

Public Lending Right Review

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Section 1: Aims and Terms of Reference of the Review

Overall Aim

To review the continuing need for the Public Lending Right scheme, and the continuing appropriateness of the provisions and scope of the Public Lending Right Act (1979); to consider whether the administration of the PLR scheme is best carried out by an NDPB (currently the PLR office under the Registrar); to review the efficiency and effectiveness of the Registrar's administration of the PLR scheme; to review the terms of reference, responsibilities and functions of the PLR Advisory Committee.

First Stage: Prior Options

To examine whether the provision of a statutory lending right for authors as constituted under the PLR Act (1979) and the PLR Scheme (1982) is still necessary; whether the Registrar's legal status and administrative responsibility for PLR at arms' length from Government are the best options for the operation of the scheme; and how the scheme's administration might be improved in future.

In the course of this review to consider specifically:

1. the continued relevance of the scheme's provisions in the light of changes in the use of public libraries, copyright legislation etc since PLR's inception in 1979;
2. the legal status and responsibilities of the Registrar;
3. the legal position, terms of reference, role and responsibilities of the PLR Advisory Committee;
4. the current and past operation of the scheme by the Registrar and his staff;
5. how the operation of the scheme contributes to the achievement of wider DCMS and Government aims;
6. what authors and other interested parties think about the scope of the scheme, and its operation;
7. the nature of the Registrar's relationship with DCMS, both financial and non-financial, and how this bears on the administration of the scheme;
8. how the scheme can best be administered, and whether there is scope for other organisational options, including discontinuing, contracting out, market testing, merging or rationalising, privatising, or restructuring internally, some or all of the Registrar's functions.

Second Stage

In the light of the findings of the first stage, to review the efficiency and effectiveness of the Registrar's administration of the PLR scheme.

Section 2: Summary of Conclusions and Recommendations

- 2.1 The Review has concluded that Public Lending Right, as established within United Kingdom law, has continuing validity and should be retained as an intellectual property right in substantially the same form as at present (7.2,8.1).
- 2.2 There is no perceived advantage, either operational or financial, and some possible dangers in changing the existing arrangements for the management of Public Lending Right as a “stand alone” service directly operated and funded by government, and the continuance of the present situation is strongly recommended (7.3-7.4,8.9-8.23).
- 2.3 The present arrangements for the governance are appropriate to the functions and operations of PLR, i.e. that the Registrar has the status of a corporation sole directly answerable to ministers (8.1-8.2).
- 2.4 The concept of a professionally based Advisory Committee, containing the necessary mix of skills from the world of books but with no executive responsibility, is working well and there is no immediate need for radical change (8.4-8.6).
- 2.5 The Advisory Committee should be encouraged to initiate proposals for further development, and should be an active participant in the appointment of any future Registrar (8.6).
- 2.6 The Chartered Institute of Library and Information Professionals should be invited to nominate an assessor to join the Advisory Committee, thus placing it on the same footing as the Writers’ Guild of Great Britain, the Society of Authors and the Authors’ Licensing and Collecting Society (8.7).
- 2.7 Consideration should be given to the establishment of a formal mechanism that allows the Registrar access to either a senior representative of DCMS or an independent but informed third party, who can act as a sounding board for ideas and new initiatives in regard to business management and similar matters (8.8).
- 2.8 The gradual extension of library sampling to more authorities and to whole authority sampling has been facilitated by developments in library computerisation, and efforts to refine and further increase the accuracy of sampling should continue; particular concern should be paid to possible divergence in national and regional reading habits, and the Review recommends that any regional sampling undertaken as part of data collection by PLR should adopt the Government’s own defined regions (5.13-5.15).
- 2.9 The data collected by the Registrar from public libraries provides a valuable source of objective intelligence for use by libraries in improving services, and the Review endorses the Registrar’s attempts to make the range of statistics appropriate to need; it recommends that he continue

discussion with library authorities, collectively and on an individual basis, to agree a mutually agreeable strategy (5.39,7.17).

- 2.10 Despite the delay involved in the current provisions for agreeing the rate per loan payable to authors, there is a clear balance of advantage in continuing to have the figure ratified by Parliament rather than delegating the responsibility to the Registrar (5.19-5.21).
- 2.11 The fact that PLR is a legally established right implies total equity based upon use, but the pragmatic need for some minimum and maximum threshold is accepted; however, the upper threshold has not been revised since 1989, and, while it is not strictly a matter for the Review, some modest increase would now appear to be justified (5.23).
- 2.12 For the future, it is recommended that some formula be devised, possibly measured against the retail price index, to ensure that these remain appropriate, with the Registrar, after consulting the Advisory Committee, making recommendations to Ministers (5.23).
- 2.13 The principle of carrying forward accrued sums of less than the present annual minimum of £5 is endorsed by the Review (5.24).
- 2.14 The Review is sympathetic to the idea of automatic registration of new books and additions, subject always to a final ratifying signature by the author, and recommends that the Registrar continue to explore appropriate mechanisms to ensure that a suitable scheme can be introduced as soon as practicable (5.6-5.7).
- 2.15 In the interests of equity Public Lending Right should be extended to the on-site use in public libraries of books designated for reference use only, using the stock-based system in operation in some other countries (7.29,10.2-10.4).
- 2.16 Those responsible for material produced as audio-books should receive adequate payment for the use by public libraries of their creative work and a strong case can be made for including this within Public Lending Right; because of the complex legal issues involved, however, it is recommended only that, as a matter of urgency, a joint working party, time-limited and involving the appropriate government departments, be established to consider this matter and to recommend whether inclusion within the PLR regime or through a licensing scheme is the more appropriate solution (7.30-7.33,10.5-10.11).
- 2.17 As yet there is insufficient evidence that electronic books will achieve sufficient penetration of the United Kingdom public library market to justify provision being made either within PLR or through licensing arrangements (7.35-7.37, 10.12-10.13).
- 2.18 It should be recognised that this is a developing situation and there does need to be continuous appraisal of the impact of e-books and of other new (and as yet undeveloped) media so that authors and others whose work is used through libraries receive appropriate recompense, and it is

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recommended that an appropriate mechanism for ensuring this be put in place with the working party suggested in 2.16 above being asked to provide immediate advice on the implications of e-book use through public libraries (7.35-7.37, 10.11-10.13).

- 2.19 The Review has considered the extension of Public Lending Right to other types of publicly-funded library, especially the higher and further education sector where computerisation is sufficiently developed to allow effective sampling; it recognises the legitimate claim of writers of essentially academic books, which are poorly represented in public libraries, to receive payment for use, but has concluded that for purely practical reasons such an extension should not be contemplated until the impact of the present financial settlement and the suggested extension to reference books in public libraries has been assessed and absorbed (7.39-7.41,10-15-10.18).
- 2.20 The Review is aware of the concern of some authors that their books are widely used in schools without any payment being made for continuing use, but has concluded that the computerisation of school library operations is not yet at a stage where the extension of PLR as presently operated is a practical proposition (10.15).
- 2.21 The achievements of the Registrar in promoting international understanding and adoption of the principle underlying public lending right have been considerable, and his attempts to develop further reciprocal arrangements, with consequential benefits to British authors, should continue (5.34,6.13-6.15,7.42-7.43,10.21).
- 2.22 The Review has considered whether the PLR office should assume a greater role in the actual collection and distribution of foreign PLR monies, but, having regard to the close cooperation between PLR and Authors' Licensing and Collecting Society (ALCS) and the fact that existing arrangements appear to be working satisfactorily, it can find no persuasive case for recommending any change (5.37).
- 2.23 Any extension beyond the European Economic Area of PLR payments should be made only on the basis of reciprocity (10.22).
- 2.24 The Review has received nothing but complimentary comments from users concerning the responsiveness and the effectiveness of the PLR office, and its own investigations support this; it is impressed by the intelligent and responsive application of computer technology, resulting both in improved services and a gradually reducing salaries bill, and it approves of the Registrar's attempts to engage with the Government's agenda for increased electronic communication, with the increased potential for registration and communicating with authors using these means (6.4-6.12,7.15-7.16).
- 2.25 The Registrar should carry out an immediate review of the existing structure of the organisation with a view to determining whether it remains appropriate, amend it if necessary and adjust relevant job descriptions as necessary (9.8,9.9).

- 2.26 The Review has identified much good management practice within the organisation and supports the use of matrix management as the most appropriate for flexible operation within a small team; in general, training needs have been carefully considered, but there does need to be continuing awareness of the need to explain to staff the importance and longer term benefits of developmental projects (9.12,9.13).
- 2.27 The Review has concluded that current developmental projects vindicate the Registrar's judgment to date and are worth the effort in time and money; however, for the future it would be helpful if the Registrar were to provide a more objective basis by the more systematic production of a formal proposal (including justification, timescale, likely costs and anticipated benefits) in order to ensure that DCMS has the necessary assurance that projects are relevant and are being delivered effectively (9.14,9.15).
- 2.28 Suitable performance measures focusing upon productivity and unit costs should be introduced (9.18).

Section 3: Conduct of the Review

- 3.1 This quinquennial review (“the Review”) of the Public Lending Right (“the PLR”) and the Public Lending Right Advisory Committee was announced on 16 July 2001 by the Rt Hon. Baroness Blackstone, Minister of State for the Arts at the Department for Culture, Media and Sport (DCMS). The Review has been led by an independent Reviewer Michael Messenger, and supported by the Review Management Team of the Museums, Galleries, Libraries and Heritage Directorate of the Department for Culture, Media and Sport (DCMS).
- 3.2 The Review has been overseen by a Steering Group, chaired by Michael Messenger. Other Members were: Dr Jim Parker, Registrar of the Public Lending Right; Evelyn Relph, Assistant Registrar; Dr Bob McKee, Chief Executive of the Chartered Institute of Library and Information Professionals (CILIP); Mark LeFanu, General Secretary of the Society of Authors; Simon Pink, HM Treasury; Tim Suter, Chief Executive of the Quality, Efficiency and Standards Team (QUEST); Mark Brookfield and Tim McCullagh, of the Museums and Libraries Sponsorship Unit, DCMS; Susan Shaw, Finance Division, DCMS; Anya Heilpern, of the Treasury Solicitor’s Department; Peter Beauchamp, Chief Library Adviser, DCMS; Roger Stratton-Smith, Head of the Review Management Team; Stephen Bristow, Policy Adviser, Review Management Team; and Tania Jacobs and Diana Forbes-McNeill, Policy Officers, Review Management Team.
- 3.3 In order to establish what authors and other stakeholders think about the scope and operation of the PLR, we have conducted a consultation exercise. A consultation paper was issued on 13 November and 11 weeks were allowed for the submission of written responses. The consultation paper was posted on the websites of DCMS and PLR (which elicited some valuable responses) and was also issued to 57 stakeholders. In addition Michael Messenger conducted interviews with a number of key stakeholders and attended two meetings of the Advisory Committee. The outcome of the consultation exercise is reported at Section 7.
- 3.4 In June 2002, Pannell Kerr Forster (PKF), a firm of management consultants, were engaged to provide a further professional evaluation of issues specifically relating to governance and the administration of the PLR scheme, i.e.
- the constitutional relationship between the DCMS, the Registrar and the PLR Advisory Committee, taking into account the lessons from PLR schemes in other countries; and
- the scope for privatization, contracting out or restructuring the administration of the PLR scheme, consistent with the requirements of the PLR Act (1979) and PLR Scheme (1982) and amendments.
- 3.5 During the early stages of the Review it became clear that the administrative efficiency of the PLR operation was intimately connected with the principles of the scheme and its scope, and the decision was made to run the two stages in parallel.
- 3.6 The Review Team particularly wishes to acknowledge the ready and generous cooperation it has received from the Registrar and his staff throughout this Review, and to thank them for their openness and receptiveness.

Section 4: Role, Functions and Contribution to Government Objectives

Legislative framework

- 4.1 The PLR system in the United Kingdom was established by the Public Lending Right Act 1979 which conferred on authors a right to “*receive from time to time out of a Central Fund payments in respect of such of their books as are lent out to the public by local library authorities*”. Under this Act funding for PLR is provided by central government with payments being made to eligible authors by reference to the number of occasions on which their books are borrowed from a representative sample of public libraries. To qualify for payment authors must apply to the Registrar of PLR, who maintains a register of authors and books qualifying for PLR and supervises the administration of the Scheme. The 1979 Act established PLR as an intellectual property right, entirely separate from copyright.
- 4.2 As primary legislation, the Act sets out the principles under which PLR is to be operated in the UK. More detailed rules on issues such as author and book eligibility, loans data collection from libraries, and payment calculation are included in the PLR Scheme. The Scheme’s provisions have been amended on a number of occasions since 1982 by Ministers by means of secondary legislation requiring a negative Resolution of the House of Commons.

Governance and Management

- 4.3 The Registrar has the status of a corporation sole and is responsible to the Secretary of State for Culture, Media and Sport for the administration of the Scheme. He is also Accounting Officer for the Central Fund. The Central Fund accounts are laid before Parliament by the National Audit Office. The Secretary of State is required to report annually to Parliament on the operation of the Scheme. The Secretary of State’s report is published annually with the Registrar’s annual review.
- 4.4 PLR’s funding is received as grant-in-aid from DCMS and is paid into the Central Fund to which the 1979 Act refers. After deduction of the Scheme’s running costs, the remainder of the Central Fund is distributed to eligible authors in the form of payments in February each year. Following the last Government spending review in 2000, PLR’s three-year funding settlement for the period 2001-02 to 2003-04 was determined as: £5.2 million for 2001-02, rising to £7 million in April 2002 and to £7.2 million in April 2003.
- 4.5 Since the establishment of PLR in 1982 the Scheme has been administered by a Registrar and a small team of staff from offices in Stockton-on-Tees. There are currently 13.5 posts (five years ago there were 17.5 posts). PLR staff are employees of the Registrar and are not civil servants.
- 4.6 The Registrar and the Secretary of State receive expert advice on the operation of the Scheme from the PLR Advisory Committee, of which the Registrar is also a member. Appointments to the Committee, including that of the Chairman, are made by the Secretary of State. Members include

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authors and specialists in library advocacy and promotion, copyright and publishing, representatives from the Society of Authors, the Writers Guild and the Authors Licensing and Collecting Society, and DCMS attend as assessors. The Committee has no executive or financial responsibility for the Scheme's operation, its role being purely advisory. The Committee has recently undertaken a review of the Scheme and its principal recommendations have been accepted and implemented by Ministers. In the 20 years since the Scheme's inception, the Committee has monitored the fairness and effectiveness of the Scheme's provisions and has made periodic recommendations for changes to the Scheme which have been largely accepted by Ministers and incorporated in the Scheme.

Historical background

- 4.7 For thirty years before the passing of the 1979 Act British authors campaigned for recognition of their right to receive payment for the free use of their intellectual property through the public library system. During the early 1970s the campaign was given added momentum and focus with the emergence of the Writers' Action Group led by the writers Maureen Duffy and Bridget Brophy. Eventually, in the face of opposition from many quarters, both within and without Parliament, PLR became law in 1979.
- 4.8 The first Registrar was appointed in 1981. This was followed by the drafting and implementation of the PLR Scheme in 1982 and the choice of Stockton-on-Tees as the location of the new PLR office. Registration of authors and books on the PLR's computer system began in September 1982, with the first batches of data providing details of public library book loans being processed in March 1983. The first payments to authors were made in February 1984.
- 4.9 During the first twenty years of its operation the Scheme has continued to grow on all fronts: the number of registered authors has grown from 7,562 initially to over 30,000; loans data is now collected from some 400 libraries (compared with 16 libraries in the first year); payments were made to 17,580 authors in February 2002 (there were 6,113 in 1984); authors in 18 European countries now qualify for PLR (whereas only UK residents were eligible in 1982); and government funding has increased from £2 million per annum in 1982 to £7 million per annum this year.

Contribution made by PLR to DCMS objectives [see Appendix]

- 4.10 The relationship between the Registrar and DCMS is governed by the PLR's Financial Memorandum, which sets out the conditions imposed in exchange of PLR's grant-in-aid. PLR's Funding Agreement sets out the Registrar's objectives for the Scheme and provides a linkage between PLR's more narrowly focused objectives and DCMS' objectives.
- 4.11 The PLR makes an important contribution to three DCMS objectives. In particular:
1. Through its international activities it helps to promote Britain's success in the field of culture and, by encouraging reciprocity between national PLR schemes, acts for the benefit of British authors (supports DCMS Objective 1);

2. Through the efficient and effective administration of the scheme it also assists in broadening access to a rich and varied cultural life – without it complex licensing arrangements would be required that could act as a barrier to such access (supports DCMS Objective 2);
3. By rewarding authors for loans of their books from public libraries it helps to develop and sustain writing talent (supports DCMS Objective 4).

4.12 The principal aim, and the statutory duty, of the Registrar is to give effect to the Public Lending Right Act 1979 and the Public Lending Right Scheme 1982, which provides for registered authors to receive payments in proportion to the number of times their books are lent from public libraries in the United Kingdom. In meeting his statutory duty to administer the Scheme the Registrar also plays his part in achieving the Department's objectives. PLR supports **DCMS objectives 1,2 and 4**:

DCMS Objective 1

The following examples attempt to show how the PLR is contributing to Objective 1:

- Through taking the lead internationally in encouraging wider recognition of the PLR principle by the provision of expertise and advice, thereby promoting the UK's success in this field abroad and working towards the establishment of reciprocal arrangements with other national PLR schemes for the benefit of British authors.
- The Registrar's role as co-ordinator of the International PLR Network involves the provision of specialist advice and expertise to countries seeking to establish PLR systems, and promoting the UK's scheme as a model of best practice. The Registrar also has a key role to play in working with other countries towards the establishment of reciprocal PLR arrangements, thereby opening up new sources of income for UK authors. An important step in this direction has been the extension of the UK's PLR scheme in July 2000 to authors throughout the EEA. This has cleared the way for PLR payments to be made to UK authors for loans of their books from libraries in the Netherlands and France.
- The efficiency of the PLR can be demonstrated as in February 2001 the PLR paid £4.4 million to 17,678 eligible recipients whose books had been borrowed from public libraries in the United Kingdom during the year 1 July 1999 to 30 June 2000, 99% directly into authors' bank accounts.
- The PLR provides authors with a fair and responsive service. This was reflected in authors' views on the service showed a 99% satisfaction level during 2000-01, demonstrating the efficiency and value PLR bring to them.

DCMS Objectives 2 and 4

By the nature of the Scheme's administration, PLR's other core objectives contribute to both DCMS objectives 2 and 4. The following are examples of how the PLR contribute to these:

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- The PLR Advisory Committee monitors the use made of authors' works in libraries, with particular reference to the growing use of new media, and advises Ministers on any implications for copyright and PLR legislation.
- Through the financial and moral support provided by PLR, every author whose books read in libraries has an opportunity to develop their talents further and achieve excellence in their work. This in turn ensures the continued flow of new literature to public libraries and underpins the library community's efforts to attract more readers and broaden access.
- Easier access for authors registering has been made possible through the introduction of new ICT systems. The system is fully automated with the exception that current legislation requires an original signature. The aim is for a fully automated system by 2005 subject to new legislation.

Section 5: Operation of the PLR Scheme

Operation of the Scheme

Registration of authors and books

- 5.1 Since 1 July 2000 the Scheme has been open to authors, illustrators, photographers, editors and translators who live in any of the countries that make up the European Economic Area (i.e. EU Member States plus Iceland, Norway and Liechtenstein). Prior to that date eligibility was restricted to residents of the UK and Germany, with which the UK had a reciprocal agreement.
- 5.2 To qualify for payment an author, or other eligible contributor to a book, must apply to have their book(s) registered and must be able to prove their authorship. Under the Scheme authorship may be proved by (a) a title page credit, or (b) receipt of a royalty from the publisher.
- 5.3 The Scheme is restricted to printed books which have an ISBN. It excludes other printed material such as magazines, printed music, maps etc. It also excludes materials in other formats such as audio-books, videos, CDs and DVDs which are lent out by public libraries. The Scheme does not make provision for on-the-spot use of reference works in libraries.
- 5.4 Authors must apply for each new book, or each new edition of existing books, when they are published, as each will have a different ISBN. Where there are two or more contributors to a book they must agree percentage shares (based on the extent of their respective contributions) before applying to the Registrar. As an intellectual property, PLR may be assigned or bequeathed. Currently, PLR continues for 70 years after an author's death in line with copyright law. Some 32,000 authors and other contributors had registered for PLR at 30 June 2002. Around 1,200 new authors register each year.
- 5.5 At present, registration is by submission of a completed and signed form, but Government proposals for extending electronic communication mean that by 2005 the PLR Office must be able to provide an electronic alternative. Authors have been canvassed on the desirability of electronic registration and, although the extent to which it will be used is unsure, it is already clear that it will be of benefit to some, and the Registrar should devise and introduce a suitable scheme, incorporating all necessary legal protections, as soon as practicable (see 5.29).
- 5.6 It is the ISBN – the unique identifier in each book – that enables the PLR office to match incoming loans data from sample libraries to the books registered by authors. There is some frustration on the part of authors that any new edition of a title, or one produced in a different format, needs to be registered individually. Particularly for those who are successful and prolific, there can be problems in staying abreast of the many new editions (paperback, large print, book club etc) of their books that are published, and a number of authors consulted during the review asked whether a viable alternative to the present system based upon the ISBN could be found. Could the PLR office not register new books and editions automatically on behalf of authors? Authors are

required by statute to register their right, and further obstacles to automatic registration by the PLR Office concern

- (a) the allocation of the percentage share where, for example, an illustrator is involved since their contribution may differ from edition to edition, and
- (b) the comprehensiveness of the national bibliographic data base from which the PLR Office derives its records.

- 5.7 Nonetheless, PLR is running a pilot project to assess the feasibility of, and demand for, a service under which PLR staff will monitor the main national bibliographical databases for new publications and identify all new ISBNs by participating authors. These will be entered in an application form and sent periodically to the authors for signature. All the authors have to do is check the forms, sign and return them. The project is looking at issues such as the reliability of the databases (i.e. can PLR be sure it is picking up every new edition), the staff time involved, the potential for extending the service more widely. The ultimate intention is to make a modest charge for this service. The feedback from the 20 authors participating in the pilot scheme so far has been very positive, but an eventual decision must depend upon the outcome of the pilot, which has been extended to June 2003.
- 5.8 Registration is, as already stated, by the author and not the publisher, although it is good practice for the latter to advise their authors (and especially first time authors) of the Scheme and its advantages. Appropriate publicity is provided by the Registrar to individual publishers, with the Publishers' Association periodically publicising PLR and the ISBN Agency supplying forms to new publishers as they register. These arrangements appear to be working satisfactorily, given the plethora of small, often desk-top, publishers. The requirement for authors personally to register their books precludes registration by the publisher at the time when bibliographical data is supplied, and the nature of PLR means that this requirement should not be changed.

Loans collection data

- 5.9 Under the Scheme the Registrar is required to collect loans data from a representative sample of public library authorities across the UK. At present, the Scheme is restricted to public libraries and so school, college and university, and other publicly-funded libraries are not covered by PLR.
- 5.10 The Scheme divides library authorities into eight broadly geographical groupings and specifies a minimum number of authorities that must be selected from each, although the regions used no longer have any great coherence or logic with, for example, the Midlands not defined as a separate area and split between a number of different regions. Currently 30 authorities across the UK participate each year with loans data coming from some 400 library branches. The Registrar seeks to collect data from as large a sample as possible so as to provide a PLR opportunity to writers of books of mainly regional or local interest. Further Scheme requirements include the need to rotate the composition of the sample (at present no library may stay in the sample for more than four years), and in practice, around eight to ten authorities are replaced each year.
- 5.11 In practical terms, the main difficulties with the current approach relate to the management of the *sample* and the possibility of introducing bias. For example, in order to achieve the PLR target of

collecting 10% of UK loans, and trying to balance the number of loans collected from each region, smaller authorities in remote areas have tended to be disregarded as having insufficient issues to replace the outgoing authorities. Also, some of the larger authorities that the Registrar would have liked to keep in the sample for a longer period have had to be discontinued after 4 years. Having 8 different groups to monitor can prove difficult – and the number of suitable authorities within each of those groups may be restricted. The absence of a Midlands group is also a weakness.

5.12 In 2000 the Registrar, in partnership with DCMS, commissioned a review of the statistical sampling aspects of the present approach from statisticians at the Office for National Statistics and Southampton University. Their recommendations included:

- (a) dividing library authorities into 3 groups according to their annual book issues figures (small, medium and large)
- (b) larger authorities to stay in the sample for longer and smaller authorities to be replaced more frequently in order to achieve a faster rotation
- (c) at least one authority from Wales, Scotland and Northern Ireland always to be included
- (d) the Registrar to provide for cultural, linguistic etc diversity in his choice of authorities.

A 10% sample was adequate but the bigger the sample the more representative it would be.

5.13 The main benefits of the proposed system would be:

- (i) a simpler and more flexible set of procedures to ease administration and reduce costs, the main emphasis of the proposals being on reducing the number of statutory obligations to be fulfilled by the Registrar in favour of wider discretion for him in his choice of sample authorities and in the management of PLR's data collection processes
- (ii) a faster rotation system ensuring that all authorities will be included in the sample within a given period
- (iii) the opportunity to retain larger authorities in the sample for longer than at present to help offset PLR's initial start-up costs

The Registrar sees the recommendations as offering a basis for the future management of the Scheme's loans sampling provisions but recognises that further discussion will be required with stakeholders before the Scheme can be amended. He would like to combine these changes to the Scheme with enlargement of the sample as technological advances have reduced the costs of data collection and these savings could be used to bring a greater number of library authorities into the sample to improve its representativeness.

5.14 The Review would support the Registrar in this and commends this approach as both practical and cost effective, but has concluded that there are both perceptual and operational reasons for retaining some form of English regional grouping, as well as strengthening the representation of Wales, Scotland and Northern Ireland, not least because of the opportunity it affords for including books of purely local interest. The regions themselves, however, should be modified, and it is recommended that when the Scheme is amended they should become co-terminus with the Government's own regions.

- 5.15 Currently, libraries from both Scotland and Wales are included in the PLR regime, and, with the Scheme required to have a least one Welsh-speaking authority in the sample at all times, Welsh representation already has some protection. Although the percentage payments to authors living in Scotland and Wales is broadly in line with that to authors in other parts of the United Kingdom, the extent to which national writing in both countries is properly reflected within the statistics remains an issue. The Registrar already has it in mind to enlarge Scottish representation from three libraries to four in order to provide a more representative sample, but given the responsibilities of the Registrar (see 5.25 below) it is unnecessary to amend the legislation. The Registrar is required by the Scheme to include a minimum of two libraries from Northern Ireland in the sample.
- 5.16 Participation in the sample is a statutory obligation for library authorities if they are designated by the Registrar, but any costs associated with participation are recoverable from PLR. It is the Registrar's responsibility to balance the size and representativeness of the sample against the cost to the PLR Fund of administering it.
- 5.17 The loans data collection operation is wholly computerised and is increasingly undertaken by direct electronic communication between library computers and the PLR office. Data are sent monthly or two-monthly and accumulated annually on the PLR computer over the period 1 July - 30 June. Very few problems in data transfer from participating libraries have been reported, and there is a high level of satisfaction with this aspect of the service.

Payment calculation and distribution

- 5.18 At 30 June each year, book registrations (for that PLR year) close and the final batches of loans data are requested from sample library authorities. Books loan data from the authorities in each regional grouping are 'grossed up' by the PLR computer to provide a regional estimate for every ISBN. For example, as book loans from PLR sample libraries in Wales represent 10% of all Welsh book loans, it is necessary to 'gross' them up by a factor of 10 to arrive at a regional estimate. The eight regional totals are then added together by the computer to give a national estimate for the loans of every ISBN.
- 5.19 As result of this calculation, a figure is derived for the total number of (estimated) loans of registered books across the country. This is then divided into the money available for distribution to authors once PLR's running costs have been deducted. The result is the Rate Per Loan for the year in question (the most recent figure is 2.67 pence, determined in February 2002), and payments can then be calculated for individual authors on this basis.
- 5.20 Following the calculations made by the Registrar on the basis of the data collected and the funding made available by Government, and after consulting the appropriate Minister, the recommended rate per loan is laid before the House of Commons where the negative resolution procedure is invoked. The Review has examined whether it would be more efficient to delegate the responsibility to the Registrar but, while a case can be made for this and it would expedite

payment to authors, the issue is intimately bound up with the governance of PLR and the status of the Registrar (see s.8).

5.21 Though in practical terms the total amount of money to be paid from the fund to authors has already been agreed between the Registrar and Ministers in PLR's annual business plan, the Review takes the view that there is still benefit in changes to the public lending right rate being dealt with by Statutory Instrument, following statutory consultation with interested parties. The fact that the procedure is subject to Parliamentary control makes it less likely that the decision will be challenged on grounds of fairness, whereas a purely administrative decision made by the Registrar, given his status as a corporation sole, is more susceptible to challenge, especially if the decision in question is an unpopular one and might, for example, reduce the level of payments to authors. The current procedure also provides Parliament with the opportunity of assessing the effectiveness of the management in relation to the proportion of monies distributed as against those retained for the administration of the Scheme.

5.22 The Review has concluded that there is a clear balance of advantage in leaving unaltered the present procedures, and it recommends accordingly.

5.23 It is an apparent anomaly that although PLR is a right, payments to authors are subject to two constraints:

- (a) no author may receive more than (at present) £6,000, and
- (b) earnings of less than £5 in one year are not paid,

With the money saved as a result of these maximum and minimum thresholds used to supplement what is available for distribution to others. Both figures are subject to periodic adjustment, and are reviewed from time to time by the Registrar. It is suggested that the Registrar in agreement (consultation?) with his Advisory Committee should recommend an appropriate sum to Parliament. Additionally, it is suggested that the Registrar devise some formula, linked to the overall rate of inflation, which would "trigger" such a recommendation. It has been noted that the upper threshold has been increased only once during the entire existence of PLR, and not at all since 1989, but while a survey of authors' views carried out in September 2001 revealed no overwhelming support for an uplift at that time, some increase in the upper threshold would now be justified.

5.24 At the other end of the scale, the application of the £5 minimum threshold is a source of irritation to some low-earning authors. It was increased from £1 in 1997 because, notwithstanding the fact that PLR is a right, it was uneconomic to process such small payments. However, improvements to the computer system mean that it is now possible to "roll forward" earnings of less than £5 and it would seem equitable and sensible to do so. The Registrar, in consultation with the Advisory Committee, is preparing a possible scheme, and the principle underlying this is supported by the Review.

5.25 Two months prior to payment in February, and once the Rate Per Loan calculation has been completed, statements ("payment notifications") providing details of books borrowed and money due are sent out to all registered authors. This provides authors with an opportunity to inform the PLR office of changes in address, bank details etc prior to payment. Payment is made in the

first week in February each year. The vast majority of payments are made directly into authors' bank accounts through the BACS system. In February 2002 payment was made to 17,580 authors. Of these, 130 received the maximum payment of £6,000. Since the inception of the Scheme some £62 million has been paid out to authors.

Feedback on PLR's operation of the Scheme

5.26 The Registrar and his team systematically monitor feedback from authors on the operation of the Scheme. Authors are encouraged to communicate their views in writing, by telephone or via PLR's website. Feedback on the service provided by the PLR office is routinely sought from both newly registered and existing authors through short questionnaires; a fuller survey of views is carried out every three years when authors are consulted both on the service provided by PLR staff as well as on the future direction of the Scheme. Traditionally the service provided by PLR has been highly regarded by authors and satisfaction levels are currently running at around 99%. Author feedback is closely monitored both by the Registrar and his management team and by the PLR Advisory Committee. Monitoring of feedback from staff in sample libraries on the effectiveness of PLR's loans data collection operation is now being undertaken with effect from 2001-02.

I.C.T. Developments

5.27 I.C.T. is key to the operation of the Scheme and taking full advantage of new developments in technology is seen by the Registrar as crucial if PLR is to absorb the continued growth of the Scheme without a corresponding increase in administrative costs.

5.28 PLR has completed the first phase of its I.C.T. Strategy involving the installation of a new server, upgrading the UNIX operating system and INGRES database software, and the introduction of a Windows office automation system. Phase Two has involved PLR's in-house I.T. team in a redesign of the PLR system applications to enable them to function in a Windows environment with all the benefits of ease of access and flexibility that a Windows approach brings. The redesign of author and book applications has now been completed. It has had a major impact on working practices and has reduced considerably the time taken to undertake registration and related tasks. The next step is for the PLR applications relating to payment calculation and the processing of library loans data and payment calculation to be brought into line with the registration sub-system. It is understood that work on these areas will be completed this year.

5.29 The redesign of the I.T. system is also intended to provide a platform for the development of electronic communications within the PLR office and with the outside world. The Registrar is committed to meeting the government's e-business target of providing an electronic option for all transactions with authors, libraries and other agencies with which PLR deals by 2005. Work in this area so far has included the introduction of e-mail communication with authors (although for the time being application forms for the registration of new authors and books need to be submitted on paper forms because of the Scheme's signature requirement); and the transmission of 90% of loans data to PLR by sample libraries by e-mail attachment.

5.30 For business systems within the office, too, PLR is moving over to an increasingly electronic environment. PLR now has its own Intranet to provide a single central 'gateway' to procedures manuals, personnel forms, and the wider Internet. PLR has also developed in-house its own web-

site (www.plr.uk.com) and the International PLR Network web-site (www.plrinternational.com) for which the Registrar takes responsibility as Network co-coordinator.

- 5.31 One of the problems for a small organisation like PLR is limited resources to enable key IT staff to stay abreast of developments in technology, government planning etc in the field. PLR has therefore established an IT Steering Committee with external members drawn from the Office of Government Commerce and ALCS to help provide a wider perspective in planning PLR's future IT strategy.

PLR's international context

- 5.32 The UK is one of 30 countries that have recognised the right to be remunerated for the free use of their works in libraries. Wider recognition of the lending right principle has been encouraged by the EU's 1992 Lending Right Directive. However, of the 30 countries recognising lending rights, only 15 so far have established working PLR schemes. Each of the 15 countries has its own approach to PLR, although there are a few common features. In terms of philosophy most schemes fall into three groups: (a) on the British model (PLR as a legal right to remuneration from central government for authors whose books are borrowed); (b) part of copyright law where authors have the right to licence libraries to lend out their works (e.g. Germany and the Netherlands); (c) part of a wider State system of cultural support where the main aim is to encourage writing in a country's native language (e.g. Denmark and Sweden) and payment is only made to authors writing in that language.
- 5.33 The two principal methods of payment calculation are: (a) payment in line with the number of times a book is lent out; and (b) payment per copy of a book held by libraries. The former is the method favoured in the UK, Sweden, Israel and Iceland; the latter can be found in Denmark, Australia and Canada. Although the former is regarded as fairer by British authors, it is a more expensive system to administer in terms of data collection. The latter system tends to be favoured in countries where the emphasis is on encouraging authors to write new books in the country's language and to get them into libraries rather than on how often they are borrowed. Payment calculations can be based on an annual census of library stock and do not require regular monitoring of use during the year.
- 5.34 The Registrar plays a leading role in promoting the wider recognition of PLR both as a means of seeking reciprocal PLR payment arrangements with other countries from which UK authors will benefit, and as a means of promoting the UK system as a model of best practice. The Registrar founded, and now co-ordinates, the International PLR Network, which links the existing national PLR schemes, organises two-yearly international conferences and provides advice to countries - particularly those in east and central Europe looking to incorporate the Lending Right Directive into their own legislation as a prerequisite to joining the EU.
- 5.35 Currently only Germany makes reciprocal payments to UK authors. The potential for British authors to earn substantial payments for the use of their books in European libraries is considerable given the strength of the English language abroad. The opening of the UK Scheme to European authors in July 2000 was seen as a means of facilitating the extension of reciprocal arrangements to other countries. To date this strategy has produced results in three countries - the Netherlands, Austria and France - where commitments to reciprocity have been given, though no payments have yet been made.

- 5.36 Further progress may be slower given the sensitivities involved in the preponderance of books by English language authors (both British and American) in European libraries and the drain on national PLR funds that this is likely to cause. For example, some £90,000 is paid out by German PLR to UK authors annually, while £3,000 is earned by German authors from UK PLR. Furthermore, because the existing Scandinavian PLR schemes are focused on the promotion of writing in their own languages there is currently no scope for English language writers to be included.
- 5.37 Partly because of the active role played by the Registrar in promoting PLR in other countries, it has been suggested that the PLR office might itself handle the receipt and distribution of PLR payments from overseas schemes. For historical reasons incoming German PLR payments are paid to the Authors' Licensing and Collecting Society (ALCS) which then distributes the money individually to authors along with photocopying and other copyright fees. The copyright basis of the Austrian and Dutch PLR schemes (i.e. in both countries PLR is managed by copyright collecting societies with which ALCS has close business contacts) points to ALCS as the logical vehicle for receipt and distribution of PLR payments, and there is the additional complication that a few non-British nationals would either lose payment if the procedure were subject to the PLR regime or would have to have special arrangements made for them. The PLR office already works closely with ALCS in promoting and establishing these reciprocal arrangements. Therefore, in present circumstances, it is not proposed that the PLR office seeks to develop a role for itself as a distribution agency for incoming foreign PLR payments.

Use of PLR's database

- 5.38 Historically, PLR has produced statistics each year to help publicise the Scheme and to stimulate interest in library borrowing patterns. The Registrar is now developing a marketing strategy to enable its previous essentially reactive role in making loans data available from its database to a more proactive one. At the same time this will help PLR contribute to the achievement of DCMS's wider objectives for improving access to cultural and educational resources, and for promoting the creative economy. The Registrar's aims are twofold:
- (1) to use the data to help improve public awareness of PLR's value for authors and to help ensure that authors themselves are aware of their PLR opportunities, and
 - (2) to support libraries and the book trade generally in their work through the provision of a wider range of local, regional and national data on borrowing trends.
- 5.39 Following a consultation exercise last year the Registrar is currently refining the range of statistics to be obtained from the PLR database with a view to launching a new loans data service at a seminar to be hosted by Penguin books in November 2002. One noteworthy breakthrough has been the application of the book trade's standard system of subject categories to book loans data thus enabling comparisons to be made for the first time. Feedback from the library community has pointed to the potential use of loans data to support the meeting of Best Value and government Public Library Standards; stock management policies; partnerships with the new Reading Agency in monitoring the success of reader development schemes; possible outlets for selling loans data to publishers to inform their marketing policies.
- 5.40 To promote awareness of the Scheme the Registrar has also been reviewing more generally how the organisation promotes itself and publicises itself. A new series of newsletters is being developed for different constituencies (the first authors' newsletter was distributed in January

along with the payment notifications), the annual report is being redesigned and being brought into line with the planning year, and a new website has been developed.

Section 6: PLR's past performance

6.1 PLR helps DCMS achieve its wider aims for the sector through the financial and moral support it provides to authors. Under the Scheme every author whose books are read in public libraries has an opportunity to develop their talents further and achieve excellence in their work. This in turn ensures the continued flow of new literature to libraries and underpins the library community's efforts to attract new readers and broaden access.

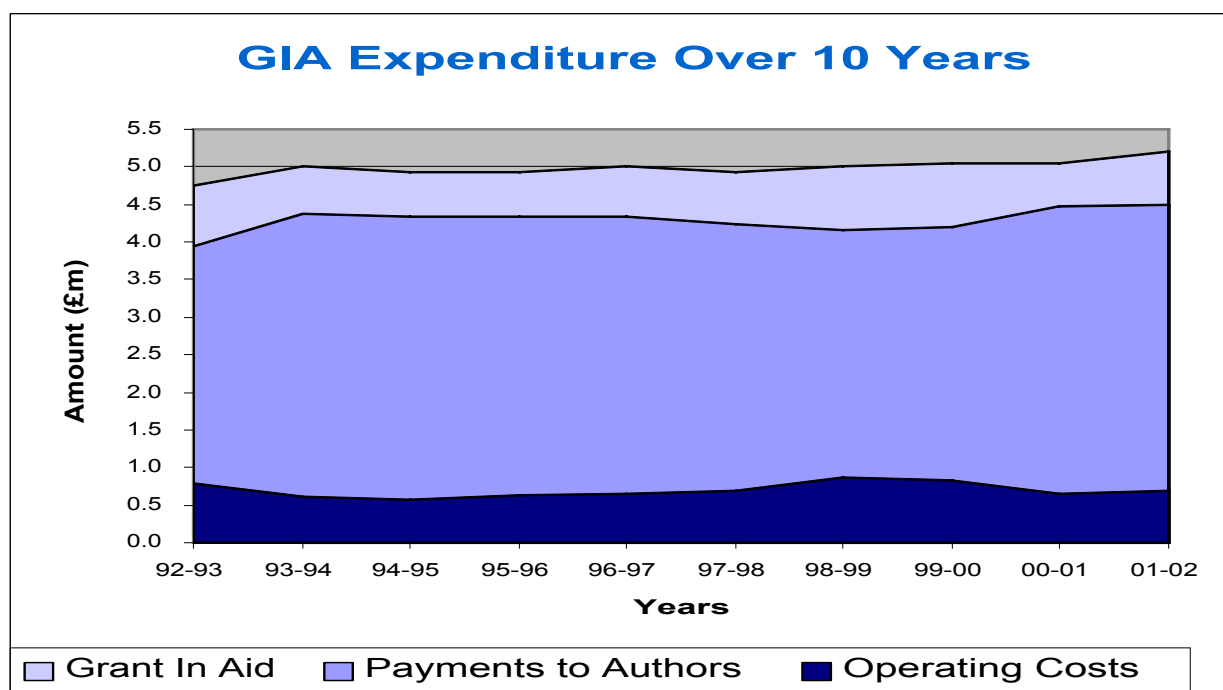
Funding

6.2 Grant-in-aid for the period 1998-2004 is as follows:

| £ms | 1998-99 | 1999-2000 | 2000-01 | 2001/02 | 2002/03 | 2003/04 |
|-------|---------|-----------|---------|---------|---------|---------|
| Total | 5.0 | 5.0 | 5.1 | 5.201 | 7.001 | 7.201 |

Growth of PLR

6.3 During the first 20 years of its operation the Scheme has continued to grow on all fronts: the number of registered authors has grown from 7,562 (in PLR's first year) to over 30,000; loans data is now collected from some 375 libraries in 30 authorities (compared with 14 libraries in 14 authorities in year 1); payments were made to 17,678 authors in February 2001 (6,113 in 1984); authors in 18 European countries now qualify for PLR (only UK residents were eligible in 1982); government funding will increase to £7 million per annum from April 2002 (£2 million in year 1).



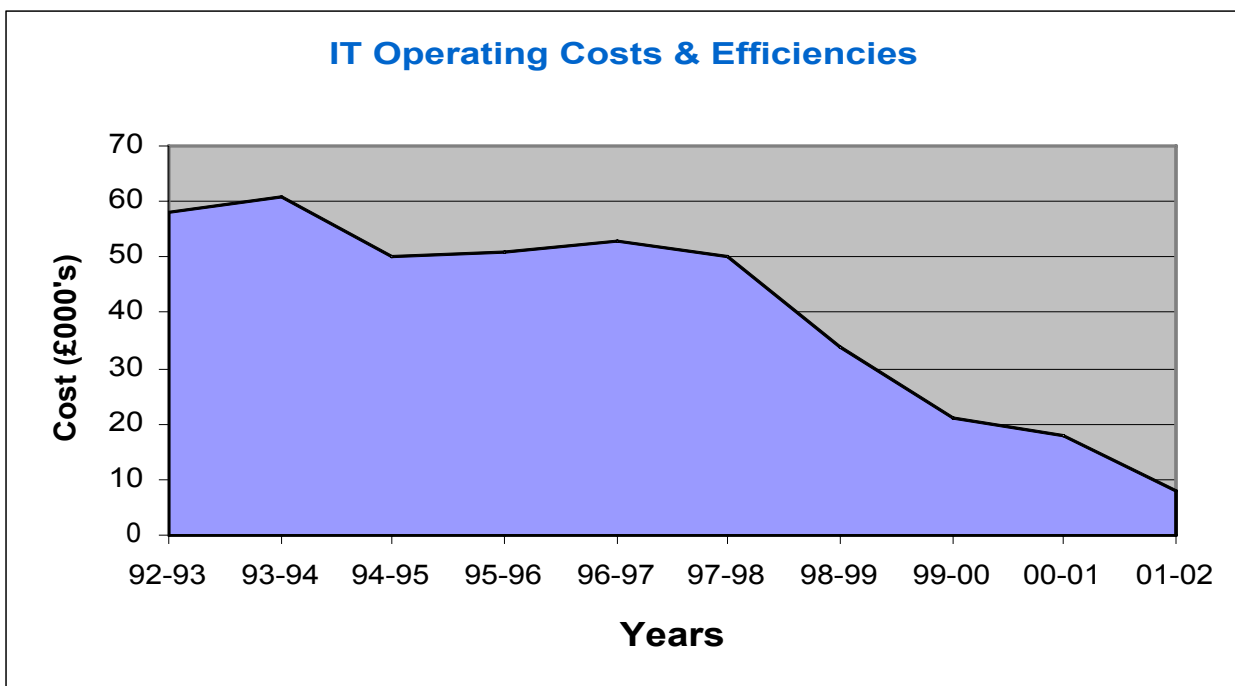
Running Costs

| Year | Target (£thousands) | Actual |
|-----------|---------------------|--------|
| 1997-1998 | 670 | 673 |
| 1998-1999 | 799 | 841 |
| 1999-2000 | 719 | 749 |
| 2000-2001 | 712 | 673 |
| 2001-2002 | 718 | 610 |

6.4 The table above shows that the PLR have, in the last 5 years, managed to control and reduce their overall running costs by approximately 10% over this period. They had a period of three years (1997-2000) where they were over budget as a result of major changes in the organisation, installation of a new IT system, a management restructuring programme and a move to new accommodation premises. The costs reached a peak in 1998 when they were using consultants to assess the impact of the millennium on their software systems and aspects of staff restructuring - i.e. reducing IT staff numbers. They handled this period well and as a result have been able to adopt modern IT systems which now provide an improved, faster and more efficient service to authors and have helped them to continue to reduce running costs.

IT Operating Costs & Efficiencies

6.5 One of the key ways in which the PLR is able to maximise its efficiency is by reducing its IT costs. The PLR has made significant advances in this area which have allowed them to reduce costs year on year and have managed an 80% reduction in IT operating costs since 1992.



Amount Paid to Authors

| Year | Target (£millions) | Actual |
|-----------|--------------------|--------|
| 1998-1999 | 4.104 | 4.159 |
| 1999-2000 | 4.267 | 4.206 |
| 2000-01 | 4.438 | 4.477 |

6.6 By prudent financial management of the Scheme the PLR have achieved an increase of 7.6% since 1998 in the amount of money distributed to authors with only a 2% increase in grant-in-aid.

Rate Per Loan

| Year | Actual |
|-----------|--------|
| 1998-1999 | 2.07 |
| 1999-2000 | 2.18 |
| 2000-01 | 2.49 |
| 2001-02 | 2.67 |

6.7 Efficient management of the Scheme and a reduction in operating costs have helped PLR increase the rate per loan each year. Since 1998 the rate per loan has increased by 22.5% with only a 4% increase in Grant-in-aid. With the extra funding available in 2002-03 and 2003-04 PLR expects the rate per loan to reach a level of at least 3.43 pence, an increase of 67% from the 1998 rate. (Another factor that has affected the rate per loan is a continuing fall in book loans nationally. On average book loans have fallen by 4% (or 20 million) per year over the last five years.)

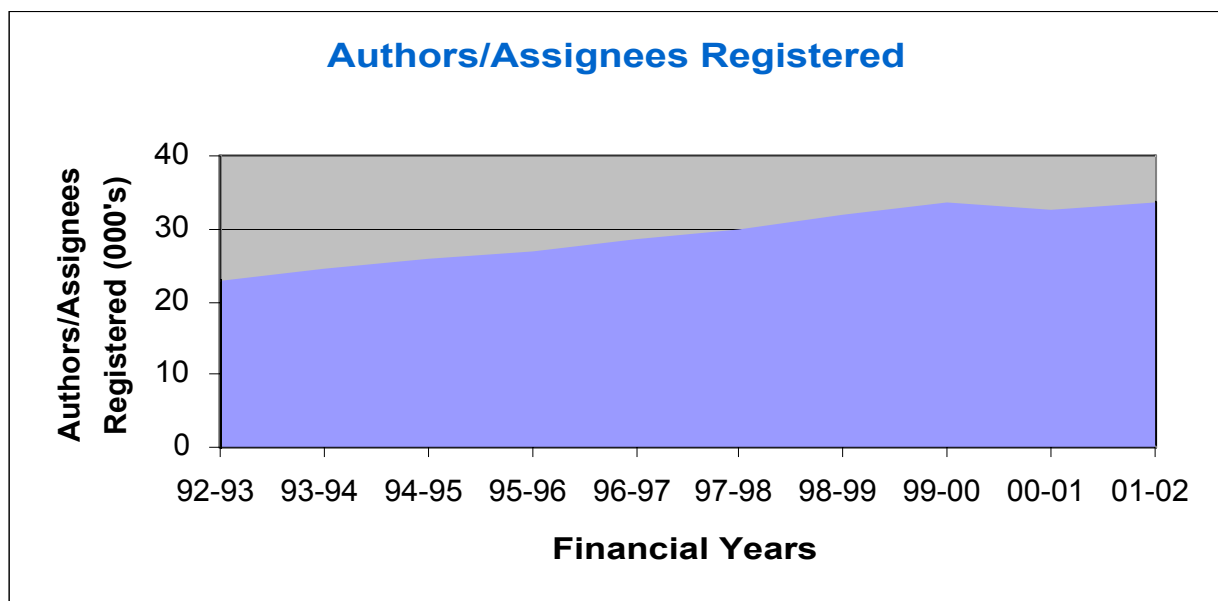
Sampling Rate

| Year | Target% | Actual% |
|-----------|---------|---------|
| 1998-1999 | 10 | 10.3 |
| 1999-2000 | 10 | 10.6 |
| 2000-01 | 10 | 10.2 |

6.8 The PLR have consistently achieved their target sampling rate of 10% whilst successfully rotating the library authorities used in the sample. The PLR plan to increase this figure to 15% in 2002/03 and 20% in 2003/04 by adopting an improved method of data collection and analysis.

Number of Registered Authors

6.9 The number of authors has increased year on year; approximately 1,200 new authors register each year. This has been achieved by the PLR's fast, accurate and helpful registration service, by the reciprocal arrangements the PLR have with other countries in Europe and by the rate at which books are being published each year. The table above shows there has been an increase in registrations of 48% since 1992.



Author Satisfaction and Measurement of Service from Libraries

6.10 The PLR provides a valued and customer focussed service. It monitors and encourages feedback from authors on a regular basis and conducts formal surveys every three years. In 2001/02 it undertook a major survey of the views of registered authors and achieved an author satisfaction level of 95%. The PLR aim to maintain this level for 2002/03 and 2003/4.

6.11 During 2001/02 a survey of 10 library authorities to assess the effectiveness of loans sampling arrangements and quality of service from PLR. The results of this survey are not available yet.

Linking with Other Organisations & International Developments

6.12 The PLR has contributed to the good relations now enjoyed between public libraries and authors. It has therefore helped the creation of partnerships between libraries, authors and other elements of the book world, which have been an essential feature of reader development projects in libraries (many supported by the DCMS/Wolfson awards).

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6.13 PLR should also be commended on their international work. Their leadership in establishing an international network of PLR schemes and encouraging the development of such schemes in other countries is very impressive. The principle of reciprocity is important and needs to be pursued further.

6.14 By promoting the international network via PLR conferences, international newsletter, web-site, training and seminars etc. We are encouraging development of PLR internationally – promoting reciprocal arrangements to the benefit of PLR authors (see figures below).

6.15 Reciprocal arrangements with other countries are expected to result in **UK authors receiving per annum**

£100,000 from the Netherlands

£150,000 from Germany

£75,000 from France

£50,000 from Austria

6.16 The current **payments from the UK to authors are**

£8,387 to the Netherlands

£3,000 to Germany

£12,000 to France

£29.00 to Austria

6.17 There have been over 400 new registrations since the Scheme was opened up to Europe.

Section 7: Stakeholders' views of PLR

- 7.1 Consultees were asked a series of twenty-eight questions, while interviews were conducted on a rather less structured basis concentrating upon areas which were perceived to be of particular interest to the individual or organisation being interviewed. 49 replies were received and fifteen personal interviews were carried out; some of those consulted personally also made written submissions. Members of the Review Team also attended two meetings of the PLR Advisory Committee and one of the Advisory Council on Libraries, as well as holding meetings with PLR staff at Stockton. It is inevitable that responses will reflect the particular perspective of the individual or organisation making the response and, thus, there is more than an element of self-interest involved; this is unavoidable, and many of those individual perspectives are represented within this section of the report. In terms of the overall Review, however, where there are issues which invite disagreement, both sides appear to have been reflected in the responses received.

The Scheme itself

- 7.2 There was overwhelming support for the concept of public lending right and for its continuing relevance, with just one individual suggesting that there might now be a case “for stipulating in our contracts that our books are no longer to be sold to libraries unless a realistic charge is made for them (as with videos)”. More widely, writers, librarians and those involved in the publishing industry and with user groups all expressed strong support for the Scheme, with one author commenting “PLR has been extremely important and enabled me to write. This is true for a vast majority of writers who receive PLR and to remove it would seriously affect young ambitious writers”. The hope was expressed that the quinquennial review will confirm PLR as an absolute right.
- 7.3 Writers themselves will be heartened, in particular by the expressed approval from a library community that was deeply split on the issue when PLR was first introduced. “It would be ludicrous to return to the acrimony of pre-PLR days” was one comment in a response which stressed the way in which PLR had helped “to foster co-operation between authors, libraries and readers to the benefit of all parties” as well as the sense in which it demonstrated the contribution made by writers to the “national well-being”. The recognition by society of the contribution made by writers was another way of expressing this, and there were numerous comments about the morale-boosting effect of PLR upon writers.
- 7.4 There were suggestions that PLR should be extended in some way, certainly by increasing the sum available from Government and perhaps by making PLR payments tax-free; one suggestion was that “maybe a levy could be extracted from publishers and possibly the wealthy agents towards the operation of the scheme”, but the general consensus was that it was entirely appropriate that it continued to be funded from the public purse, and the Review concurs in this. To quote one respondent: “we are convinced that a lending right recognised in law, adequately funded by central government and with payments calculated on the basis of use is the fairest system on offer ...”.
- 7.5 Not surprisingly, there was some dissatisfaction at scale of support, with authors in particular arguing that the rate per loan was extremely low; “rewards to authors are ludicrously low” was one comment, and it was in this context that one of the more critical comments was made: “I’ve

never believed and do not now believe that the PLR scheme provides value for money ... [because] the sum of public funds made available annually is spread so thinly over thousands of authors that hardly enough of them receive enough to make a significant difference to their income". Another respondent felt that it was not satisfactory that PLR was dependent upon Government funding and had to compete with many other causes for limited resources (though they could see no realistic alternative), but more pertinent, perhaps, was the statement that "however the scheme is funded, the total funds must keep up with inflation and not left to slip as witnessed in the past". Additionally, the potential value of the scheme in improving literacy is insufficiently recognised, a powerful argument for increased funding.

- 7.6 Funding was also an issue for the individual who wondered whether the authors who receive the maximum payment of £6000 "could forgo this money to put more money back into the scheme for less well known authors", and, judging from the responses received, while authors do acknowledge that PLR is a right, they believe that the initial imposition of thresholds legitimises a degree of manipulation in the interests of supporting those near the foot of the PLR earnings table. Though one person was "very much" in favour of the maximum limit being raised, to £10,000 according to another who pointed out that not all authors on the maximum are wealthy, and a third suggested that removing the cap and distributing the funds "according to genuine borrowings" would increase the effectiveness of PLR, a more common view was that the present ceiling on earnings should remain and that the money so saved should be redistributed to lower earning authors. One imaginative refinement was suggested, that a weighting system be introduced with a higher rate up to an agreed level of issues and a lower one above that, while another proposal was that the (presently variable) rate of remuneration should be fixed and that Government funding should follow that.
- 7.7 There was less comment on the lower threshold, but some support for carrying forward earnings of less than £5, and one suggestion that a bequest scheme be introduced so that those who wished to do so could donate PLR payments back to "the general pool". It is possible for authors to do this at present but it does involve de-registering their books, and, while the facility should be given greater publicity perhaps, this mechanism may not be convenient for those who wish to do this on a year-by-year basis, having regard to the uncertainties of a literary career.
- 7.8 Despite perceived problems of funding, there was no support for PLR to be disbanded, while outright hostility was expressed to any suggestion of privatising it. The possible alternative of funding from library authorities was described as potentially "catastrophic ... given the parlous nature of local government finance and the power base of library associated departments within that framework".
- 7.9 Only one written response sought to consider the possibility of replacing PLR with copyright payments, though arguing against this on the grounds that it would have a detrimental effect upon library book stocks and would therefore be counter-productive. This same opposition to any transfer of responsibility was voiced during interviews with some writers, in their case because of the perceived transparency and efficiency of the present PLR operation; "real efficiency = maximum acceptable simplicity" was how it was expressed by one of them. Additionally, putting PLR under copyright would mean extending payments to a much larger number of foreign nationals.

- 7.10 With the one exception already quoted (7.5), respondents thought that PLR offered excellent value for money – though it is clear that, whereas the critical comment was made in the context of PLR funding, those writing in favour were concentrating more upon the management of the scheme. “There’s no overblown management and no waste. Millions haven’t been frittered away. PLR is phenomenally good value” was one such comment.

Management

- 7.11 The PLR Office was complimented upon the transparency of its dealings with authors and its administrative arrangements, and there is no doubt that it is trusted and respected by those with whom it has dealings. “We find PLR accurate, efficient and timely in its recording, updating and distribution of payments”, was one comment, and another: “It’s an effective organisation doing a good job which is respected by all interested parties. Perhaps DCMS should concentrate on analysing why it’s so effective and efficient and see if there are simple lessons which could assist its other sponsored bodies”. No doubt PLR’s clear focus of activity and size have something to do with this (one respondent cited its location “away from the metropolis”), but the quality of management and staff and the responsiveness of the PLR Office to its axial client groups of authors and librarians is a key element in its success.
- 7.12 In similar vein, those organisations responding to the questionnaire had only praise for the cooperativeness of the PLR office in such joint activity as took place and in the readiness of staff to exchange appropriate information when it is able to do so. The potential for supporting regional agencies was mentioned in one response with a consequential need for ensuring that regional representation in the sample was strong enough to support this.
- 7.13 This was perceived as being a particular problem in Scotland with its strong sense of local identity, but in general there were few comments about the range and nature of the libraries sampled. “Unnecessarily large” was one comment, coupled with the suggestion that the money should be given to writers, but another favoured expanding the sample.
- 7.14 There was some feeling that the Scheme was not well enough known, with both libraries and publishers being urged to promote registration and wider understanding on the part of the general public, although its responsiveness to registered authors was regarded as exemplary. The Publishers’ Association has already demonstrated its willingness to publicise the PLR and expressed itself as anxious to promote it, with the possibility being raised of publishers including PLR registration documents when contracts were sent.
- 7.15 There was praise, too, for the effectiveness of the PLR office in updating its ICT policy and procedures, “leading to increased efficiency, reduced administrative costs and additional monies to disburse to authors” as one body put it, and a clear belief that this would continue as part of a rolling programme of investigation and improvement. This is borne out by the Review team, which examined this aspect of the operation during an investigative visit to Stockton.
- 7.16 Only one individual indicated that he would welcome the opportunity of registering his books on-line, but the Registrar’s separate sample of author opinion has suggested modest support for what is a growing use of such technology, and verbal comment too suggested that authors should be encouraged to use that facility.

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- 7.17 Public libraries have consistently made use of data supplied by the Registrar but there is a wish that even more, perhaps specifically tailored, information could be made available. Constructive dialogue with the library sector and others who may have a legitimate claim on the data is a prerequisite, but there is the question of “whether this [information] has commercial potential to justify the cost or whether its free distribution is warranted given the priorities of the scheme and the desire to minimise administrative costs”.
- 7.18 No other suggestions for additional services were made.
- 7.19 Everyone seems content that PLR should continue to “reside” within DCMS given the Department’s range of responsibilities. The only reservation suggested that the situation might change as the electronic environment becomes more deeply embedded and Government considers, as it must, the potential role of PLR in that situation and its relationship with copyright legislation.
- 7.20 Respondents were asked the extent to which they thought PLR meets the wider aims and objectives of DCMS and, while few answered this question, those that did singled out its promotion of culture through its support for authors (objective 1), broadening access to culture (objective 2) and assisting in the development and sustenance of writing talent (objective 4).

Advisory Committee and status of the Registrar

- 7.21 Questions 5 to 7 inclusive in the questionnaire were concerned with the nature and powers of the Advisory Committee, and there was a general feeling that it should be retained in its present (i.e. non-statutory) form. The “lack of any requirement to take note of its opinions could be a weakness in some circumstances”, but there are fears that converting it into a Board to which the Registrar was responsible would in some way lessen the willingness of appropriate people to serve upon it and the presence on it of these various interests was seen as a real source of strength. The fear was also expressed that this might limit the freedom of expression and lateral thinking currently enjoyed by the Advisory Committee, although access for the Chairman to the appropriate Minister was thought to be essential.
- 7.22 The relationship between the Committee and the Registrar, given the latter’s position as a corporation sole, required consideration, but it was thought that existing channels of communication between DCMS, the Advisory Committee and the PLR staff should be sufficient to ensure continuing probity and operational effectiveness.
- 7.23 One respondent thought that there may be advantage in the present “advisers” becoming “full” members of the committee, but in general the committee was thought to have been effective, and it was seen as having a role in assessing the effects of any extensions to the scheme.
- 7.24 One of those interviewed, however, does perceive a potential role for the Advisory Council in the provision of authoritative, impartial advice to Government on how to respond to issues relating to intellectual copyright in a rapidly changing world, an area where he believes there is something of a vacuum at present. He acknowledges that if the Committee were to be charged

with this duty, its status would probably have to be changed to that of a statutorily constituted board.

Extensions to the Scheme

- 7.25 Potential extensions to the scope of PLR elicited a range of opinions. Respondents were asked whether the present distinction in UK law between payment for the lending of books (PLR) and other materials (copyright) was satisfactory. The most extreme (and yet one of the most cogent) response was "... it's totally unsatisfactory. [It] would be sensible to extend PLR to cover books in whatever format in the digital age and avoid [the] unnecessary bureaucracy of licensing schemes which can only result in a reduction in the number of items purchased and made available to the general public".
- 7.26 At the other extreme was the view that the scheme "shouldn't be extended to cover wider range of material" though it was "important that all rightsholders are compensated for use of their material [and] that this is best carried out through remunerative licenses with rightsholders bodies ...". This, though, was a minority opinion, although some respondents did suggest that any extension would require additional funding for PLR, with one of those interviewed arguing that with falling book issues it was important for the future of PLR that it reflect the reality of user patterns.
- 7.27 Respondents were asked about possible extensions to the scheme, though without attempting to limit their replies by indicating possible legal obstacles. The most comprehensive view was that it would be "logical and reasonable" to extend the scheme to any format loaned by "appropriate libraries", and reasonable "to apply PLR to content rather than form". A further forceful expression in support of extension was that it would be "ludicrous" to have separate legislative arrangements for audio-books and whatever other media the future may hold; whatever difficulties there may be, the "nettle should be grasped" and more than one of those interviewed believed that this review is the opportunity for that.
- 7.28 A contrary view was expressed by the individual who said "Do not extend – yet", but in general there was agreement that there should be some extensions, though priorities differed significantly, and there was the predictable caveat: "Extending the scope of the scheme seems desirable as long as there is an increase in funding sufficient to cover any extension".

Reference books

- 7.29 There was support, and little opposition, to the inclusion of reference books. One respondent did suggest that there were "more worthy causes", arguing that "reference material is often produced by an editorial team, not an individual author". Many monographs and other works by authors who would qualify under PLR guidelines are to be found in the nation's public reference libraries, however, and support for their inclusion was expressed by one author, clearly not an editorial team, who was disappointed that reference books do not feature in the scheme at present, adding that a calculation based on copies held by the libraries would be "straightforward". This view was shared by another individual who could not understand why reference books were not already part of the scheme, especially given the that the cost of the books limited the extent to which they were bought. The reasons stem from the way in which

the initial legislation was drafted and the technical difficulties of measuring use, as was explained during one interview, when it was suggested that those originally campaigning for the introduction of PLR had not intended that reference books should be excluded, and the authors responsible for them placed at a disadvantage when compared with those whose books are housed in lending departments.

Audio-books

- 7.30 There was widespread support for the inclusion of audio-books, although one respondent did argue that “PLR should continue to focus exclusively on books, simply because of the unique nature of books, literature and their role in our culture”. This, though, was very much a minority view, and a more common one was that encapsulated in the response that “talking books should be included in the scheme. Very few individuals buy audio books, which sell mostly to libraries. Popular works are borrowed by many people but the author receives no return apart from one royalty per copy”.
- 7.31 One of those favouring this approach argued that “the company producing a tape or CD with spoken word should not expect any benefit from lending any more than a publisher”, but the rights of performers employed in the production of such material was cited by one of those interviewed. Yet another interviewee, though, felt that trying to resolve all outstanding issues at once was a recipe for inaction, and that the important thing was to establish the rights of the author through PLR; once that was in place the question of how to remunerate performers, whether through contractual arrangements or by some other means, could be more easily solved.
- 7.32 The issue of copyright was implicit in one further response which merely stressed that in the spirit of the EU directive, PLR must be “seen to be working towards a secure equitable remuneration for use” of authors’ works and “not to limit or control lending”. A second reply, unequivocally supporting the copyright route, felt that remuneration was best achieved through the mechanism of licenses with rightsholders “as happens in Germany and the Netherlands”. Only one person pointed out that since most public libraries rent out audio-books, as distinct from printed books which are issued free at the point of delivery, the former could legitimately be subject to a fee-based licence.
- 7.33 One of those favouring licensing acknowledged that, while the distinction between PLR and copyright may appear unsatisfactory, it made no difference if the effect (payment to authors) was the same, though concern was expressed that failure to secure a licensing agreement would “elevate books and writers above all other forms of distribution”. Others were less content with the dual approach, however, with one commenting that the distinction between the two “seems more legalistic than helpful”.
- 7.32 The visually impaired were the focus of two strongly argued responses which made the point that audio-books are “crucial to meeting the reading needs of visually impaired people”. Both argued that audio-books should be included within the scheme rather than being “subject to other arrangements”, with one stressing the potential impact upon library budgets, and therefore the amount of such material purchased, should the local authority be subject to a fee or levy.

7.33 There are difficult legal issues here, as was made clear in an interview with solicitors at the Patent Office (and is discussed elsewhere in this report), but in general the Review concurs with the view expressed by one organisation: “We believe the case for bringing spoken word material into the scheme is good and would urge PLR to continue its research into this issue and draw up a model scheme for consideration”. There is some irony (and perhaps a lesson for the future) that this situation was not foreseen prior to the adoption of the directive by the U.K. Government in 1996 when derogation should have been relatively simple, but if there is to be further detailed examination of the position of audio-books, as recommended by the Review, then it should be done swiftly and in conjunction with the Patent Office which leads on copyright matters.

E-books and other materials

7.34 Concern about wholesale photocopying surfaced in two of the written responses, and though one of them foresaw future metering of electronic and photo-copying and their possible inclusion in the scheme, this is an area which is currently controlled by copyright legislation. Clearly, however, it impinges upon the emerging use of e-books.

7.35 At its simplest, e-books may be regarded as electronic texts, i.e. a text (with or without graphics) which has been digitised and may be read on either a personal computer or a dedicated e-book reader. Thus, as well as the digitised content, both a reader (the hardware) and an appropriate software package to convert the material into readable form is needed, while the content itself can either be held within an individual’s computer or downloaded on request. When read through a small hand-held unit it has the advantage of being extremely portable, and can hold several full-length books at one time; it also provides the user with the kind of flexibility they would experience using a standard computer file or web-based materials by enabling them to search for specific words and phrases, and to move easily around the text. However, the format is still seen by many as inhospitable and as yet there is little material available in this form; furthermore, its suitability for all types of book and its general applicability has yet to be proven. Given the ubiquity of the mobile telephone, however, and the rapid growth in the use of text messaging, it would be unwise to assume that this will necessarily continue for long.

7.36 There was little comment on e-books from those consulted as part of the Review, other than general statements about the logic of extending PLR to all formats (including e-books) issued from public libraries, probably because as yet they have barely impinged upon the public library market in this country. Doubts were expressed about future penetration of the public library market, but there may be problems arising from the use by electronic publishers of backlists and a lack of any consistent contractual approach in the past; the impact of this on PLR will depend upon future legislation and how e-books are handled.

7.37 It was suggested that consideration be given to how e-books may be included only if their use shows signs of growing and they are incorporated into the library system, and this seems eminently sensible given that here too there are major copyright issues. One comprehensive response suggested that “The developing copyright legislation and e-services agenda will influence PLR over time. Lending of printed word is anticipated to decline as information is made available electronically. Government will need to examine the potential role of PLR as the electronic copyright legislation emerges, both in terms of payments for authors as libraries consider ebooks and digital content”. The Review concurs in that final sentence.

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- 7.38 The only further class of material suggested for inclusion was that of second-hand books, with the writer suggesting that consideration be given to imposing a “copyright levy” on sales of second-hand books through the internet. Whilst appreciating the motives which prompted the suggestion, Review members are not convinced that a fair and workable scheme could be introduced and policed.

Extensions to other types of library

- 7.39 There was a sharp divergence of view on the possible extension of PLR to other forms of publicly-funded library, specifically those in the academic sector, though with a clear majority favouring such an extension – though the composition of the circulation list needs to be borne in mind and with the higher education sector having chosen to make a collective response through SCONUL.
- 7.40 Some writers of academic books were clear in their support for extension. One, who claimed that his books were “entirely located in university libraries and are extensively borrowed” without financial recompense, claimed that the present situation was “inequitable and unjust”, while another was “scandalized that there is no education lending right in the U.K. for authors of scholarly books widely used in academic libraries”. “Extending PLR to university libraries is almost necessary, since many scholarly books hardly appear among the holdings of public libraries at all” was another opinion, while even one of the more cautious responses suggested that “as library cooperation extends” it may be timely to consider extending to other sectors, with Higher Education institutions best able to meet the technical requirements.
- 7.41 Opposition to the idea is not absent. “In our view the evidence clearly suggests that an extension of PLR to academic libraries would be unnecessary in law and irrational in economic terms”, was the most forceful expression of this with the organisation going on to note that if funds to provide PLR were drawn from academic budgets this would result in a decline in library purchases and so be detrimental to authors. An individual correspondent was doubtful about extending PLR to school and university libraries, arguing that loans from these institutions were not normal borrowings and might “skew the result in unforeseen ways”. It should be noted that during 1999-2000 book loans from universities and colleges of higher education have been estimated at less than 20% of those issued from public libraries [*LISU statistics, 2001*]. No one appears to have considered whether strictly limited representation (one or two institutions only, say) was a possibility, probably because the question was couched in general terms and sought to address the principle.

Miscellaneous

- 7.42 There was a cautious welcome for the idea of including foreign (non-EU) nationals in PLR – but only on the basis of reciprocity and provided it was not a drain upon existing financial resources. One felt that the time was not yet right, while another was concerned that under a more generous regime the net result could be a loss to U.K. authors though acknowledging that it “might be a worthwhile benefit to some third world writers”.
- 7.43 The effectiveness of PLR’s international presence attracted less comment, but the Registrar was congratulated on his success in establishing effective international contacts by those with knowledge of this sphere of activity. “These activities ... must be in the longer term interests of

British authors and also in line with DCMS's wider objectives for the country's creative economy", was one comment. There was a plea for the development of a "one-stop registration system so authors don't have to register multiple editions with numerous PLR schemes in different countries".

- 7.44 The question concerning PLR's greatest achievements over the past five years elicited a disappointingly small number of replies, but amongst them were the continuing recognition it has obtained for authors and their work, the maintenance of authors' incomes through PLR payments, its effective management of the scheme and its success in the international arena.

Section 8: Governance and Organisations Options

- 8.1 PLR's governance arrangements are set out in the Public Lending Right Act (1979). The Act made provision for the Secretary of State to appoint a Registrar who would have responsibility for the administration of the Scheme and the funding to be voted by Parliament (the PLR 'Central Fund'). The Registrar would have the legal status of a corporation (in this case a corporation sole) but would not be regarded as the servant or agent of the Crown. The Act gave the Registrar powers to appoint such assistant registrars and other staff as he thought fit to help him manage the Scheme. PLR staff, therefore, are not Civil Servants, but are employees of the Registrar.
- 8.2 Because PLR's corporate status is not vested in a body, but in the office of Registrar, it is the Registrar who is directly responsible to the Secretary of State for Culture, Media and Sport for the administration of the Scheme. This makes PLR different from other bodies that are sponsored by DCMS. A number of formal mechanisms exist to ensure that the Registrar, as Accounting Officer, remains accountable to DCMS and to Parliament for his management of the Scheme and the Central Fund. Principally these include:
- (a) With DCMS, to prepare an annual report on the operation of the Scheme to lay before Parliament.
 - (b) Submit annual accounts to the National Audit Office to lay before Parliament.
 - (c) Manage the Scheme in line with a Financial Memorandum agreed with DCMS.
 - (d) Agree with the Secretary of State a Funding Agreement setting out a three-year programme of expenditure and other operational targets linking PLR's objectives to DCMS's wider aims for the sector; progress against objectives is monitored regularly by DCMS.
 - (e) Arrange for regular internal audit reviews of all PLR financial and other systems of control, with reports to PLR's Audit Committee.
- 8.3 An early version of the PLR Bill included provision for a statutory advisory committee, but it is understood that this was removed to avoid potentially lengthy debates on the committee's powers. An informal Advisory Committee was, however, set up by the Registrar in 1983 (at the suggestion of the Office of Arts and Libraries) to provide a neutral forum where the various vested interests could be represented and could provide the Registrar with specialist advice on the running of the Scheme. The Committee was appointed and chaired by the Registrar.
- 8.4 The Committee's terms of reference were revised and formalised in 1988 when Ministers took over responsibility for appointing the Chair and members of the Committee. The terms of reference made it clear that the Committee had no formal responsibility for the administration of PLR – its function was to advise both the Minister and the Registrar, whose statutory responsibilities were not shared with the Committee. These terms of reference have remained unchanged. The Registrar is not bound to seek the Committee's views on any matters relating to the operation of the Scheme, nor indeed is he bound by any advice given by the Committee, but in practice the present Registrar seeks the Committee's views on a wide range of matters relating to the operation of the Scheme, and invariably acts on the Committee's advice.

8.5 Appointments to the Committee are normally for three years. The Committee comprises a Chair and Members (appointed by the Secretary of State) and unappointed Assessors, or observers, from DCMS, PLR, the Society of Authors, ALCS, and the Writers Guild. Traditionally members have included authors, librarians, copyright/contract specialists, publishers, and authors' agents. The Registrar is also a member. In recent years Ministers have favoured the appointment of an eminent writer as chairman, and there has been a majority of authors on the Committee. Committee Members are not remunerated; travel and other necessary expenses are payable out of the PLR Fund. The Committee meets twice a year, normally in London, though it holds a meeting every second year at the PLR offices in Stockton-on-Tees.

8.6 The Review has concluded that, while the Advisory Committee might on occasions be more pro-active in its initiation of proposals for potential strategic developments, and it should certainly be involved in the appointment of any future Registrar, its current terms of reference are broadly appropriate and that the skills represented within the Committee do support those terms of reference; this should be borne in mind when future appointments to the Committee are made. It is very important that those nominated as members do actually attend meetings, but with the exception of the recommendation in 8.7 (below) no suggestions for fundamental change are made; however, it may be sensible to consider implementing more rigorously the existing default mechanism whereby any member not attending three consecutive meetings renders themselves liable to replacement.

8.7 It is surprising, given the key role of libraries in the operation of PLR, that the Library Association (now CILIP) has never enjoyed Assessor status, although invariably there has been at least one public librarian appointed as a member. If the Advisory Committee is to continue in its present form, it is recommended that CILIP be invited to nominate an Assessor, this in addition to the public librarian member serving in an individual capacity.

8.8 In the course of the Review the suggestion was made that the present composition of the Advisory Committee might tend to breed a certain insularity, and the desirability of a possible extension to encompass other areas of expertise (e.g. business management, information computer technology) has been considered. There is no doubt that the Registrar would occasionally benefit from ready access to informed advice, but it is considered that this is best achieved outside the remit of the Advisory Committee, possibly through the establishment of a formal mechanism involving appropriate DCMS staff or a reliable independent source, which could be accessed as need occasions.

8.9 The Review has considered whether the present governance arrangements are still the most appropriate for PLR, and has examined other options, namely:

- agency status
- reestablishing executive non-departmental public body (NDPB)
- subsuming PLR into DCMS or within another NDPB
- contracting out the administration of the Scheme.

Agency Status

8.10 Executive agencies play a key part in the provision of government services. There are currently 93 agencies, employing three quarters of the Civil Service. Most DCMS-sponsored bodies are

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NDPBs, but DCMS does have responsibility for the Royal Parks Agency. At first sight there is little to distinguish agencies from other government-funded NDPBs and, given the rather diverse nature of agencies, officials at the Cabinet Office's Effective Performance Division, currently reviewing the work of executive agencies, were unable to provide guidance on the circumstances in which agency status would be more appropriate than NDPB status for a sponsored body like PLR.

8.11 However, typical characteristics of an Agency are that

- (a) Agency employees are Civil Servants, whereas most NDPB staff are employed by the body itself.
- (b) Each agency is headed by a chief executive who is normally accountable to a Minister. Responsibility for an agency is not vested in a board of directors or trustees. Chief executives are set key output, financial and other quality of service targets, but have financial and management freedoms tailored to help the Agency achieve its objectives.
- (c) Ministers may create agencies by administrative action. No legislation is required.

These have a bearing on the appropriateness of the agency model for PLR purposes.

NDPB Status

8.12 Typically, NDPBs are established when it is felt that there is the need to make new or alternative administrative provision for a public service. Perceived benefits include:

- arm's length from Ministers
- source of expert advice
- brings wide range of people into public life
- quick and flexible approach to issues of concern
- size and structure tailored to suit specific functions.

There are some parallels with the present PLR arrangements, but the "fit" is far from exact.

8.13 The main difference at present would seem to be corporate status. Were the Scheme to become the responsibility of a corporate body, as opposed to a corporation sole, the principal change would be the need to vest in a board (of directors or trustees) the responsibilities currently held by the Registrar. Board members are collectively responsible for everything done by, or in the name of, the NDPB. A PLR board would be accountable to Parliament for stewardship of the Central Fund and administration of the Scheme, strategic direction and policies, proper and effective management, pay and conditions of the chief executive and staff. The Review has not established whether there are particular aspects of the Registrar's responsibilities as set out in the PLR Act that make it legally advisable to retain corporation sole status.

8.14 Concerns have been expressed to the Review that any move of this nature would reduce the number of those of standing already involved with books and writing willing to devote time and energy to PLR, and that it would result in increased administrative costs. There are also implications for the chair of the board who would be responsible for key management decisions, leading in dealings with Ministers, and providing effective leadership to the board in areas such as formulation of policy and encouraging high standards of propriety.

Direct DCMS control or integration with another NDPB

- 8.15 Subsuming PLR within DCMS or integrating it into another NDPB should bring the benefits of economies of scale to the administration of the Scheme, and it might be felt that the PLR operation is sufficiently small to be capable of being absorbed by another organisation. For DCMS to take on the running of the PLR Scheme directly would, however, appear to run counter to recent government thinking where the trend has been to devolve executive functions of government away from the centre, while the evidence of the consultation exercise suggests that authors have confidence in the existing arrangements.
- 8.16 There are precedents for the transfer of a sponsored body's functions to another NDPB where there have been overlaps in function and a commonality of purpose, but the unique nature of the PLR Scheme there would not appear to be a natural first choice among the other organisations within the DCMS 'family' to take over the Scheme, and this was the conclusion reached by DCMS during the 1997 Spending Review. Additionally, although there might be felt to be administrative convenience in placing the management of the Scheme under another NDPB and therefore removing the need for a separate PLR office, authors could be expected to object strongly to the loss of separate identity that would inevitably accompany such a transfer of functions. PLR funding would be subject to the funding priorities of the new parent organisation.

Contracting out the administration ("outsourcing")

- 8.17 There are a number of organisations which could supply all or some of the functions of PLR, charging a fee or devising a transaction-related pricing structure for managing and delivering the service in accordance with a detailed specification devised by the PLR office and agreed with DCMS. Typical areas which might lend themselves to this approach include registration, data sampling, payroll, project management and ICT – though it should be noted that the last of these is already subject to a significant degree of out-sourcing.
- 8.18 The key benefit of extending out-sourcing to other areas of the operation can only be to improve its efficiency, by reducing core staffing and seeking the economies of scale offered by a corporate supplier thus leading to greater money being available to authors, but it is likely that PLR would be but a small element within the supplier's portfolio and would not enjoy, therefore, the priority in service and support necessary to ensure the present high quality and effectiveness.
- 8.19 Additionally, the consultants' view is that the level of PLR's activity is such that it "might find it difficult to generate an effective level of competition", and they have concluded that there is "little benefit in PLR pursuing partial or wholesale outsourcing"; the Review concurs in this view.

Privatisation

- 8.20 The generally perceived advantages of complete privatisation are
- the freedom from Government-imposed financial controls

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- access to the markets for additional capital
- the ability to invest that capital in new infrastructure.

8.21 However, the corollary of private ownership is the ability to repay and/or reward investors, and there appear to be only limited opportunities for this, because:

- PLR is entirely dependent upon government funding for its income, and this would be likely to continue, thus (because of contractual requirements) limiting the potential for generating and using any profits
- opportunities for income generation, although already being examined by the Registrar, appear few and are certainly untested
- Public libraries in the U.K. have consistently resisted licensing agreements for the loan of books, and would certainly do so were it to be proposed with potentially damaging effects upon the high level of cooperation currently existing.

It is also clear from those responses obtained during the consultation process that authors themselves would be concerned about the impact of privatisation on what is seen as an extremely effective service.

8.22 The objective conclusion of the consultants PKF, who were asked to consider this, was that “PLR is not suffering from lack of investment for operational or income generation purposes” and that “there would appear to be few reasons or advantages, commercial or otherwise, for PLR to pursue privatisation”. This assessment, coupled with the antagonism which such a course of action seems certain to create amongst users of PLR, authors and librarians, has led the Review to conclude that privatisation is neither a sensible nor a viable option for PLR.

Conclusion

8.23 The question at issue is whether any of these different governance models would provide both a more cost-effective and a better approach for the management of the PLR Scheme, and the Review has concluded that so intangible are the financial advantages and such is the level of user satisfaction and operational effectiveness that there would be no discernible advantage and some danger in changing to any of the other models. It is strongly recommended that no change be made to the existing status of PLR.

Section 9: Efficiency of PLR Office

- 9.1 In reviewing the efficiency of the PLR office, the Review team has had the assistance of independent consultants PKF who have examined current office practices in depth and whose findings have informed this section of the report.
- 9.2 The achievement of the PLR office in providing what is widely regarded as an outstanding level of service whilst absorbing a reduction in staff numbers from 17.5 to 13.5 over the past five years and whilst responding to greater demands from authors in this country and abroad is clear from the evaluation contained in Section 6 of the Review. There can be no serious concerns, therefore, about the effectiveness of the PLR operation.
- 9.3 To a large extent this has been facilitated by the amount of internal resources deployed in carrying out improvement initiatives and projects as well as day-to-day core activities. The resources deployed on project work can be justified on the grounds that effectiveness and quality are the driving forces for DCMS, with economy an important but secondary requirement.
- 9.4 A two-team structure was introduced following an external review by management consultants in 1998. The organisation is divided into the Author Services Team, which delivers core services to authors and the libraries that comprise the library sample, and the Corporate Services Team, which provides services that support the Author Services Team and underpins the operation of the organisation. The two teams have been retained, but the Registrar has made some modifications to the management structure and to the working arrangements within the teams to help him best match skills to jobs against a background of significantly increased part-time working and changing work priorities. The most recent change, effective from May 2002, was the creation of the new position of Assistant Registrar to take responsibility for the day-to-day running of the Scheme and implementing PLR's ICT strategy. In most respects the organisational structure and processes that deliver the Scheme are sound, and in general terms the restructuring may be deemed to have been a success.
- 9.5 The structure is relatively flat and has few hierarchical "trees", which reduces management layers (and salary overheads) and, in theory, increases the ability of staff to be involved in decision making and shaping their roles and working practices. Broadly speaking the right people appear to be carrying out the functions they are currently best suited to, and the structure appears to help staff achieve high standards of performance rather than holding them back.
- 9.6 There appears to be very good team spirit within teams and across the organisation generally, and there is effective knowledge transfer within teams. Staff also appear to be receiving the advice, guidance and support from managers who are able to make decisions that help, rather than hinder personal and organisational development.
- 9.7 Because of the varied nature of the work currently being undertaken by staff, in order to satisfy the objectives of not only the Funding Agreement, but also of the Advisory Committee and DCMS/Government as a whole, the management support that individual staff receive may not be delivered in the traditional manner, and may not emanate from a single manager (see

paragraph 9.10). A flexible structure is required that accommodates project as well as operational management and, from an output perspective, PLR appears to have achieved this dual and flexible management approach successfully. This is reflected in the wide range of projects that have been completed successfully, or are on track, at the same time that core operational activity is achieving very high author satisfaction rates.

- 9.8 The success of the organisation in being re-accredited as an Investor in People is a significant achievement, and staff appear clear about their respective roles and responsibilities. There is widespread good practice (see paragraph 9.12) and that there is a commitment amongst managers and staff to continuous improvement. However, in seeking to balance core work initiatives, the objectives of the Advisory Committee, wider Government initiatives and the implementation of on-going improvements to support internal systems and processes, the theoretical structure of the organisation does not in all cases reflect current practice, and it is recommended the Registrar review the structure that has been developed since 1998 to ensure its continuing relevance, and that for the sake of clarity the theoretical structure is aligned with what is happening in practice.
- 9.9 Such an examination would also provide the Registrar with the opportunity to assess whether, as the Review has concluded, there may be grounds for further modest economies to be made, certainly no more than the equivalent of one half of a member of staff in the Corporate Services area. In noting this, however, the Review urges caution since, not only does it take no account of any of the developments suggested elsewhere in the report, but it does need to be recognised that there is an optimum level of staff, best described as a critical mass, which must be maintained if the organisation is to continue to operate effectively over the full annual cycle of the Scheme's operation.
- 9.10 The flexibility that is essential for effectiveness within such a small organisation as PLR has been achieved through what is best described as a 'matrix management' approach, involving those staff working on operational as well as project-based tasks. This approach is commonly used in organisations where the same pool of staff are deployed to support different project managers who are generally responsible for managing specific service areas or projects, and bid or draw on staff resources depending on the needs of the project, and the expertise and time available of the member of staff. The approach leads to a highly efficient deployment and utilisation of staff resources, and provides staff with opportunities to be involved in a variety of projects, but it is important that, in the event that staff experience conflicting operational and project demands on their time, it is clear which role takes precedence.
- 9.11 That said, the structure that has developed and the allocation of roles and responsibilities (particularly in the Corporate Services Team) has meant that there is flexibility and time for staff to contribute to projects, and develop expertise in areas of the business that interest them and benefit the organisation.
- 9.12 Within the existing operation a wide range of positive initiatives that have been progressed to improve organisational effectiveness can be identified. These include:
- Induction programme;
 - Training opportunities;
 - Clear objectives for individuals;

- Appraisal process backed up with quarterly review;
- Staff handbook with clear policies;
- Intranet developed to improve communication and containing:
 - staff manuals
 - policies
 - training details
 - standards
 - letter/form templates
 - risk register.
- Cross- training to ensure opportunities for staff to undertake a range of tasks;
- All staff are encouraged to participate in project work;
- Annual presentation by the Registrar to all staff to highlight the progress of the organisation during the previous year;
- Quarterly newsletter for staff.

It is apparent that senior management is sensitive and aware, with the Registrar leading by example, exuding a professional and unstressed air and being approachable and responsive to staff needs, while the Assistant Registrar attends both team meetings to resolve issues directly and to share information. That morale is generally high is indicated by the low staff turnover and sickness and the high number of long-term employees.

- 9.13 Given the effort devoted to ensuring good communication within a small organisation, it is surprising that the benefits of this approach to 'matrix management' appear not to be clearly understood by all staff. In practice, staff may report to a Team Leader for day-to-day purposes and to the Assistant Registrar for project management purposes, but given the latter's necessary management of corporate initiatives there is the danger that some of those staff primarily involved in the Author Services Team will feel that too great an emphasis is being placed on corporate services ahead of the core author services. Many of these concerns can be met by ensuring that the relevance and importance of individual projects are explained to staff and the potential benefits outlined.
- 9.14 There is no evidence that the significant amount of staff resource and time devoted to internal development work and meeting wider government ICT and other targets (as opposed to core author services work) is undermining the effectiveness of the organisation (indeed, the development work has almost certainly vastly improved its effectiveness); however, as the cost of supporting the structure dedicated to supporting these initiatives will have an impact upon the administrative overheads of the organisation, it is important that DCMS and others fully appreciate the trade off between the effectiveness in the delivery of its core service to authors and efficiency of PLR as exemplified by the substantial demands of the internal development work on which it is engaged. It is also important that PLR is conscious of this trade off, and the large investment that is being made in terms of improvement initiatives, and is also able to identify and monitor the delivery of the benefits that it expects to achieve. This should provide DCMS with additional assurance that projects are relevant and being delivered effectively, and also provide staff with a clearer indication of why the projects are important.

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- 9.15 Whilst all of the PLR's current initiatives and future development plans appear to make sense, evidence was not always available to indicate the benefits that either authors or the organisation (and therefore DCMS) can expect to enjoy once current plans are implemented. In order to provide staff and DCMS with assurances that the project and development work has a purpose, the Review has concluded that, as part of a continuous process of assessment, DCMS should seek to introduce mechanisms that enable it to have a more objective based and measurable level of confidence in the administration of the scheme by requiring the Registrar to identify more systematically when the organisation anticipates reaping the rewards of the present and future development initiatives, articulate what the likely outcomes will be and how they will affect the organisation.
- 9.16 At the same time, it must be recognised that a number of these activities relate to statutory and/or high profile government requirements and as such necessitate the deployment of resources to deliver the desired outcomes. PLR has achieved this by utilising the skills of staff within the organisation, and redistributing day-to-day tasks between the available staff to ensure the right people are involved in the right projects. In this respect the organisation has responded well to its multi-faceted role and there is no reason to believe that PLR is inappropriately or inefficiently utilising the resources at its disposal.
- 9.17 PLR has largely absorbed the large amount of development work it undertakes within its current operations while at the same time managing to reduce staffing levels. This has enabled the PLR to utilise and further develop in-house expertise of its own staff, provide staff with opportunities to undertake activities outside of the routine of their day-to-day tasks, and has ensured all projects have a heavy user input leading to a greater chance of successful implementation.
- 9.18 Although the organisation delivers key outputs (all author registrations and all library data received for any given year are processed in time to be included in the payment process) there is an absence of some key performance measures (those that relate to productivity or unit costs, for example) and it is recommended that a range of suitable measures be introduced.
- 9.19 The extent of developmental work, allied to the working environment, suggests that the PLR is not under the same pressure as some other NDPBs. This is not to say that staff are not working hard or do not face pressure to deliver their service, nor should this assessment alarm Government, as it is clear that PLR is achieving its objectives as well as delivering development projects, and such concerns as have been identified by the Review are capable of being resolved through routine administrative action.

Section 10: Scope of PLR

Materials covered by the Scheme

- 10.1 Under the PLR legislation only the lending out of printed books by public libraries (as defined by the PLR Act of 1979) is covered by the Scheme, but extensions to the range of materials stocked and issued by libraries, together with some perceived inequity implicit within PLR as it is operated, makes it necessary that the Review consider the scope of PLR and whether this should be extended or modified. The Review considered whether the following should be included:
- reference books
 - audio books
 - e-books
 - other materials stocked by libraries (e.g. videos)
- and whether other types of libraries should feature in the PLR sample.
- 10.2 It has long been a bone of contention that authors whose books are purchased by libraries and then allocated to the reference section where, normally, they may only be used on the premises do not qualify for PLR in so far as that copy is concerned – though, paradoxically, the same title purchased and lent by a different library would do so. The anomaly stems from the initial legislation when, because of the need for PLR to reach the statute book and the difficulty of finding a generally acceptable method of collecting reliable data, the proposal to include reference works within the Scheme was abandoned. The issue has been discussed within the Advisory Committee on many occasions since PLR was introduced, but always with the same concern about accurate data, linked on some occasions to uncertainty over the legal position and whether the changing nature of information provision made it sensible to consider it in conjunction with the status of electronic data. The status of directories, encyclopædias and other composite works with multiple authors has been raised as a potential difficulty, but does not appear to be a major obstacle since the eligibility rules within the terms of Scheme are capable of coping with this class of material.
- 10.3. It is still not possible to assess the actual use made of an individual reference book on a day-to-day basis, but the value placed upon an individual title by libraries themselves can be assessed through their purchasing policies. This approach is used in Sweden where a modified form of stock sampling is used for its reference books within PLR, while issue statistics continue to be used for books lent out of the library, and this appears to work satisfactorily. There is no reason to suppose that a similar “mixed system” could not operate in this country, and the Registrar has already produced a paper showing how this might be achieved. He estimates the annual cost to the Scheme might be in the order of £100,000-£150,000 (up to 0.05p on the rate if the total allocation from Government were not increased), and Review has concluded that the present anomaly should be removed and that on-site use should qualify for PLR.
- 10.4 In 1994 the Registrar sought the advice of the Treasury Solicitor on whether PLR’s primary legislation would need to be amended to accommodate the extension of PLR to reference books; the Treasury Solicitor at that time felt that the words “lent out”, used in the Act, properly applied only to books taken off library premises. It would be worth testing whether that narrow interpretation is still the case, but even if that is the case the Review is clear in its conclusion and

recommends that if necessary the Act be amended to cover on-site reference use.

- 10.5 When PLR was introduced the enormous growth in the issue from libraries of audio-books in either abridged or complete form was not envisaged, and no provision was made within PLR legislation. It is estimated that currently some 14 million audio-books are issued from public libraries each year, from which the neither original author nor anyone subsequently involved in the audio-book's preparation receives any remuneration. However, as a result of a 1996 amendment to British copyright law (undertaken to incorporate in UK copyright law the provisions of the 1992 EU Lending Right Directive), when no attempt was made to seek derogation for the United Kingdom, authors and other rightsholders have the right to license the lending out of works not covered by the PLR Scheme. To date rightsholders' organisations have not exercised their rights to negotiate payment for the lending out of non-book materials, although the absence of any form of remuneration for the growing trend in library loans of audio books has been a matter of concern for authors for some time. Negotiations towards agreement on a lending licence for audio book loans between authors' organisations and the library community are likely to begin soon.
- 10.6 The Review has received a number of representations suggesting that audio-books be included within the PLR regime, from
- authors
 - librarians
 - users.
- These are best considered separately.
- 10.7 Authors, understandably, are concerned to receive some remuneration for their work, although in the case of an audio-book one needs to recognise that there are others (e.g. the reader employed) who would have a legitimate claim under copyright legislation. Authors generally praise the transparency of PLR operations and anticipate that this would apply to any extension into audio-books, but the point does need to be made that financial returns from any PLR extension may well be less than would accrue from a licence scheme within copyright law, and it would be essential for a carefully costed proposal to be put before authors' organisations before one could assume that PLR was the preferred solution for the majority of authors.
- 10.8 Librarians are concerned at the cost of any license to lend audio-books and the effect this may have on library budgets that are already under pressure. This could be added to the hiring price of the audio-book, since in almost all libraries it is a fee-based service but total cost-recovery is impossible since there would need to be a large number of exemptions to cover those with particular disabilities. It is also a tenet of a librarian's approach that the message is more important than the medium and that the format chosen should be the most appropriate for the circumstances. It is noted that libraries do operate a mutually agreed free license scheme for the purchase and issue of music tapes and CDs, but the same circumstances would not appear to pertain in the case of audio-books and agreement on this basis is unlikely.
- 10.9 User groups representing the visually disadvantaged have made a strong case for the inclusion of audio-books within PLR rather than having to suffer the vagaries of a licensing scheme, the impact of which upon the end user will certainly vary from local authority to local authority. It is clearly iniquitous that anyone unable to read conventional print should be denied access to books or should incur additional costs in using readily available alternatives, and it is likely that by failing to provide such a service any public library would be held to be failing in its responsibilities under the 1964 Libraries and Museums Act; the position of the individual with respect to existing Discrimination and Human Rights legislation should also be considered.

- 10.10 The physically disadvantaged are not the only people who may suffer discrimination, however, and were audio-books to be brought within PLR there would be a number of non-British authors who would be deprived of income, thus removing a right which currently exists. This is a major obstacle, and the argument that at present they receive no payments because as yet no licensing agreement has been concluded has little weight.
- 10.11 Discussions with solicitors at the Patent Office, which is responsible for overseeing copyright, have confirmed that it would be extremely difficult to set aside existing legislation, especially given the 1996 amendment to copyright (see 10.4 above), but they have not ruled conclusively on this. It has proved impossible within the time allotted for the Review to suggest a definitive solution, but it is recommended that, as a matter of some urgency, further work be undertaken in this area, involving solicitors from the DTI and DCMS and well as key stakeholders representing authors, libraries and affected users. Whatever the outcome, PLR is expected to have a role in the emerging loans collection arrangements given its expertise in this field, and it should be involved in any further study.
- 10.12 The Review was also obliged to consider the question of rights over public use of authors' works in electronic format. Of most relevance to PLR is the anticipated use of 'e-books' in libraries, either on hand-held readers or accessed over the Internet. The lending out of hand-held readers loaded with digitised text copied from one or more books is already taking place in some US public libraries. As yet this has not been emulated in the UK, although some pilot schemes are already in operation. The PLR Advisory Committee is monitoring developments to help Ministers to assess whether e-book use is covered by the EU Lending Right Directive or by the recent EU Directive on Copyright in the Electronic Age. The latter is still to be incorporated in UK law and makes provision for exceptions for a variety of uses in public libraries.
- 10.13 It is too soon to consider whether e-books will form a significant element within public library borrowings, and no recommendation is made at this stage. With the example of audio-books in mind, and the confusion that has been occasioned by the delay in recognizing and responding to an emerging trend, an early decision on a preferred approach would be sensible; it also needs to be recognised that e-books are but one of the new formats which will be introduced in the future, and a flexible mechanism for dealing quickly with such innovations needs to be sought. It is already clear, however, that in the U.K. there are major issues of copyright compliance in the content creation and issue of e-books, and it may be sensible to ask the working group suggested in paragraph 10.10 to consider the implications so that Ministers have a further informed source of advice.
- 10.14 Many public libraries issue other materials (e.g. videos, music CDs, computer programmes) but there is no case for including any of them within PLR. Music tapes and CDs are already dealt with under a licensing scheme (10.7), while videos, the only other major format to be lent by public libraries, is best regarded as an extension of film and should be treated in the same way.

Types of library sampled

- 10.15 Some writers of essentially academic books have expressed concern that they receive no remuneration from their works stocked and issued by college and university libraries, and such authors have no opportunity of remuneration through copyright because of the exemption enjoyed by academic institutions. The Review has considered whether PLR should apply, i.e. whether "public" should be interpreted as "publicly funded" and academic libraries included

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within the sample. Higher and further education libraries are generally equipped technically to facilitate PLR data capture, but too few schools are fully computerised and they are not considered here.

- 10.16 It has been argued that the majority of academic authors write as a direct consequence of their involvement within academe, thus creating a circle of scholarship and further interpretation within the sector itself, but, like all generalizations, this is not of universal application. Similarly, the fact that an author is employed in another capacity, either with the academic sector or elsewhere, should not of itself preclude them from appropriate remuneration.
- 10.17 The effect upon college and university budgets has also been cited, but this is to revisit the arguments raised by public librarians in the 1970s and implies that the costs of implementation would be met by the academic sector itself. Any increase in costs to cover an extension to the Scheme academic libraries should necessarily be met from central government, but a significant increase in PLR funding has only recently been implemented, and the effect of this should be assessed before such a potentially major extension could be contemplated. Neither is it clear how much including academic loans would affect the balance of existing payments to particular classes of authors, and further work is need in this area.
- 10.18 The Review has considered whether a step-by-step approach involving only those academic libraries where joint access schemes involving both public and a local academic library is operational, but has concluded that this is not desirable, partly because the general public is rarely able to remove material from the library but more particularly because, in advance of any larger agreement coupled with the necessary funding, it could actually slow down moves towards greater cooperative provision and would not be in the public's wider interest.
- 10.19 Library services are provided within a range of other institutions, sometimes by the local public library service. Where these are structured to form part of the library authority's standard network (i.e. they are equipped with the necessary technology to capture loans data and this is incorporated in the authority's own statistics) and where the bookstock is owned by the library authority itself, provision already exists for the Registrar to include them. In all cases, the effect upon an authority's overall figures is negligible and may be disregarded as a significant influence within the sample. Similarly, institutions operating without public library support would not justify inclusion, even if the necessary technical requirements could be met.

International agreements

- 10.20 At present PLR is limited to those living in the European Economic Area (see 5.10), unlike copyright which under the Universal Copyright Convention to which the U.K. is a signatory is of much wider application.
- 10.21 The introduction of national PLR schemes (some based upon use as in the U.K., some upon principles of copyright) is growing, and the potential exists for the U.K. to provide some leadership in this sphere. The Registrar is already active in the international arena.
- 10.22 Penetration of the U.K. book market by North American authors is substantial, facilitated as it is by a common language; commonwealth writing, although less significant in volume, is still a major factor, and the strength of writing from parts of the commonwealth has been demonstrated in recent years by the number of its authors shortlisted for major literary awards. Any unilateral action to extend PLR to authors living outside Europe would result in a outflow

of funds currently directed towards U.K. and other European authors, and extending the geographical scope of the Scheme can only be recommended on the basis of reciprocal agreements.

Appendix A: DCMS Aims and Objectives

The Department's aim is:

“To improve the quality of life for all through cultural and sporting activities, and to strengthen the creative industries.”

DCMS will:

- work to bring quality and excellence in the fields of culture, media and sport;
- make these available to the many, not just the few;
- raise standards of cultural education and training;
- help to develop the jobs of the future in the creative industries.

To achieve its aim, **DCMS' objectives** are, in partnership with others, to work to:

1. Sustain and develop quality, innovation and good design, create an efficient and competitive market, including by removing unnecessary regulation and other obstacles to growth so as to develop the tourism and creative industries; and promote Britain's success in the fields of culture, media and sport at home and abroad;
2. Broaden access for all to a rich and varied cultural and sporting life and to our distinctive built environment; and encourage conservation of the best of the past;
3. Develop the educational potential of all of the nation's cultural and sporting resources; raise standards of cultural education and training; ensure an adequate skills supply for the creative industries and tourism;
4. Ensure that everyone has the opportunity to develop talent and to achieve excellence in the areas of culture, media and sport;
5. Maintain public support for the National Lottery and ensure that the money raised for good causes supports DCMS' and other national priorities; and
6. Promote the role of the Department's sectors in urban and rural regeneration, in pursuing sustainability and in combating social exclusion.