid licensing models** offer greater flexibility and choice than a single-user licensing scheme, but can also involve greater complexity and administrative costs;

- **Dual-licensing models** allow publishers to digitise their backlist whilst offering libraries discounted licensing terms for e-lending, but are only likely to be attractive in countries with small populations;
- **Library hosted models** (when libraries build, own and maintain their own digital hosting and e-lending infrastructure) are most popular in the United States, offer libraries greater degrees of control over content, but tend to secure access to less popular titles whilst requiring substantial levels of upfront investment.

Comparative analysis

Long term trends show that physical book lending is gradually decreasing while e-lending is increasing at a faster rate. However, it is worth remembering that e-lending still remains a small proportion of all book lending through libraries – between 1 and 10%. Based on the comparative data available for the e-lending models reviewed in this report, Germany's *divibib* offers the highest average e-book loans per month and one of the largest collections of titles for e-lending.

However, after the German hybrid licensing model (which launched in 2007) the next three e-lending models with the highest average e-book loans per month are all pay-per-loan/simultaneous-use models (the Dutch Digital Library established in 2014, *eReolen* in Denmark created in 2011 and Stockholm Public Library's Digital Library). In Europe, the Dutch Digital Library (now administered by the National Library of the Netherlands) has the lowest cost per loan and Stockholm Public Library in Sweden has the highest. Of all the European and North American e-lending models reviewed, Quebec's *PRETNUMERIQUE.CA* has the lowest average cost per loan.

Key trends and enabling factors

The national policy environment in which individual e-lending models operate has a significant impact on their scope for development and success. Indeed, most of the European e-lending models reviewed in this report benefited from specific policies, strategies and funding to promote e-lending, for example via national e-lending programmes or regional pilot projects. In addition, aggregated budgets for library licensing of digital content, combined with collective negotiations with publishers are more likely to secure favourable and sustainable licensing terms.

E-lending models which have had more time to develop tend to offer larger numbers of e-book titles and demonstrate higher usage figures, but new e-lending models launched in the last few years are also showing the potential for rapid growth. On-going and sustained dialogue and engagement between libraries and publishers, alongside a flexible and explorative mind set, are likely to be key enablers for future e-lending success.

In addition, the collection of accurate data which maps out the economic and behavioural realities of e-lending and e-book buying will become increasingly important in achieving e-book licensing terms which serve the interests of both libraries and publishers. Emerging data shows potential evidence for a potentially positive relationship between e-lending, e-book sales and publishing revenues. Similarly, for libraries, monitoring usage data and user experience metrics will increasingly enable them to focus scarce resources on achieving the best value for the patrons via targeted investments in content and functionality.

Further conclusions and recommendations

National and regional variances in public funding, government support for e-lending, cultural expectations, market maturity and commercial dynamics mean that each e-lending model operates in a relatively unique environment. Accordingly the wholesale transplantation of particular e-lending models from one country to another, or the systematic roll-out of a specific licensing framework across all EU Member States poses significant challenges. Nevertheless, it is clear from the analysis of the 18 e-lending models reviewed that flexible and iterative approaches which build on sustained dialogue between publishers and libraries are yielding progress. Ultimately the science of "what works now" should be embraced above options which are theoretically desirable but practically impossible in the short term. At the same time, libraries should seek to exploit incremental and steady progress to drive continual improvements to the scope and scale of their e-lending services over the long term.

While steps to resolve the current uncertainty around the legal status of e-lending would be welcome, if publishers continue to identify e-lending as a threat, they will still retain a range of tools which can be used to undermine its viability for libraries. As such, greater EU-level support for comparative and transparent benchmarking of e-lending and e-book purchasing practices across all Member States would be a valuable asset to ensure that future licensing regimes are developed based on behavioural and commercial realities rather than instinctive reservations and fears.

Instead of hard coding mechanisms to create punitive friction in their pricing and licensing models, publishers should work collaboratively with libraries to flexibly co-design how friction can be introduced into e-lending systems to maximise the benefits to patrons from limited collection budgets. Providing libraries and publishers can continue to build and develop evolving agreements based on mutual trust and shared evidence, there are ample opportunities to be seized on both sides of the e-lending equation.

1 INTRODUCTION

Public access to information – a brief history

For most of human history only the most educated and wealthiest members of society were afforded access to the products of knowledge, culture and learning. Until the arrival of mainstream popular literacy, fuelled by the extension of public education programmes in North America and Europe over the last two hundred years, only a fraction of the population were able to read and write.¹ Furthermore, before the invention of the Gutenberg printing press in the 15th century, books and manuscripts were individually written and bound by hand. This made books expensive and rare, putting them out of reach to all but the highest echelons of society.

However, the arrival of moveable mechanised type printing in Europe saw book production swell from 20 million copies in the late 15th century to close to 1 billion copies by the end of the 18th century.² Soon after, dramatic rises in public literacy led to a new age of mass communication which eroded the dominance of the literate elite to empower an increasingly educated middle class. This democratisation of ideas, information and knowledge transformed the economics of authorship and ultimately spurred the creation of modern copyright regimes to safeguard the commercial incentives of creators of content.

In the 19th century, rapid population growth, the industrial revolution and the expanded production and distribution of books, were primary factors in the establishment of the public library as a state-funded institution delivering universal public access to the outputs of human knowledge and culture. In the mid-20th century, the production of low cost mass-produced paperback books enhanced the profitability of authorship and publishing, whilst broadening book ownership past the leather-bound bookshelves of the middle classes.³

As well as offering books at a fraction of their previous cost to consumers, paperbacks also enabled libraries to purchase a wider range of titles for loan to patrons without the financial means to acquire them by other means. The 1940s saw the institution of Public Lending Right (PLR) legislation across Europe⁴ to enshrine the right of libraries (usually with the author's permission) to purchase all commercially published titles, whilst simultaneously ensuring that authors were remunerated for these library loans.

Digital disruption

The dawn of the Internet age has triggered a potent and transformative democratisation of access to information, knowledge and ideas. And yet these newfound opportunities for the frictionless distribution of digital information and content have created new challenges. Across the spectrum of music, film and publishing, rights holders have been struggling to update their traditionally analogue operating models, whilst attempting to discourage the opportunities for piracy and illegal distribution made possible by new digital devices, platforms and communications networks.

¹ UNESCO (2006) page 190

² Buringh (2009) pages 409–445

³ Mercer (2011) pages 613–636

⁴ PLR International (2016), the first countries to establish a PLR system were Denmark (in 1946), Norway (in 1947), Sweden (in 1954), and the UK (in 1979). Since then PLR systems have been adopted in Austria, Belgium, Croatia, Cyprus, Czech Republic, Estonia, Finland, France, Germany, Hungary, Iceland, Ireland, Italy, Liechtenstein, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Slovakia, Slovenia and Spain

These developments have also acted to undermine the principles upon which traditional library lending models operate. In the pre-digital age, if a customer (or library) bought a book their relationship with the rights holder or publisher ended with the conclusion of that purchase. Under the “first sale doctrine” or “exhaustion” principle, the new owner now had the unrestricted right to lend or re-sell the book, as this activity was not deemed to represent interference with the ability of rights holders to continue to commercially exploit their works.⁵

Licensed digital access replaces physical ownership

In contrast, today when you buy an e-book, you do not secure the same ownership rights as you might have expected when purchasing an analogue book. Instead you have merely secured licensed access to that content, providing you abide by the terms and conditions stipulated by the license. Similarly, the exceptions and limitations to copyright which normally apply to library book lending, underpinned by a PLR regime, or the 2006 Rental and Lending Right Directive⁶ are not generally seen to apply to e-books. This is because the digital replication and transmission of an e-book file is judged to be fundamentally different in character than the lending of tangible physical items.⁷ Indeed the European Parliament’s Committee on Legal Affairs has recently noted that the copyright exceptions offered by the 2001 Information Society Directive have proven insufficient in providing a legal basis for libraries to engage in e-lending.⁸

For these reasons libraries are only able to legally engage in lending digital books to their patrons after agreeing licensing terms with rights holders or publishers which explicitly permit this activity subject to varying contractual restrictions (the specific characteristics of these licensing models are discussed in the next section). In a context where traditional copyright exceptions and limitations are currently deemed to no longer apply, a number of challenges exist for e-lending:

Availability of e-book titles - publishers are able to refuse to license certain titles for e-lending via libraries or to withdraw previously licensed titles.

Complexity and cost – a sophisticated landscape of divergent licensing terms and conditions, including varying restrictions on loan duration, type of access and technical formats add significant administrative and logistical costs to the e-lending equation for libraries.

Reliability - if a publisher or distributor ceases trading (e.g. goes bust) libraries may lose access to their licensed e-book titles (this can also happen if the library seeks to switch provider).

Digital preservation – libraries no longer have a lawful basis for reproducing or format shifting e-book content for private, research or preservation purposes.

Author remuneration – in most countries authors do not benefit from a PLR-based revenue stream for e-books, and the terms for author remuneration in e-lending licenses can often be both opaque and highly variable.⁹

As a result, libraries have regularly asserted¹⁰ that this new system inhibits their capacity to fulfil their public mission to offer free public access to an appropriate range of digital

⁵ EBLIDA (2012), page 3

⁶ [Directive 2006/115/EC](#)

⁷ Dussolier (2015), page 6

⁸ European Parliament Committee on Legal Affairs (2015), pages 11-12

⁹ Society of Authors’ (2013), page 2

¹⁰ IFLA (2014), page 21

content and cultural materials through the curation of balanced collections and the preservation of digital works. In addition, publishers and rights holders have often perceived e-lending via libraries as a threat to their commercial revenue streams, illustrated by their decision to withhold bestselling titles or only to offer them at prohibitively high prices. For example, in the United States, 2014 bestseller *The Goldfinch* was available for purchase on Amazon for \$7.50, but was licensed to libraries at a cost of \$90.00 (a mark-up of 1,200%).¹¹

Legal ambiguity

It is worth noting that while in e-lending practice, copyright exceptions and limitations have been systematically supplanted by contracts and licensing terms, there are remaining legal ambiguities in this area. The prevailing interpretation is that e-lending represents the act of e-books being “communicated to the public” under the 2001 Information Society Directive.¹² This designates e-lending as a service which means it falls outside the copyright exceptions for lending contained in the 2006 Rental and Lending Rights Directive. Nevertheless, there are countervailing interpretations. Some academics have suggested that the original intention of the Directive was to facilitate all forms of lending, and subsequent European Commission documents have repeatedly discussed whether rental and lending rights should be applied to digital transmissions.¹³

In July 2012, the European Court of Justice (ECJ) Decision¹⁴ on the *Usedsoft v. Oracle* case broadly permitted the sale of second hand software, ruling that the principle of exhaustion can be applied to software distribution via internet downloads. In April 2015, the Hague District Court in the Netherlands referred a case¹⁵ to the ECJ to clarify the legal position of e-lending. The query included a request to specify whether the current provisions of the 2006 Rental and Lending Directive and the 2001 Information Society Directive should currently enable libraries to allow patrons to download digital copies of copyrighted works for temporary personal use.

Clearly the outcome of the request for a ECJ preliminary ruling referred to above could have substantial implications for the future of e-lending. However, it is also clear that there is a growing appetite among some European policy makers to consider opportunities to revise the current legislation. For example, in July 2015, the European Parliament adopted a motion¹⁶ proposed by the Legal Affairs Committee on the harmonisation of certain aspects of copyright. The text called upon the European Commission to assess the adoption of an exception which would allow libraries to “*legally lend works to the public in digital formats for personal use, for limited duration, through the internet or the libraries’ networks*”. In December 2015, the European Commission published its initial proposals for modernising the EU copyright framework, highlighting the importance of harmonising the implementation of existing copyright rules at Member State level, whilst ensuring that these rules are adapted in line with new technological realities.¹⁷

¹¹ Douglas County Libraries (2014)

¹² [Directive 2001/29/EC](#)

¹³ Dussolier (2015), page 6

¹⁴ European Court of Justice, C-128/11 (2012)

¹⁵ European Court of Justice, Case C-174/15 (2015)

¹⁶ [European Parliament Resolution of 9th July 2015](#)

¹⁷ European Commission (2015), page 3

2 LICENSING MODELS

In response to this new digital environment, negotiations between libraries and publishers have led to the development of a wide range of different licensing models. This section provides an overview of the main categories of licensing models and a summary of their key positive and negative characteristics from a library (and library user) perspective.

2.1 Methodology

Detailed information and data on the specific characteristics of public library e-lending models is not easy to acquire in most instances. While commercial data on e-book sales is more readily available, work on e-lending has to rely substantially on primary research. As such, a significant proportion of this report will draw upon previous studies¹⁸ I have undertaken between 2013-2015, alongside e-lending reports produced by library sector and private sector stakeholders. Where possible, this existing research has been updated and supplemented with follow-up engagement with key library stakeholders in the countries included in this study.

This report will focus on 18 different e-lending models across 15 different countries in Europe and North America:

Europe:

- Belgium, Flanders – E-Boeken in de bib
- Czech Republic – eReading.cz
- Estonia – ELLU
- Denmark – eReolen
- France – PNB / Bibook
- Finland – E-Books for Public Libraries / Ebib
- Germany – divibib
- Netherlands – Dutch Digital Library
- Norway – Arts Council Norway e-Lending Pilot
- Norway – Bokyhlla.no
- Slovenia – Biblos Lib
- Spain – eBiblio
- Sweden – Biblioteket.se
- United Kingdom / England – Arts Council e-Lending Pilot (four projects)
- United Kingdom / Wales – e-Books for Wales

North America:

- United States / California – enki – Califa Library Group
- United States / Massachusetts – MA e-Book Project
- Canada / Quebec – PRETNUMERIQUE.CA

Key sources of information for this report include:

¹⁸ Mount (2013) and Mount (2014)

Primary Research:

Online Questionnaire – 52 data focused questions completed in 2014 by individuals from the library sector (and where deemed appropriate the commercial sector) who have direct responsibility for the operation of each e-lending model referenced in this report

Phone Interviews – 41 interviews (lasting between 45-60 minutes) conducted between 2013 and 2014 with key stakeholders responsible for the administration and management of different e-lending models

Follow-up engagement – ad hoc phone conversations and email correspondence in April-May 2016 with library and private sector stakeholders (sources referenced as appropriate).

Secondary Research:

International and national library community publications, scholarly articles, commercial surveys and news reports relating to copyright, digital content and e-lending

2.2 Single-user

Single-user licensing models attempt to replicate the traditional approach operated by libraries lending printed books. This means that only one patron can access a copy of the book at any given time for the duration of its loan period. Libraries using this e-lending model will need to license additional digital copies of the same title if they want to enable multiple patrons to borrow it simultaneously. It is worth noting that seven of the 18 different e-lending models reviewed in this report operate exclusively on a single-user licensing system.¹⁹

The supposed parity between the analogue book lending model and digital single-user licensing models is particularly strained by the fact that most publishers impose digital loan limits which are substantially less than the number of loans it would normally take for a physical book to deteriorate. Therefore, e-books have to be re-purchased.

The majority of the single-user licensing schemes reviewed in this study involve publisher specified loan limits of between 20-55²⁰ loans. Clearly physical books wear out at different rates depending on whether they are just paperbacks or hardback volumes with a dust jacket. However, it seems that at least some physical books last significantly longer than the loan limits imposed by some publishers on e-books. For example, this [YouTube video](#) filmed by librarians in Oklahoma shows a hardback book in perfectly readable condition after 120 loans.

This could suggest that the number of loans specified by publishers for most single-user licenses is motivated less by desire to precisely reproduce the traditional book lending model than an inclination to constrain e-lending. That said, it should also be noted that the recent experience of the PRETNUMERIQUE.CA e-lending platform operated in Quebec (which has achieved the lowest cost per loan of all the reviewed e-lending models in this report) cites the administrative simplicity of maintaining a single-user license for all titles as a contributing factor to this success.²¹

¹⁹ ELLU in Estonia, eBiblio in Spain, Arts Council Pilot in Norway, E-Books for Wales in the UK, the English Public Library e-Lending Pilots in the UK, enki in California and PRETNUMERIQUE.CA in Quebec

²⁰ ELLU (Estonia) – 20 loan limit, Ebiblio (Spain) – 28 loan limit, PRETNUMERIQUE.CA (Quebec) – 55 loan limit, English E-lending Pilot (UK) 12 month license

²¹ Mount (2014), page 76

Positive features:

It is familiar to librarians and library administrations because it mirrors the operation of the physical lending model.

It is often favoured by publishers as it enables them to preserve a key element of friction from the analogue lending process in a digital context.

Injecting this well-understood element of friction can give publishers a stronger incentive to make more catalogue titles available for e-lending.

Negative features:

For patrons, this lending model can appear to impose a seemingly artificial restriction on the e-lending process in contrast with their experiences of accessing other types of digital media (e.g. video on demand services).

Although this model appears to replicate the printed book lending system, in reality its value for money critically depends on the number of loans offered per license.

The rigidity of this licensing model means that libraries perpetually run the risk of over investing in a defined number of digital copies/loans which could exceed patron demand.

2.3 Hybrid licensing

The term hybrid licensing describes five²² of the e-lending models reviewed in this study which combine single-user licenses with other licensing variants which deliver variable levels of simultaneous access. This tends to involve adopting a single-user license (or time limited license) for popular front list titles, multi-user licenses for older titles, and less frequently, uncapped user licenses for other titles (e.g. self-published or public domain material).

For example in Germany, divibib offers three separate licenses, presented in increasing order of cost (the XL-License is primarily applied to bestselling or front titles)²³:

M-License – 12 month single-user license with unlimited loans

L-License – 24 month single-user license with unlimited loans which then converts to a simultaneous-user unlimited license

XL-License – multi-user license which lasts for 20-25 loans at a cost of 300% of the normal e-book license price – which then reverts to two single-user M-Licenses when the 20-25 loans have been used

In Finland the Ellibs platform (available to all public libraries) offers four separate licensing models, also presented in increasing order of cost (license 4 is typically applied to bestselling or front titles):²⁴

License 1 – perpetual ownership, single-user license with unlimited loans

²² Divibib in Germany, Ellibs in Finland, Biblos Lib in Slovenia, PNB in France and the MA E-Book Project in the United States

²³ Mount (2014), pages 37-38

²⁴ These licensing details were obtained via email correspondence with Marja Helt and Virva Nousiainen-Hiiri from Helsinki City Library in May 2016

License 2 – 12 month single-user license with unlimited loans

License 3 – 12 month license with 20 simultaneous users and unlimited loans

License 4 – unlimited number of simultaneous users, restricted total number of loans (typically 100 loans per year)

In Slovenia, Biblos Lib offers two distinct licensing models:

License 1 – participating public libraries pay Biblos Lib an annual fee of €700-€1,200 for a multi-user, unlimited loans license providing access to over 200 public domain and copyright free e-books.

License 2 – flexible 52 loan license offered for premium front titles (libraries are able to set the number of simultaneous users between 1-52 according to their preference)-

As hybrid e-lending models include an extremely broad range of options and terms it is unsurprisingly challenging to generalise about their positive and negative attributes. However, one can draw several conclusions about their overarching benefits and attendant risks:

Positive features:

Hybrid models offer libraries greater choice and flexibility in their ability to match scarce budget resources with a broader range of licensed content.

When advanced e-lending interface/dashboard options are available, librarians are able to track or project the anticipated cost of different licensing configurations.

Negative features:

The complexity and variance of different licensing options often presents added administrative and operational costs (particularly in instances where a poorly developed e-lending platform/interface lacks the functionality to track or project anticipated costs from different licensing configurations).

In most instances the non-refundable character of these licenses exposes libraries to the risk of misallocating budget to license titles which do not match eventual demand from patrons.

2.4 Dual-licensing

In Sweden and Denmark, library systems have succeeded in negotiating dual-licensing arrangements with a selection of publishers. Under these agreements libraries cover the expense of digitizing backlist titles in return for discounted or free e-lending rights.

For example, in Sweden, Stockholm Public Library secured an agreement in 2012²⁵ to pilot a dual-licensing model with e-book distributor Publit and medium-sized publisher Ordfront. Based on this deal, Stockholm Public Library would digitize Ordfront backlist titles in return for an 11 year unlimited loan license covering newly digitized e-books. Under the terms of this arrangement, Ordfront also committed to suspend all e-lending embargos on new e-book releases, making them accessible to Stockholm Public library on a two-tier pay-per-loan model²⁶ (for more details on this variety of model see next section).

²⁵ Mount (2014), page 58

²⁶ €2.72 per loan for titles under 4 months old and €1.64 per loan for titles older than 4 months

In Denmark, the e-lending platform eReolen has been negotiating with a large publisher to develop a similar agreement²⁷ under which public libraries will digitize 1,200 backlist titles published in 2001-2011. These newly digitized titles will be hosted on the eReolen platform under a 15-loan simultaneous-user license (which converts to a pay-per-loan model thereafter).

It is worth noting that the development of these licensing arrangements is most likely in smaller e-book markets where the size of the domestic population is insufficient to incentivise publishers to invest in digitizing their entire backlist. In this context libraries can present an attractive dual-licensing proposition – an offer which is considerably less attractive for publishers operating in the English or Spanish language markets which span multiple territories and national populations.

Positive features:

Dual-licensing agreements offer benefit to both libraries and publishers – they provide libraries with access to additional titles at a free or discounted cost, whilst offering publishers the opportunity to expand their backlist digital catalogues and related revenue streams.

Negative features:

Dual-licensing arrangements are likely to be limited in their scope for transposition beyond countries with relatively small populations which are concentrated within their national borders.

2.5 Pay per loan / simultaneous-use

Five e-lending models (eReading.cz in the Czech Republic, E-boeken in de bib in Flanders/Belgium, eReolen in Denmark, the Dutch Digital Library and Stockholm Public Library's Digital Library) considered in this report have implemented a pay-per-loan system. This approach means that libraries pay publishers a fixed fee for each digital loan with no automatic publisher-specified cap on the number of loans or simultaneous users. In practice this fixed fee will normally vary according to age of the e-book title in question. For example, in the Netherlands, the Dutch Digital Library operates a licensing regime where it is charged €0.36-0.60 per loan for titles under three years old, €0.24 per loan for titles over three years old (for the first 12 months), and then €0.12 per loan thereafter.²⁸

A significant advantage of this e-lending model is that, in principle; it enables libraries to flexibly accommodate rapid increases and decreases in patron demand for a specific title (as opposed having to predict in advance how many single-user licenses to purchase). In some cases it allows libraries to offer access to a broader selection of titles without prior investment. For example, in Sweden, Stockholm Public Library can list titles in its online catalogue free of charge and payment to the publisher is only triggered when the title is checked out.

In theory this system limits the scope for publishers to inject friction into the e-lending process by imposing restrictive licensing terms. Instead, the primary element of friction in this e-lending model is defined by the limited nature of library collection budgets. In this context the onus is on the library professionals managing these budgets to impose suitable

²⁷ Mount (2014), page 23

²⁸ Ibid; see 18 Model Comparison Matrix, page 82

restrictions on patron usage (or specified loan limits) in order to preserve the financial sustainability of this system.

For example, in Denmark²⁹, the eReolen e-lending platform allows participating libraries to set voluntary limits on the number of simultaneous loans for different titles, alongside the additional stopgap option of suspending their e-lending service if the monthly library collection budget is exhausted. There has also been some investigation into options to restrict access for the most prolific e-book borrowers in favour of new users of the e-lending service.

However, it is important to note that in Belgium (Flanders), Denmark, the Czech Republic and the Netherlands, certain publishers have required upfront licensing payments in order to participate.³⁰ This presents both positive and negative aspects. In the Netherlands, on the one hand, the Dutch Digital Library has shown that these advance payments can be instrumental in getting publishers to offer their catalogues for e-lending (particularly in the case of desirable front list titles), and can serve as an incentive for negotiating more favourable licensing terms thereafter.³¹ On the other hand, this feature also increases the risk that libraries will be paying in advance for loans which may not actually materialise.

Positive features:

Allows libraries to accommodate large or unexpected spikes in patron demand for a particular title.

Responds to library users rising expectations of on-demand access to digital content.

Avoids library collection budgets being invested in licensing titles which subsequently experience low patron demand.

Negative features:

Libraries need to carefully monitor (and if necessary restrict) on-going loan consumption as they are liable for the costs incurred by a sudden increase in loans.

In many instances publishers insist on upfront payments which dilutes one of the primary benefits of this model as it risks libraries paying in advance for loans they may not use.

2.6 Library hosted model

The overwhelming majority of e-lending models reviewed in this study tend to involve libraries securing licensed access to digital e-book files which are hosted on external online platforms managed by commercial suppliers or distributors. However, there are a number of library systems³² (Bokhylla.no in Norway, E-boeken in de bib in Flanders, and enki in the United States) which have taken the step of financing the development of their own e-lending infrastructure which enables e-book files to be hosted directly on library owned

²⁹ Mount (2014), page 24

³⁰ Ibid; page 97

³¹ For example in September 2014 the Dutch Digital Library struck new agreements with some publishers migrating titles which were previously secured with advance payments for 1,000 loans to a pure pay-per-loan licensing scheme. It was also negotiated that for titles which still required upfront payments these loans would either be refundable (in the face of low patron demand) or the license would no longer be time limited which would increase the chances for the library to recoup its initial investment on the license over time.

³² Mount (2014), pages 98-99

servers. In principle, this approach allows libraries the opportunity to secure effective ownership, perpetual access and control over the e-book titles in their collection.

For example, enki in California has successfully engaged with self-published authors and a selection of small/medium sized publishers who have agreed for their e-book titles to be hosted on enki servers and offered to patrons using an unlimited single-user license (each title is licensed at or slightly below the retail price of a physical book). In Flanders (Belgium), E-boeken in de bib, run by Bibnet operated a library hosted 12-month pilot scheme in association with six publishers but using a pay-per-loan/simultaneous access model.

Positive features:

Effective digital ownership – instead of just pointing to content administered by commercial entities, this model allows libraries to host digital e-book files on their own infrastructure.

This model also allows libraries to combine content from multiple sources into a single-library-managed digital ecosystem – which means they retain full control over patrons' e-lending experience and personal data.

Self-hosted e-lending infrastructure enables libraries to acquire and supply a broad range of long tail content including copyright free works, local historical material, self-published books and titles from smaller publishers.

Negative features:

The expense and administrative costs of developing and running library hosted digital infrastructure are significant.

Most libraries operating this model have been supported by substantial financing from central or local government as the investment required is usually beyond the scope of most library system budgets.

It can be argued that this model represents an imperfect solution as while it enables libraries to host an extensive range of long tail content, larger publishers will generally refuse to allow libraries to host the digital e-book files of popular front list titles.

3 QUANTITATIVE ANALYSIS

Note on this section's methodology:

Given the absence of recent figures and data for all the 18 e-lending models, this section depends upon the comparative data acquired in 2014 during the primary research conducted to produce my report *A Review of Public Library E-lending Models* (published in December 2014). This is to ensure a fair basis for intra-model comparison. Where possible, more recent data is used and/or referenced.

3.1 Scale of e-lending versus physical book lending

Although comparative figures are not always available, in general terms physical book lending is decreasing and e-lending is increasing, though e-lending still represents a small fraction of all library loans.

3.1.1 Europe

In the Netherlands physical book loans decreased from over 120 million in 2005 to 72 million in 2014.³³ In contrast, e-book loans rose from 2.9 million in 2014 to over 3.8 million in 2015.³⁴ In 2014 e-book loans amounted to less than 5% of physical book loans. According to Stockholm Public Library statistics, e-book loans represented around 1% of all book loans for that library system in 2009, but by 2015 this had risen to 7.8%.³⁵ Between 2013 and 2015, e-book loans rose from 240,000 to 294,000 per year (an increase of over 25%).

In the UK, the results of the remote e-lending Pilots which were trialled across four participating library authorities in England revealed that e-lending accounted for less than 5% of all fiction titles borrowed during the pilot's duration.³⁶ Previous figures from all public libraries in the UK suggest that in 2012-13 e-books represented just 0.4% of the total number of books borrowed. In Spain the 2015 figures from the eBiblio e-lending system show that users borrowed just over 240,000 e-books last year, in comparison with 24.4 million physical book loans (e-lending making up less than 1% of all books borrowed).³⁷

In Denmark, library book loans fell from 34 million in 2000 to around 28 million in 2014.³⁸ E-lending has increased rapidly in Denmark since the launch of its eReolen national public library e-lending platform in 2011, but e-lending still only represented just over 2% of all book loans in 2014.³⁹ Interestingly, eReolen has seen a surprising expansion in the number electronically loaned audiobooks, which are now outperforming e-books in the eReolen's monthly loan statistics.⁴⁰ In Germany, there were an estimated 13 million e-book loans in 2013,⁴¹ in comparison with just under 375 million loaned items via public libraries that

³³ CBS Statistics Netherlands (2016)

³⁴ The 2015 figures based on email correspondence with Lucinda Jones from the Dutch National Library (KB) in May 2016. Loan figures also include e-books downloaded as part of KB's seasonal holiday app offer (Vakantie Bib)

³⁵ Figures received from Mikael Petren, former Director of Stockholm Public Library's Digital Library.

³⁶ The Society of Chief Librarians & The Publishers Association (2015)

³⁷ Figures supplied by Diego Gracia, Head of International Library Cooperation, Ministry of Education, Culture and Sports, Spain in May 2016

³⁸ Book and Literature Panel (2015), page 22

³⁹ Mount (2014), page 82

⁴⁰ Figures supplied by Mikkel Christofersen, Senior Adviser, Copenhagen Libraries and National Project Manager, eReolen

⁴¹ Mount (2014), page 82

same year.⁴² This would suggest that e-lending in Germany still represents only 3.5% of all loaned material via public libraries.

One challenge in comparing e-lending with book lending is that e-book collections tend to offer a more reduced range of titles in comparison to physical collections. Most frequently this will mean that many of the most popular front list titles will only be available in printed format. However, in Finland, Helsinki Metropolitan Area Libraries (HELMET) conducted a study⁴³ from 2012-2013 monitoring the loan statistics for 103 titles which were available in both e-book and printed format. Digital loans accounted for 17% (13,764) of nearly 81,000 library loans linked with those 103 titles. This is surprising as the library's digital e-book collection was much smaller than its physical collection (938 digital single-user licenses compared to 12,346 printed copies of those 103 titles). This suggests that when the availability of titles is the same for both digital and printed collections, e-books were more popular with library patrons.

3.1.2 North America and Australia

Looking across the Atlantic to the United States, in 2014, 90.3% of public libraries offered e-lending services to patrons.⁴⁴ A survey⁴⁵ conducted by the Book Industry Study Group in the spring of 2015 reported that only 25% of library patrons had borrowed an e-book in the last year, although 58% of users said they were aware this service was available. While 90% of respondents said they were happy with the choice of print books in libraries, only 51% were happy with the choice of e-books. In Australia, the Australian Library and Information Association (ALIA) reports that in 2015, e-books represented 3.5% of the average public library's collection, with the majority of libraries seeing e-lending of between 1-4% of all physical book loans.⁴⁶

⁴² German Federal Statistics Office (2013)

⁴³ Mount (2014), page 33.

⁴⁴ Statistica (2014)

⁴⁵ Milliot (2015)

⁴⁶ Australian Library and Information Association (2015), page 2

3.2 TABLE 1: 18 Model Comparison Matrix (2014 figures)

Country	E-lending model	Model type	Number of e-book titles for e-lending	% of commercial titles available for e-lending	Average e-book loans per month	Average cost per loan
DE	divibib	Hybrid	160,000	80%	666,666	N/A
NO	Bokhylla.no	Library hosted	160,000	N/A	N/A	N/A
US	MA e-Book Project	Hybrid	160,000	9.4%	N/A	N/A
US	enki	Single-user/library hosted	30,000	1.7%	5,000	N/A
CA/Quebec	PRETNUMERIQUE.CA	Single-user	15,000	N/A	65,000	€0.23
UK/Wales	e-Books for Wales	Single-user	12,000	0.7%	7,327	N/A
SI	Biblos Lib	Hybrid	11,000	80%	1,500	N/A
FR	PNB	Hybrid	9,000	7%	N/A	N/A
NL	Dutch Digital Library	Pay-per-loan/dual-licensing	7,000	23%	252,544	€0.72
DK	eReolen	Pay-per-loan	4,500	35%	53,474	€1.72
FI	E-books for public libraries	Hybrid	1,485	N/A	1,147	N/A
ES	eBiblio	Single-user	1,400	3%	N/A	N/A
CZ	eReading.cz	Pay-per-loan	1,200	13%	N/A	€1.85
EE	ELLU	Single-user	922	46%	1,166	€1.02
UK/England	Arts Council e-Lending Pilot	Single-user	893	0.05%	N/A	N/A
SE	Biblioteket.se	Pay-per-loan/dual-licensing	800	16%	20,000	€2.18
BE/Flanders	E-boeken in de bib	Pay-per-loan/library hosted	400	N/A	1,600	€1.20
NO	Arts Council e-Lending pilot	Single-user	400	11%	N/A	€2.41

3.3 Average e-book loans per month⁴⁷

Germany's divibib e-lending model offers the highest average number of loans per month (over 660,000). One contributing factor for this level of e-lending is that divibib began offering e-lending services to German libraries in 2007 which has allowed a considerable amount of time for e-lending to develop and mature. Another is that Germany is the third largest e-book market in the world after the United States and the United Kingdom.⁴⁸ Quebec's PRENUMERIQUE.CA single-user licensing model achieved average monthly loans of 65,000 in 2014.

It is worth noting that the next three highest average monthly loan figures come from e-lending models operating pay-per-loan licensing systems. They are the Dutch Digital Library (over 250,000), eReolen in Denmark (53,000), and Stockholm Public Library's Digital Library in Sweden (over 20,000). Stockholm Public Library only captures around 20% of the digital loans which take place across all public libraries in Sweden, and estimates for all e-book loans in Sweden via Elibs are around 115,000 per month.

3.4 Average cost per loan⁴⁹

The availability of average cost per loan data for the 18 models reviewed in this study is limited. In addition, several e-lending models requested that their average cost per loan figures be suppressed from publication – although it is worth noting that many of those estimates were substantially in excess of the highest cost per loan amount demonstrated by the Arts Council Norway e-book pilot (€2.41).

Quebec's PRENUMERIQUE.CA achieved an average cost per loan figure of €0.23 – which is more than 50% less than the best performing European model (The Netherlands). Average cost per loan figures are only available for six European e-lending models. In the Netherlands, the Dutch Digital Library has achieved the lowest average cost per loan (€0.72), followed by Estonia's ELLU platform (€1.02) and Bibnet in Flanders/Belgium (€1.20). eReolen in Denmark comes next (€1.72), followed by eReading.cz in the Czech Republic (€1.85) and Stockholm Public Library in Sweden (€2.18).

3.5 Availability of e-book titles for e-lending⁵⁰

Germany's divibib offers one of the largest collections of e-book titles for e-lending (160,000), though some commentators have suggested that this number may be a slight overestimate due to the inclusion of newspapers and e-magazines. Norway's Bokhylla.no e-lending model also offers in the region of 160,000 titles, although all of these were published prior to 2001.

In the UK, e-Books for Libraries has 12,000 titles available for e-lending, in comparison to 11,000 titles in Stockholm Public Library (the estimated figure for all public libraries in Sweden is over 50,000). France's PNB e-lending platform offers 9,000 titles, compared to the Dutch Digital Library collection of 7,000 titles and eReolen in Denmark which offers 4,500 titles.

⁴⁷ Mount (2014), page 86

⁴⁸ Waller (2016), page 10

⁴⁹ Mount (2014), page 87

⁵⁰ Mount (2014), page 88

The remaining 7 e-lending models have collections below 2,000 titles – Ebiblio in Spain (1,400 titles), the Czech Republic’s eReading.cz (1,200 titles), ELLU in Estonia (922 titles), Biblos Lib in Slovenia (800 titles), Bibnet in Flanders/Belgium (400 titles), Norway’s Arts Council e-lending project (400 titles), and Finland’s e-Books for Public Library’s Project (103 titles).

In North America, perhaps unsurprisingly the scale of e-book collections increases substantially, with Massachusetts’ MA e-Book Project providing 160,000 titles, enki in California with 30,000 titles, and PRETNUMERIQUE.CA in Quebec with 15,000 titles.

3.6 Percentage of published titles available for e-lending⁵¹

The figure above shows the titles available for e-lending as a percentage of the total number of commercially available e-book titles. It is important to remember that because of the substantively varying number of commercially available e-books in different languages this should not be used as a performance scorecard. For example, in Slovenia, Biblos Lib has succeeded in offering approximately 80% of the commercially available titles – although this only equates to 800 e-books. In comparison, e-Books for Libraries in Wales only manages to capture 1% of the 1.7 million e-books published in English with a collection of 12,000 titles (15 times higher than the Slovenian collection). Nevertheless, if Slovenian libraries were able to preserve this percentage of accessible e-book titles for e-lending as their e-book market matures and expands then that would be a significant indicator of success.

⁵¹ Mount (2014), page 89

4 KEY TRENDS AND ENABLING FACTORS

4.1 Government policy

The available evidence suggests that the viability and prospects for development of many individual e-lending models is significantly affected by the overarching policy environment within which they operate. In particular, a substantial number of European models benefited from targeted strategies, policies and funding to support the development of regional pilots or national e-lending programmes.

4.1.1 Europe

4.1.1.1 Germany

In 1947 Einkaufszentrale für Öffentliche Büchereien (EKZ) was established as a centralised organisation for the delivery of library services, initially funded by German local authorities. The existence of this somewhat unique⁵² type of intermediary with a 60-year history of cooperation with the German library sector arguably played a significant role in the early launch of the divibib e-lending platform in 2007. It is worth noting that this development took place nearly 5 years before the German e-book market achieved mainstream levels of commercial success in 2011-12.⁵³ Indeed, it can be concluded that despite the municipal level administration which characterises the German library system, the presence of EKZ offered scope for interoperability and standardisation which substantially contributed to the rise of divibib as the leading German e-lending platform for libraries.

On the other hand, it has also been contended that Germany's fixed-price system for books, in place since 1888⁵⁴, has played a role in making e-books comparatively expensive in contrast to other similar European countries.

4.1.1.2 Denmark and the Netherlands

Government funding and national policy initiatives had an important role in the creation and development of e-lending models in Denmark and the Netherlands. In Denmark, the Danish Agency for Culture's National Development Programme for Public Libraries funded, developed and launched the eReolen e-lending platform in 2011. In the Netherlands, the Ministry for Education, Culture and Science (working with the Dutch Association for Public Libraries) established the Dutch Digital Library Programme in 2009 which launched the Stichting Bibliotheek.nl e-lending scheme in January 2014. At the start of 2015, this e-lending platform was integrated within the National Library of the Netherlands (Koninklijke Bibliotheek).⁵⁵ In January 2015, the Dutch government passed new legislation to establish a centralised budget of €9.2 million for purchasing digital content for public libraries, a development which looks likely to enhance the long term sustainability of the Dutch e-lending model.

⁵² EKZ is a member of the National Federation of German Library and Information Associations, a sponsoring member of the German Library Association, and a member of the International Federation of Library Associations (IFLA)

⁵³ Mount (2014), page 37

⁵⁴ Ibid; page 38, Germany's fixed-price system for books was primarily upheld through contract law from 1965-2002, until it was underpinned by new legislation

⁵⁵ Facts and figures supplied by Lucinda Jones from the Dutch National Library (KB) in May 2016

4.1.1.3 Norway

In 2005 the Norwegian government made a public commitment to devote at least 1% of its annual budget to culture from 2015 onwards – which correspondingly increased the financial resources available for funding public access to digital content and the digitization of printed materials.⁵⁶ In addition, Norwegian law empowers the National Library to negotiate licensing agreements with Kopinor (the Norwegian collection society representing publishers and authors) which then apply to all publishers, authors and orphan works. This policy environment enabled the Norwegian National Library to launch its own digital platform Bokhylla.no (The Bookshelf) in 2012 which offers over 250,000 digitized books published before 2001 available online to anyone with a Norwegian IP address.⁵⁷

4.1.1.4 Sweden

In 2014, the Swedish Association of Regions and Municipalities (SALAR), alongside representatives from the library sector engaged with publishers to negotiate a national e-book licensing scheme for public libraries. In 2015 SALAR secured a 12 month agreement with five Swedish publishers whereby front list titles would be made available for e-lending at the same time as they were released in bookshops.⁵⁸

4.1.1.5 France, Finland, Estonia and Spain⁵⁹

In France, the Centre National du Livre partnered with a consortium of publishers and book sellers in 2011 to develop the Prêt Numérique en Bibliothèque (PNB) e-lending service. PNB launched nationally in February 2014, offering a catalogue of 9,000 titles from 50 publishers. Similarly, in September 2014, Grenoble Municipal Libraries (BMG) launched their own e-lending interface, Bibook, with 80% of the costs covered by the French Ministry of Culture. In Finland, Helsinki Metropolitan Libraries (HELMET) received funding in 2012 to launch their pilot e-lending platform, eBib, from the Government's Funding Agency for Technology and Innovation and its Next Media Research Programme. In a similar vein, in Estonia, over half of the development funding for Tallinn Central Library's ELLU e-lending platform came from the Estonian Ministry of Culture, and in Spain, the Ministry of Education, Culture and Sport provided a €1.5 million grant to finance the 12 month eBiblio e-lending pilot.

4.1.2 North America

In Quebec, the early development costs of the PRETNUMERIQUE.CA e-lending platform were supported by a \$150,000 CAD Government grant in 2012.⁶⁰ In the United States, the Institute of Library and Museum Services (IMLS) supplied grants under the Library Services and Technology Act (LSTA) to the MA e-Book Project in Massachusetts⁶¹ and the enki e-lending platform in California.⁶²

4.2 Cultural factors

There are often pre-existing cultural factors which act as enablers for e-lending. In most instances e-lending services will be easier to develop in contexts where there is an inclination for collaboration, dialogue and engagement between libraries and publishers. For example, in Quebec, securing access to both digital and printed content has been facilitated

⁵⁶ Mount (2014), page 46

⁵⁷ Ibid; page 46

⁵⁸ Details supplied by Mikael Petren, former Director of Stockholm Public Library's Digital Library in May 2016.

⁵⁹ Mount (2014), pages 91-93

⁶⁰ Ibid; page 79

⁶¹ Ibid; page 75

⁶² Ibid; page 71

by a “historic spirit of collaboration” with the domestic publishing industry which has helped maintain a largely positive and productive relationship.⁶³ It has also been suggested that such tendencies for dialogue and compromise are more likely in examples like Quebec where public library expenditure represents a larger percentage of publishing income than in other territories.⁶⁴ Similarly, in Finland, Helsinki City Library reports positively that the majority of publishers regard libraries as a route for driving and increasing commercial demand for e-books, instead of a mortal threat to their business.⁶⁵ As a result, publishers do not usually embargo new e-book titles and often release them for e-lending before they are available in printed format.

In other instances the relationship is advantaged by publishers or other intermediaries being closely involved in the development of the e-lending model from the outset. In the Czech Republic, the eReading.cz e-lending platform is operated by one of the largest domestic publishers, which integrates the lending and purchasing of e-books within the same online system.⁶⁶ A similar model has also been adopted in Slovenia where the Biblos Lib e-lending platform administered by Beletrina Publishing (a non-profit organisation) allows e-books to be borrowed and purchased within the same digital ecosystem.⁶⁷ Finally, in Estonia, the underlying infrastructure and software for the ELLU e-lending platform was developed by the biggest Estonian e-book supplier (Digital Book Centre).⁶⁸

4.3 Willingness to negotiate (and renegotiate)

There is significant evidence across most of the 18 models reviewed that on-going and sustained negotiations between libraries and publishers has a positive correlation with improved licensing terms, prices and e-book availability for e-lending.⁶⁹ In most instances this kind of dialogue is essentially a prerequisite for establishing and developing an e-lending service in the first place. However, thereafter, continued efforts are usually necessary to ensure subsequent progress.

A good example of this trend can be found with eReolen⁷⁰ in Denmark. During its first year of operation since launching in the autumn of 2011, eReolen offered just over 4,000 e-book titles for e-lending. In late 2012, seven of the largest Danish publishers withdrew their titles from the platform, causing a sharp reduction in the number of available e-book titles. However, following further talks throughout 2013-14, all major publishers returned their titles to eReolen in 2015, resulting in an increased collection of 12,500 e-books. In early 2016 five of the big publishers decided to pull their titles from eReolen again, reducing the platform’s collection of titles to 9,500. eReolen is currently engaged in fresh negotiations designed to persuade the remaining publishers to re-offer their catalogues for e-lending.

The Danish example is a clear illustration that while the negotiating process can be frustrating and often yield temporary reversals, the long term underlying trend is one of progress and greater e-book availability for e-lending. In Estonia, the ELLU e-lending platform offered 922 e-book titles in 2013, in comparison to nearly 1,500 titles in 2015.⁷¹

⁶³ Mount (2014), page 93

⁶⁴ Ibid; page 77

⁶⁵ Ibid; page 93

⁶⁶ Ibid; page 16

⁶⁷ Ibid; page 51

⁶⁸ Ibid; page 18

⁶⁹ Ibid; pages 100-101

⁷⁰ All figures cited for eReolen below are based on correspondence with Mikkel Christoffersen, Senior Adviser, Copenhagen Libraries and National Project Manager, eReolen in May 2016

⁷¹ Figures obtained from Triinu Seppam, Tallinn Central Library in May 2016

In the Netherlands, the Dutch Digital Library launched in 2014 offering 5,500 titles, but by 2016 had negotiated access to over 11,000 e-books.⁷² In Norway, the Arts Council e-book pilot project which ran from 2013-2014 has now been extended to all Norwegian counties.⁷³ In Spain, the eBiblio e-lending initiative launched in 2014 with 1,400 available e-book titles, but expanded to just over 4,000 titles by the end of 2015.⁷⁴ Similarly, in the United States, the enki e-lending platform for public libraries in California offered 18,000 e-book titles in 2014. By February 2016, this collection had expanded to more than 45,000 e-book titles.⁷⁵ In Quebec, PRENUMERIQUE.CA provided access to 15,000 French language titles in 2014, but by 2016 had expanded its collection to 45,000 titles.⁷⁶

4.4 User experience

Analysis of the 18 models reviewed in the study reveals that there is substantial value to be achieved by libraries establishing user feedback mechanisms which allow iterative improvements to their e-lending systems and interfaces. There is also evidence that the longer library users are socialised with e-lending services, the easier they find them to use. Annual surveys of library users conducted in Stockholm (Sweden) and Helsinki (Finland) demonstrated an on-going increase in the percentage of users reporting that e-lending services were easy to use. Similarly, in Estonia, Tallinn Central Library conducts annual user surveys which indicated that in 2015, 42.4% of ELLU e-book borrowers were aged 26 years old or younger, 74.9% were female, and 54.8% of users chose to borrow e-books outside the library opening hours.⁷⁷ The last statistic implies that the ELLU e-lending platform addresses user requirements which would not have been satisfied under a physical book lending system.

4.5 Evidence-driven decision-making

A common feature of licensing terms offered for e-lending is that they can contain elements of inbuilt friction or prohibitive pricing which are arguably designed to restrict or discourage the general scope of e-lending via libraries. This is perhaps understandable in instances where publishers fear that e-book sales will be negatively affected by e-lending, which would also explain decisions to withhold certain e-book titles from library e-lending platforms.

On this basis, there is significant added value to be unlocked by supporting more evidence-based decision-making built on accurate data on the actual relationship between e-lending and e-book purchasing. There are strong arguments to suggest that licensing arrangements and pricing structures constructed on behavioural realities as opposed to knee-jerk judgements based on perceived commercial threats would serve the interests of both publishers and libraries alike.

A powerful example of this dynamic is illustrated by Stockholm Public Library's statistical analysis of e-lending data which was used to underpin a new licensing deal with one of the largest publishing houses in Sweden, Natur & Kultur.⁷⁸ In 2013 Stockholm Public Library initially ran a 3-month trial with all of Natur & Kultur's front list titles excluded, and then a

⁷² Figures based on email correspondence with Lucinda Jones from the Dutch National Library (KB) in May 2016

⁷³ Norwegian Ministry of Culture (2015), page 21

⁷⁴ Figures obtained from Diego Gracia, Head of International Library Cooperation, Ministry for Culture, Education and Sport, Spain in May 2016

⁷⁵ Sonoma County Digital Library Project (2016)

⁷⁶ Figures obtained by Jean-François Cusson, Directeur Général, Bibliopresto.ca, in May 2016

⁷⁷ Figures obtained from Triinu Seppam, Tallinn Central Library, May 2016

⁷⁸ Mount (2014), page 59

further 3 month trial which made all titles available for e-lending. The results showed that making all titles available increased the number of library e-book loans by 100% while simultaneously increasing publishing revenue from those loans by 100%.⁷⁹

This enabled Stockholm Public Library to devise a new pricing model (containing three segments for different ages of title). This licensing model was specifically designed to reduce the average cost per loan for participating libraries whilst increasing publishing revenue from e-lending (as libraries would be prepared to spend more on predictably priced licenses which offered access to a greater range of titles). This approach was then used to develop a 12-month pilot national licensing scheme supported by the Swedish Association of Regions and Municipalities which was agreed in 2015.⁸⁰ Similarly, in the Netherlands negotiations with publishers in 2014 demonstrate that improved evidence on tangible publishing revenue linked to e-lending has the capacity to persuade publishers to revise their position on withholding popular e-book titles from libraries.⁸¹

Across the wider e-lending landscape there is further emerging evidence that e-lending can offer publishers a valuable opportunity for e-book promotion and discoverability which can lead to enhanced customer engagement and additional sales. In February 2012 the US Library Journal published figures⁸² which suggested that 50% of library users go on to buy books by authors they discovered in the library, and the most active library users are active consumers and buyers of all media including e-books. In June the same year the Pew Research Centre released research⁸³ which claimed that 55% of e-book readers with library cards prefer to buy e-books, and 41% of e-book readers who borrow e-books from libraries have purchased the e-book they are currently reading.

A 2013 survey⁸⁴ commissioned by Helsinki Metropolitan Area Libraries in Finland revealed that 55% of library users reported that “the service made me more interested in buying e-books”. In addition, a further 55% of those respondents said that they planned to buy e-books in the future, up from 50% of respondents the previous year. A more recent survey conducted by eReolen in Denmark suggested that 30% of users access their e-lending platform just for inspiration (e.g. potentially to inform future purchases) while 50% were active e-book buyers.⁸⁵

Building upon this emerging evidence, it is interesting to note that many of the e-lending models reviewed in this report have implemented, or are exploring the opportunity to implement, a “buy button”, to offer library users the option of purchasing e-book titles when they are not available for loan.⁸⁶ In 2014, five of the e-lending models reviewed (Helsinki Metropolitan Area Libraries in Finland, E-boeken in de bib in Flanders/Belgium, the UK Arts Council e-Lending Pilot, and Biblos Lib in Slovenia) already offered buy button functionality. A further four e-lending models reported that they had plans to introduce a buy button in 2015 (the Dutch Digital Library, eReolen in Denmark, PRETNUMERIQUE.CA in Quebec, divibib in Germany, and the MA e-Book Project in the United States). In addition, the last three models cited (Quebec, Germany and the United States) were also exploring the opportunity to offer participating libraries a percentage share of e-book sales generated

⁷⁹ Details supplied by Mikael Petren, former Director of Stockholm Public Library’s Digital Library in May 2016.

⁸⁰ Ibid

⁸¹ Mount (2014), pages 101-102

⁸² Library Journal (2012)

⁸³ Pew Research Centre (2012), page 7

⁸⁴ Mount (2014), page 101.

⁸⁵ Christoffersen (2016) figures on slide 21

⁸⁶ Mount (2014), pages 82-85

via the buy button mechanism. Finally, in Spain, the Ministry of Education, Culture and Sport which administers the eBiblio e-lending platform has proposed that participating regional library systems should have the ability to introduce a buy button should they desire to do so.

5 FURTHER CONCLUSIONS AND RECOMMENDATIONS

One size does not fit all

After reviewing the characteristics of the 18 different e-lending models reviewed in this report, it is clear that it is impossible to recommend a particular approach or licensing model that would fit the situation in all EU Member States. National and regional variances in public funding, government support for e-lending, cultural expectations and commercial dynamics mean that each e-lending model operates in a unique environment. For example, should a particular library system unilaterally decide that the pay-per-loan/simultaneous-user model offered the best opportunity to develop an e-lending service – then the success of this aspiration would crucially depend on the availability of sufficient funding, alongside the preparedness of domestic publishers to license their e-books under this scheme.

The quiet power of incrementalism

Instead, flexible and iterative approaches which build on sustained dialogue between publishers and libraries have shown significant results based progress across all the e-lending models reviewed. Libraries and publishers need to continually pursue the art of the possible in these on-going discussions rather than restricting themselves within rigid preconceived negotiating positions. This explains why some e-lending models are seeking to evolve towards fixed licensing schemes for different ages of e-book titles, while others are looking to move beyond an initially agreed fixed-price licensing system to explore ad hoc deals with certain publishers to access particularly attractive e-book titles. Ultimately the science of “what works now” should be embraced above options which are theoretically desirable but practically impossible in the short term.⁸⁷ However, this is not to say that libraries should not seek to harness the power of incremental and steady progress to deliver significant improvements to the scope and scale of their e-lending services over the long term.

Legislative reform at EU level without mutual trust will be ineffective

It is likely that the position of libraries would be strengthened should the current uncertainty around the legal status of e-lending be resolved to produce a firmer basis for e-book lending – potentially based upon the application of an EU-wide PLR regime for e-books. However, if publishers and rights holders continue to identify library e-lending as a commercial threat, they will still retain a range of tools (e.g. pricing) they can use to introduce additional friction to discourage or restrict e-lending. There would also be ample opportunities for Member State governments to dilute or derogate from such an EU-wide PLR scheme should they be sensitive to arguments that e-lending represents a mortal threat to economic vitality of publishing and authorship.

Trust built on transparent shared knowledge and understanding

E-lending suffers from a deficit of readily available comparative information, data and statistics which could be used to positively or negatively associate its development with corresponding commercial and consumer outcomes. While individual e-lending models (such as the Stockholm Public Library case study) have managed to leverage e-lending

⁸⁷ For example, the National Library of Norway published proposals for a new e-lending model in May 2016, which involves a blend of single-user licensing and pay-per-loan licensing depending on the age of the titles involved. The National Library stated in its press release that “*the model is not optimal from the viewpoint of public libraries, publishers or authors, but provides a good basis for the further development of coordination in this area*” – National Library of Norway (2016), page 2

data to demonstrate their services' compatibility with rising commercial revenue, it is always easy for publishers to revert to the instinctive perception (often readily accepted by policy-makers) that e-lending hurts e-book sales. Indeed, it is rarely considered whether, in a context where e-book sales are plateauing or decreasing in a particular market, this is actually caused by shifting consumer preferences or competition from other global commercial operators, rather than the existence of e-lending via libraries.

From this perspective, greater EU-level support for enhanced comparative and transparent benchmarking of e-lending and e-book purchasing practices across all Member States would serve two valuable functions. Firstly it would enable different library services to gain wider insights into specific e-lending practices and approaches which they could explore in collaboration with domestic publishers. Secondly, it would empower publishers and libraries to identify specific licensing frameworks and cooperative arrangements which are most likely to maximise both consumer choice and the discoverability and purchase of e-book titles.

The journey towards an evidence-based equilibrium

It would clearly be inequitable for one library to buy one digital copy of a best seller (e.g. *Purity* by Jonathan Franzen) and make it freely available to every person in the world with an internet connection. Similarly, it would be equally inequitable for all popular e-book titles to only be made available to sections of the global population with a credit card, a certain brand of e-reader and membership of a commercial online media platform/service until 12 months after release. The finite nature of library budgets will always serve as the ultimate friction ceiling in any e-lending environment. This means that library e-lending can never aim (and should not aim) to satisfy the full range of consumer demand for bestselling titles (for example). However, libraries do perform an essential public access service, whilst socialising successive generations with a culture of reading and legal consumption of creative content.

Indeed in many ways piracy represents a threat to the ambitions of both publishers and libraries. Publishers want to monetise their product and the libraries want to pay to offer proportionate public access to that product. Recognising these realities could sponsor a new equilibrium whereby publishers scale back kneejerk or punitive library pricing which is designed to discourage e-lending and instead embrace a range of flexible models and options for libraries to access or acquire content and compensate publishers in return. Instead of hard coding mechanisms to create friction in their pricing models, publishers and aggregators should allow libraries to flexibly co-design how friction should operate in their e-lending systems to maximise the benefits to patrons from limited collection budgets. As this report demonstrates, there is already evidence that this is happening through a range of innovative experiments and approaches across a widening ecosystem of e-lending models. Providing libraries and publishers can continue to build and develop evolving agreements based on mutual trust and shared understanding, there are ample opportunities to be seized on both sides of the e-lending equation.

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