

Publishers Licensing Society



Annual Review 2012

April 2011 – March 2012



People at PLS



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2

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Report from the Chair



In the last year the industry has faced numerous challenges including the continuing economic downturn, threats as well as opportunities afforded by the digital revolution, and far reaching changes to UK copyright law proposed by the Government in the light of the Hargreaves review.

During my second year as Chair, I have seen PLS rise to seek to meet these challenges and effectively engage with publishers on these and many other important issues.

I am also pleased to report that, in spite of the financial crisis, PLS distributed £30.4 million to publishers this year.

An already excellent team has been strengthened by the arrival of new staff and

the move to new offices in Russell Square has helped the team grow and work together. For the first time, PLS has a dedicated Publisher Relations Manager, Antonella Pearce. Sharon Robinson also joined us as Communications Manager and Vicky Pomeroy as Operations Officer. Since the year end, Mark Bide has also joined the staff on a short term contract as Head of Business Development.

I also take this opportunity to thank Philip Walters (PA), who retired from the Board in December 2011 after serving for six years, for his valuable contribution and welcome Jacob Pienaar who replaces him.

I look forward to working with the PLS team as it grows and evolves further and helps bring yet more value to the publishers who mandate us.

Mark Millar

Chief Executive's report



Introduction

This has been a productive year for PLS as it continues to provide an increasingly important service and revenue stream to publishers facing ever tougher trading conditions. In particular, we have been strengthening our links with our mandating publishers. We have also started to turn our pivotal position to the mutual advantage of both publishers and those seeking access to published materials wherever the opportunity has arisen. We look forward to building on this foundation and to making ever greater use of PLSe, our online rights management system for publishers, in the coming year.

Licensing

In line with the results of our various consultations with mandating publishers the Copyright Licensing Agency (CLA) has rolled out a number of new digital licences during the year. They all extend, in effect, existing photocopying licences by conferring digital use rights and by including digital and, in some cases, website repertoire. In this way, the CLA blanket licences are being kept up to date and relevant to the needs of licensees, an essential element of maintaining the value of the licences.

PLS has consequently devoted considerable time and resource during the year to encouraging publishers to opt in to these licences and so get the full benefit of their mandate to PLS. Publishers have generally opted in once we have explained the licences and the choices available to them. An overview of the new licences can be found in our *Collective digital licences* booklet.

PLS also approved an agreement between CLA and the British Library which will see payment to publishers for the first time for the delivery of their journal articles to overseas libraries for non-commercial researchers.

Distributions

Distributable revenue for publishers for the year was worth £30.4 million. Whilst this represents a decrease of 11.1% on the previous year (£34.2 million) overall distributions have remained steady, after taking into account the fact that the previous year included an exceptional distribution worth £3.6 million from VG Wort in Germany in respect of a court settlement.

The distributions included £145,000 to 107 newly mandating publishers.

This is a positive result in a year in which CLA has met some challenges from licensees (which are perhaps not surprising given the current economic pressures) and it is a testament to CLA's success in developing new business licences.

Costs

Once again, we have kept our administration costs below the 6% subvention, enabling us to redistribute the balance to publishers. Actual costs amounted to 4.3% of monies distributed. PLS has managed, nevertheless, to improve the services offered to publishers as well as the working environment for its staff (page 5).

Related organisations

We have worked closely and productively with CLA throughout the year on all aspects of the business of collective licensing. PLS and CLA shared a stand at the London and Frankfurt book fairs and they joined forces on meetings with publishers whenever it has made sense to do so, thereby providing publishers with the fullest possible information and support.

The Bipartite negotiations with the Authors' Licensing and Collecting Society (ALCS) have yet to be concluded but are proceeding in a constructive manner.

We continue to value our relationship with the Design and Artists Copyright Society (DACS) for its representation of visual artists within the collective. All four organisations have worked well together on a number of issues of common concern that have arisen during the year.

The wider role of PLS

ARROW: PLS and ALCS have partnered with the Wellcome Trust in using ARROW to support the Trust's library digitisation pilot project. The Wellcome Trust is conducting its diligent search for the copyright owners of some 1,400 titles in its genetics library through ARROW. In addition PLS and ALCS are directing the requests for permission to digitise on behalf of the Trust to the copyright owners once identified through ARROW.

This project is the first live use case following the successful piloting of ARROW in the previous year and is enabling PLS and ALCS to develop and refine ARROW in anticipation of ever greater demand for this search capability.

It is expected that any legislation which enables licensing of orphan works will require a diligent search to be conducted to ascertain whether or not a work is truly an orphan.

REF 2014: PLS has been proud to broker free online access to publishers' materials for HEFCE on behalf of the higher education funding bodies for the strict purpose of assessing the quality of research in the context of the current Research Evaluation Framework. Publishers approached so far have been very positively disposed to this exercise.

Copyright consultation/Digital Copyright

Exchange: PLS responded in detail to the Government's extensive consultation containing proposals for far reaching changes to copyright based on the recent recommendations of Professor Hargreaves. The response included a report commissioned from PricewaterhouseCoopers by CLA, PLS and ALCS on the proposal for an exception to copyright for education, which presents a serious threat to the revenues for publishers from collective licensing. It also included an economic analysis of the Government's impact assessments in support of the case for change, which we jointly commissioned from Oxford Economics through the Alliance Against IP Theft (of which PLS is a member). We now await the Government's decision on how to take forward such proposals in the light of this consultation.

PLS has at the same time engaged with Richard Hooper, the Government's appointee to investigate the feasibility of establishing an industry led Digital Copyright Exchange for the purpose of making copyright licensing more fit for purpose in the digital age. I was privileged to be on his Advisory Panel for his Phase One report, *Rights and Wrongs*, published in March 2012.

Accessibility

Our work around accessibility issues has continued this year with the publication of the quarterly *Publisher Accessibility Newsletters*, jointly organising the fourth Accessibility Seminar at the 2012 London Book Fair with EDItEUR and RNIB, and by supporting initiatives such as TIGAR (Trusted Intermediaries Global Accessible Resources) and ETIN (European Trusted Intermediaries Network Project)) which aim to facilitate secure transfer of accessible copies of publications across borders.

PLS activity

The look and feel of PLSe has recently been upgraded with a number of improvements made to its functionality. We hope you will agree that the changes help to make participation in collective licensing more straightforward.

And more generally...

PLS has been busier than ever during the year **meeting with publishers** up and down the country as well as at the London and Frankfurt Book Fairs.

PLS took on its first ever lease in its 30 year history in the new year. The **new premises** in Russell Square bring together the PLS team in a much improved working environment. Our new meeting room has been used regularly for hosting industry meetings, including international meetings, and for our own Board meetings – a first for PLS.

Sarah Faulder

The screenshot displays the PLSe web application interface. At the top, there is a navigation bar with the PLS logo and menu items: PLS Website, PLS Home, Company Details, Reports, Licence Options, Licence Fee Income, and Help. The user is logged in as Catherine Reed. The main content area is titled 'Welcome Catherine Reed' and features a central banner for 'Collective licensing made easy'. Below the banner are three main sections: 'Licence Options' (Maximise your organisation's earning potential from collective licensing), 'Licence Fee Income' (Details of your latest PLS payments), and 'Manage Repertoire' (Your title listed with PLS). A sidebar on the right contains a 'Quicklinks' section with links to Help & Support, Repertoire, Licence Fee Income, Licence Options, and Contact Us. The main content area also features a 'PLSicensing' section with a list of publishers and a '2012 Distribution Timestable'.

PLSe is available to all mandating publishers. If you have not used PLSe yet, please contact us at pls@pls.org.uk

Income and expenditure for the year ended 31 March 2012

6

	2012 £	2011 £
COPYRIGHT FEES RECEIVED	31,722,691	35,464,126
Distributable to publishers	(30,453,354)	(34,185,079)
TURNOVER	<u>1,269,337</u>	<u>1,279,047</u>
Other operating income	-	6,810
Administrative expenses	(1,315,613)	(1,224,999)
OPERATING (DEFICIT)/SURPLUS	<u>(46,276)</u>	<u>60,858</u>
Bank interest receivable	47,683	30,501
SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION	<u>1,407</u>	<u>91,359</u>
Taxation	(1,407)	(19,796)
SURPLUS FOR THE YEAR	<u>-</u>	<u>71,563</u>
BALANCE BROUGHT FORWARD	450,000	378,437
BALANCE CARRIED FORWARD*	<u>450,000</u>	<u>450,000</u>

No separate Statement of Total Recognised Gains and Losses has been presented as all such gains have been dealt with in the income and expenditure account. All activities are classified as continuing activities.

Note

*The reserve figures shown have been agreed by the PLS Board.

Balance sheet at 31 March 2012

	2012 £	2011 £
FIXED ASSETS		
Tangible assets	116,408	84,553
CURRENT ASSETS	_____	_____
Debtors	60,151	58,658
Short term fixed deposits	7,824,028	7,460,893
Cash at bank and in hand	352,651	31,516
	_____	_____
	8,236,830	7,551,067
CREDITORS: amounts falling due within one year	(7,903,238)	(7,185,620)
NET CURRENT ASSETS	_____	_____
	333,592	365,447
TOTAL ASSETS LESS CURRENT LIABILITIES AND NET ASSETS	_____	_____
	450,000	450,000
RESERVES		
INCOME AND EXPENDITURE ACCOUNT	_____	_____
	450,000	450,000

The financial information on pages 6 and 7 does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The Income and Expenditure Account and the Balance Sheet have been extracted from the audited statutory accounts for the year ended 31 March 2012. These accounts have been delivered to the Registrar of Companies and carry an audit report which was unqualified and did not contain a statement under Section 495(4) of the Companies Act 2006.

Commentary

The short term fixed deposits and the cash at bank and in hand include £1.8 million (including VAT) which was paid to publishers immediately after the end of the financial year in April 2012; £1.4 million (including VAT) which was paid under the Bipartite Agreement in May 2012; a further £569,000 (including VAT) which may become payable once negotiations on the new Bipartite Agreement are concluded; £2.5 million held in trust for publishers who have yet to mandate PLS and the balance relates to monies due to mandating publishers' accounts requiring investigation (for example, awaiting title or address data), and non-title specific monies which are held in suspense on account of the next Bipartite payment with any surplus being distributed to publishers.

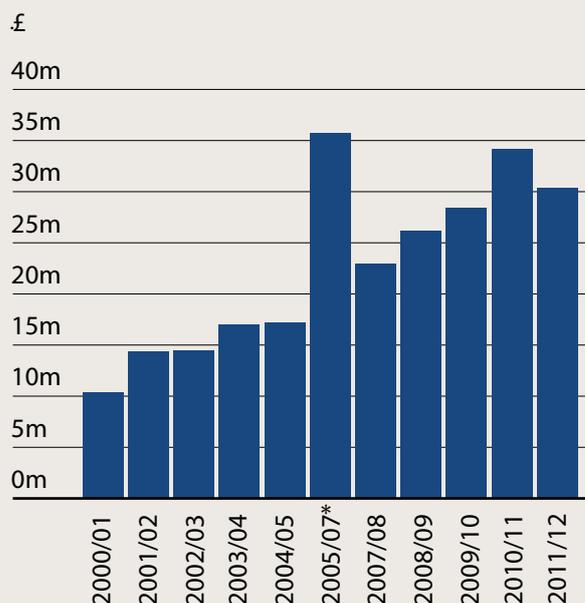
Summary of distributions

Overview

PLS distributed £30.4 million to publishers during the year ended 31 March 2012. This represents a decrease of 11.1% which is almost entirely due to the previous year's figures including a large one-off payment of fees from the German reprographic rights organisation (RRO) V.G. Wort.

PLS distributable revenue, year on year

2000/01	£10.4m	2007/08	£23.0m
2001/02	£14.4m	2008/09	£26.2m
2002/03	£14.5m	2009/10	£28.4m
2003/04	£17.0m	2010/11	£34.2m
2004/05	£17.0m	2011/12	£30.4m
2005/07	£35.7m*		

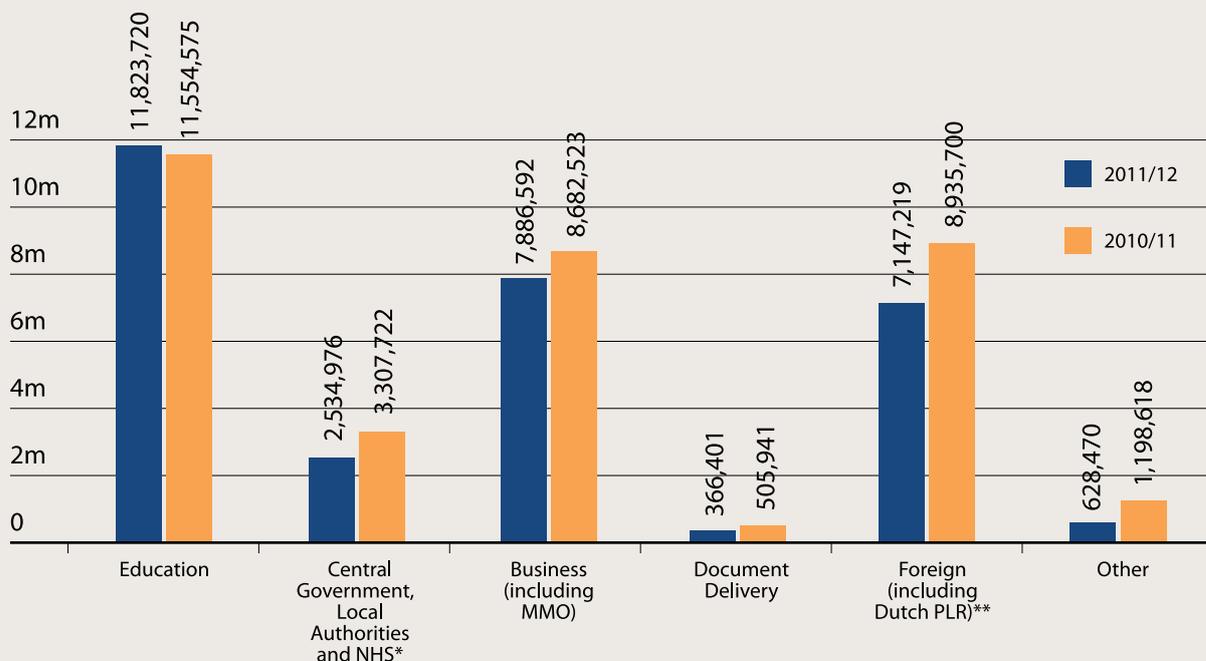


Note:

* PLS changed its accounting date during this period and the distribution therefore spans eighteen months rather than the usual one year period.

Sector by sector overview

Distribution totals of revenues from all sources



Notes

* Decrease due to NHS Scotland not renewing its licence.

** Decrease due to a one off payment from German RRO V.G. Wort in 2010/11.

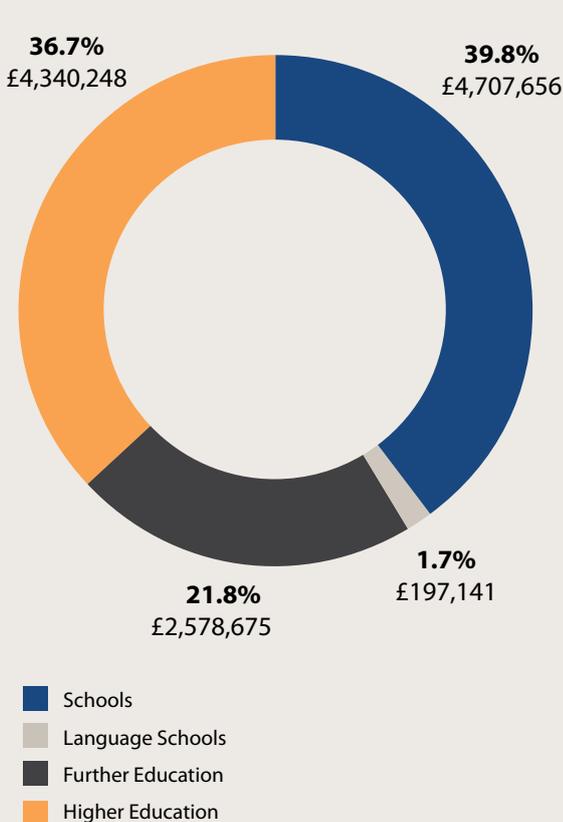
Education

Distributions of licence fee income collected from the education sector increased from £11.55 million to £11.82 million, accounting for 38.9% of PLS distributions over the year. This proportion increased from 33.8% in the previous year's figures and reflected an increase in real terms of £269,145. Education licence fees are based on pupil and student numbers. Increases in these monies are mainly due to inflationary price increases and increases in student numbers.

The distribution of schools income was up 9.2% from £4.31 million to £4.71 million. There was also a 8.0% increase in distributions from language schools (from £182,590 to £197,141).

The Further Education (FE) sector saw a decrease of 10.71% from £2.89 million to £2.58 million. This was due to the re-negotiation of the FE licence rate card to reflect students' use of content more accurately. Distributions from Higher Education increased by 4.0% from £4.17 million to £4.34 million.

Education sector distributions

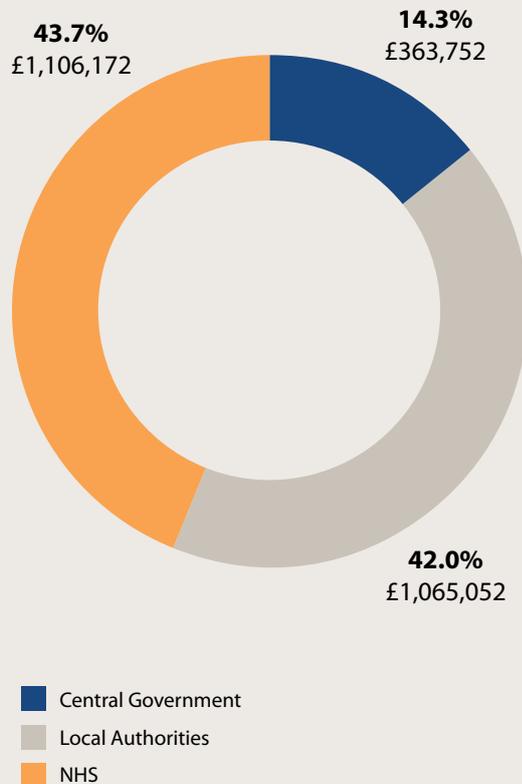


Government

The Government sector covers the Central Government, Local Authorities and the NHS. Licences to this sector represented 8.3% of the total distributable revenue in the review period, down from 9.7% last year. This reflected a decrease in real terms of £772,746.

Distributions from Central Government licences decreased by 52.1% from £759,113 to £363,752. This was largely due to extended licence renewal negotiations. Distributions from Local Authorities decreased by 9.61% from £1.18 million to £1.06 million. The NHS sector saw a 19.3% decrease from £1.37 million to £1.11 million. This was primarily due to NHS Scotland not renewing its licence.

Government sector distributions



Summary of distributions

10

Foreign revenue

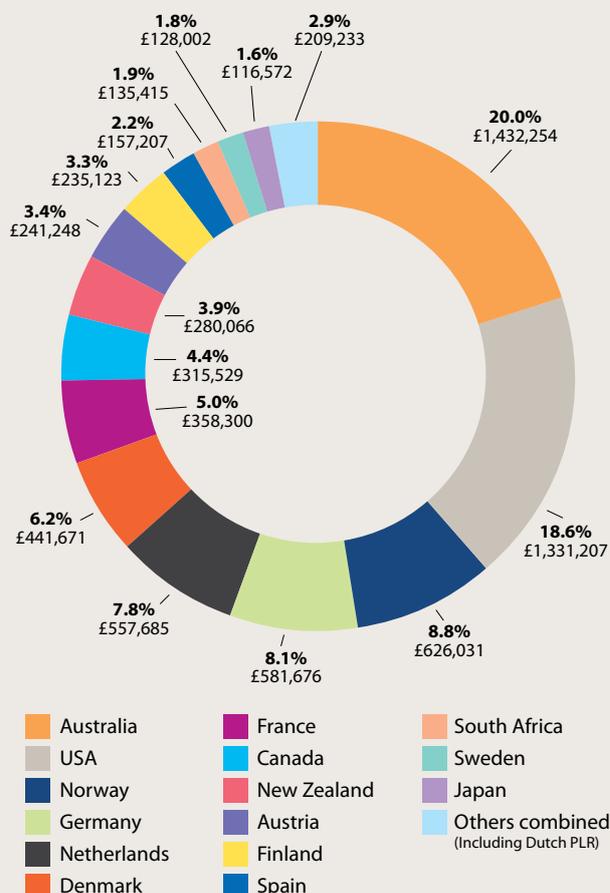
Foreign revenues (excluding Dutch Public Lending Right (PLR)) represented 23.4% of the total that was distributed to publishers, down from 25.9% in the previous year. This was reflected in a real terms decrease of 19.59% from £8.86 million to £7.12 million.

However, as noted on page 8, this decrease was mainly due to the previous year including a significant one off back payment from VG Wort, the German RRO. VG Wort fees aside, income from overseas has increased by £1.87million (35%).

The distributions from the Dutch Public Lending Right scheme decreased from £74,682 in 2010/11 to £22,348 in 2011/12.

This year saw the first payment of fees from Japan after CLA signed a bilateral agreement with the Japanese RRO JAACC. A distribution of £116,572 was made in November 2011.

Revenues from overseas RROs



Business

Distributions of income from the business sector represented 26% of the total PLS distributions for the period, slightly up from the previous year's figure of 25.4%. Actual distributions from the sector decreased by 9.2% from £8.68 million to £7.89 million. This was due to a change in the timing of invoicing licensees in the legal sector.

Fees from the licence sold to Media Monitoring Organisations (MMOs), formerly known as Press Cuttings Agencies, decreased by 34.6% from £197,444 to £129,164 notwithstanding that the increase in business licensing is largely driven by leads from the MMOs.

Document Delivery

Fees from the UK Document Delivery licence (which includes income from the British Library) decreased by 27.6% from £505,941 to £366,401. Monies from the Document Delivery licence are subject to fluctuations due to the transactional nature of the licence and publishers establishing direct deals with document delivery agents.

Other

Occasionally the identity or nationality of the rights holder of a particular title is not clear, and fees are directed to overseas RROs that should have been forwarded to PLS. In these circumstances the RRO will subsequently identify the title(s) in question as belonging to a UK rights holder, and return the fees to CLA for reallocation. This year included a payment of £451,193 consisting of fees returned by overseas RROs.

Bipartite agreement between ALCS and PLS

The Bipartite agreement between PLS and ALCS, signed in 2005, governs the division between them of monies collected by CLA. Under that agreement a balancing payment of £1.7 million fell due from PLS to ALCS (£2.5 million in 2011). However, as the agreement is currently under re-negotiation (see Chief Executive's report) an on account payment of £1.2 million was made after the year end, pending the conclusion of the new agreement.

Organisations involved in the UK collective licensing system

Rights owners

Association of Learned and Professional Society Publishers (ALPSP)

The Publishers Association (PA)

Professional Publishers Association (PPA)

Individual publishers

Authors

Designers, artists, illustrators and photographers

Collective Rights Organisations (RRO-UK)

Publishers Licensing Society (PLS)

Authors' Licensing and Collecting Society (ALCS)

Design and Artists Copyright Society (DACS)

Copyright Licensing Agency (CLA)

Users/ Licensees

Licensee community

Reciprocal agreements with international RROs

Mission statement

PLS is dedicated to advancing publishers' interests through protecting and strengthening the copyright framework. PLS currently achieves this through its core functions:

- Managing voluntary licensing schemes in the UK, promoting voluntary licensing systems in the UK and abroad, and optimising revenue streams for UK mandating publishers.
- An organisation to which publishers can turn in confidence knowing that those rights which they wish to have administered collectively will be protected and exploited according to their wishes.
- Facilitating an orderly legal marketplace for rights by providing licensing solutions that protect rights, provide revenue, and satisfy both publishers and users.
- Actively identifying and containing threats to publishers' rights in the context of copyright and licensing.
- Safeguarding publishers' interests within the international community of reproduction rights organisations (RROs) and supporting the publishing industry in all licensing matters.



Publishers Licensing Society

PLS is owned by:

THE PUBLISHERS
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