



# Annual Review 2013

April 2012 – March 2013



# People at PLS

## Directors

### Independent Chairman

Mark Bide

### ALPSP

David Jago  
Audrey McCulloch  
Kevin Taylor

### PPA

Andrew Horton  
Jim James  
Andrew Yeates

### PA

Ian Russell  
Jacob Pienaar  
Graham Taylor

### Executive Director

Sarah Faulder

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## Report from the Chair



I am delighted to be writing to you in my new role – taken up at the beginning of June 2013 – as Chairman of PLS. I am extremely grateful to the Board for their confidence in appointing me as their Independent Chair. The time requirements of this role have expanded to such an extent in recent years that it is no longer realistic to expect a busy publisher to squeeze in chairing PLS alongside a busy day job.

I have been close to PLS since 1995 initially as a consultant and recently for nearly 12 months as part-time Head of Business Development. Never in the last 18 years has the organisation faced as much change as it does today. The world of copyright – particularly of collective rights management and administration – is moving at unprecedented speed. There are myriad new requirements to meet for both rightsholders and rights users. Real competition is beginning to develop where previously there has been none. Developments such as the Copyright Hub provide both challenge and opportunity. The Chief Executive's report describes this changing landscape in detail.

The changing environment implies structural change on an unprecedented scale; PLS has been building new technical and human resources to meet these new responsibilities. PLS staffing levels have been growing, but we remain absolutely committed to being as lean as possible as we adjust to managing our new reality. We distributed £33.5 million to publishers in 2012/2013 and we continue to seek to build publishers licensing revenues and to protect copyright as the bedrock on which their businesses depend.

I should pay proper tribute to my predecessor as Chairman, Mark Millar, who led the PLS Board for the last three years with great skill and diplomacy (and who is sadly now lost not only to PLS but also to the publishing industry, as he is now working in a different sector). I must thank Dominic Knight (PA) who has retired from the Board for his invaluable contribution to PLS in more than a decade of service. We welcome Jim James (PPA) to the Board as the replacement for Mark Millar; and we welcome Ian Russell (PA) back to the Board to replace Dominic.

**Mark Bide**

# Chief Executive's report



## Introduction

As publishers face ever increasing challenges, both economic and political, PLS has been able to rise to the occasion and provide support for their businesses in a variety of ways. In addition to ensuring that publishers get the most out of secondary licensing, by managing the collective licensing of their rights as effectively as possible, we have been developing our capability to manage publishers' rights in other ways by building on our online rights management service, PLSe, in readiness for whenever publishers need a more centralised approach. We already have some exciting projects under development which we believe will make an important contribution towards securing the future interests of the publishing industry and the PLS team is now well positioned to meet publishers' requirements in changing market conditions.

## Licensing

Collective licensing is becoming increasingly competitive, meaning that publishers have more choices than ever before as to how to license their rights. PLS has been drawn into the consequences of this competition in a couple of interesting ways.

Firstly, more choice has resulted in publishers turning to PLS for guidance and requiring PLS to work with a broader group of licensing bodies for their business licensing. The Copyright Licensing Agency (CLA) continues to be the licensing body of first choice for licensing the education sector and remains a key player in all other areas of licensing, both in the UK and abroad. We have, however, recently seen some magazine publishers choose the Newspaper Licensing Agency (NLA) for their business licensing whilst other publishers have been exercising their right to choose in favour of overseas reproduction rights organisations (RROs) and other organisations further afield.

Secondly, if publishers are to benefit from healthy competition it is important to ensure that users are not faced with added complexity in licensing which, experience tells us, tends to

bring copyright into disrepute. Copyright has been under intense scrutiny as it is over recent years, most recently by Professor Hargreaves in his Review of IP and Growth (May 2011). Streamlining copyright licensing is critical to the survival of and respect for copyright, which is the backbone of our industry, in the digital age. This was at the heart of Richard Hooper's recommendation for a copyright hub in his report, *Copyright Works: streamlining copyright licensing for the digital age*, written with Dr Ros Lynch and published in July 2012. His vision for a copyright hub was also the subject of Hooper's very well received Charles Clark Memorial Lecture delivered at the 2013 London Book Fair. Given the direct relevance and importance of Hooper's report to the work of PLS it is no coincidence we have been at the forefront of enabling and supporting the realisation of the copyright hub and we look forward to the launch of its Phase 1 in July 2013.

## Distributions

Distributable revenue for publishers was £33.5 million, representing an increase of 10% above the previous year (£30.5 million). As will be seen on pages 8 to 10 of this Review, it was a particularly strong year for business licensing

and revenues from overseas were up by 28%. Credit for this strong performance in such a difficult economic climate must go to CLA.

PLS directors and staff worked with CLA in a review of its methodology for distributing business revenues. As a result, future distributions will be informed by data collected from the media monitoring organisations for the first time, as well as from surveys and record keeping by licensees. They will also be made on a sector by sector basis. The new system is being phased in over two years and will result in more accurate and transparent distributions.

### **PLSe**

PLSe was upgraded during the year to provide more functionality to our 3,100 mandating publishers. We have been paying particular attention to improving the quality and quantity of data on PLSe and to developing a generic clearing house for permissions, the first application of which will be for text and data mining permission requests.

### **Costs**

PLS has applied the full 6% subvention deducted from monies distributed to publishers towards both its running costs and the enhancement of PLSe so as to develop its rights management capabilities. Whilst this means there will be no distribution back to publishers this year of unused subvention we believe that the relatively modest investment this has allowed us to make will prove to be of significant long term benefit to publishers individually and to the industry overall.

### **Related organisations**

We concluded a new three year Bipartite Agreement with the Authors' Licensing and Collecting Society (ALCS) governing the division between us of the licensing income collected by CLA. Fuller details can be found on page 10.

Since concluding the Bipartite Agreement PLS and ALCS have been working well together on a variety of matters of common interest, including in the oversight of CLA and the partnership with DACS.

We have continued to work closely with CLA at every level and in particular to support its licence development work. We have successfully encouraged increasing numbers of publishers to opt in to the digital licences offered by CLA.

PLS has entered into a new arrangement with the NLA to oversee the licensing of magazine repertoire in parallel with its oversight of CLA licensing. PLS also continues to develop closer relations with overseas RROs wherever appropriate to further the interests of publishers.

### **Code of Conduct**

PLS published its first Code of Conduct during the year, being a clear expression of its commitment to providing excellent service to publishers. The Code explains the role of PLS, sets standards for our conduct in servicing publishers and provides a complaints procedure. It incorporates the Principles of Good Practice for Collective Management Organisations promulgated by the British Copyright Council and seeks to satisfy the Government's Minimum Standards for UK Collecting Societies. The Code is subject to a formal review process and in addition PLS will ensure that it complies with the regulations issued under the recently passed Enterprise and Regulatory Reform Act 2013.

### **ARROW<sup>1</sup>**

PLS, together with ALCS and in partnership with the Wellcome Trust, completed work on the Trust's digitisation pilot project in relation to part of its genetics library. This is the first live use case of ARROW following the pilot project with the British Library in 2011. The results of this project, which will be published shortly, are likely to be instructive for both orphan works licensing and future mass digitisation projects as well as for the refinement of ARROW. We anticipate increasing demand for this search capability, particularly with the naming of ARROW in the 2012 Orphan Works European Directive as one of the sources to be consulted when conducting a diligent search to establish whether or not a published book is an orphan work.

### Research councils' evaluation exercises

PLS completed its work in brokering free online access to publishers' materials for HEFCE on behalf of the higher education funding bodies. This has facilitated their assessment of the quality of research in the context of the current Research Evaluation Framework (REF 2014). HEFCE have been impressed with the level of co-operation received from publishers.

PLS was asked to undertake a similar but smaller exercise on behalf of NERC (Natural Environment Research Council) following on from the success of its REF 2014 work and publishers have been equally responsive to this exercise.

### Accessibility

PLS has continued to support publishers in making their works accessible to the print-disabled. In addition to publishing the Accessibility Newsletter twice a year and facilitating once again the highly popular Accessibility Seminar at the London Book Fair, PLS has supported the work of international project TIGAR (Trusted Intermediaries Global Access Resources).

### Copyright

PLS engages in the legislative process only on issues implicating collective licensing. This has required PLS to monitor the passage of the Enterprise and Regulatory Reform Act 2013 and PLS was invited by the Intellectual Property Office (IPO) to engage in their process for developing the regulations under the Act which will govern orphan works licensing and extended collective licensing. PLS has also been actively engaged with the IPO and the European Commission in relation to their respective approaches to text and data mining, explaining the value of the PLS clearing house (in development) and proposed click through licence as a solution. PLS has also been following the proposed European Directive on Collective Management of Copyright.

### PLS' profile

The profile of PLS has been raised in a variety of ways during the year. PLS has played a leading role in relation to industry projects including in

developing a solution for text and data mining, supporting publishers in the access to journals in public libraries initiative and in taking forward the work on the proposed Copyright Hub. The publishing and wider creative industries have been making very good use of PLS' new Boardroom facilities. In addition PLS has been invited to speak at conferences and it has had a more prominent presence at both the London and Frankfurt Book Fairs.

### And finally...

We have been sad to have to say goodbye to Mark Millar who has had to step down as our Chairman due to the demands of his exciting new role outside the industry. I would like to add my particular thanks to him for his tireless efforts in the interests of PLS since he has been in the Chair over the last two and a half years.

PLS is fortunate that Mark Bide, formerly long-time consultant to PLS and more recently our Head of Business Development, has been willing to take on this mantle and we look forward to working with him in his new capacity.

The PLS team has not only performed extremely well, coping with an ever expanding brief, but all the staff have been a pleasure to work with. We have said adieu to Sharon Robinson, who will nevertheless continue to support PLS in our various strands of work on accessibility. I'd like to welcome her replacement, Jo Franaszczuk, as well as other members of staff who have joined in the year, namely, Mohammed Annisuzzaman as IT Manager, Suzanne Beynon as Publisher Relations Assistant and Emily McLean as Data Administrator. The team is thriving in our new offices in Russell Square.

**Sarah Faulder**

## Income and expenditure for the year ended 31 March 2013

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	<b>2013</b> £	<b>2012</b> £
COPYRIGHT FEES RECEIVED	35,087,242	31,722,691
Distributable to publishers	(33,446,157)	(30,453,354)
<b>TURNOVER</b>	<u>1,641,085</u>	<u>1,269,337</u>
Administrative expenses**	(1,578,071)	(1,315,613)
<b>OPERATING SURPLUS/(DEFICIT)</b>	<u>63,014</u>	<u>(46,276)</u>
Bank interest receivable	67,008	47,683
<b>SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	<u>130,022</u>	<u>1,407</u>
Taxation	(21,150)	(1,407)
<b>SURPLUS FOR THE YEAR</b>	<u>108,872</u>	<u>-</u>
BALANCE BROUGHT FORWARD	450,000	450,000
<b>BALANCE CARRIED FORWARD*</b>	<u>558,872</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

\*\* This figure includes £116,582 (2012 - £112,000) for Director's remuneration including pensions.

## Balance sheet at 31 March 2013

	2013 £	2012 £
FIXED ASSETS		
Tangible assets	282,097	116,408
CURRENT ASSETS		
Debtors	65,482	60,151
Short term fixed deposits	6,976,843	7,824,028
Cash at bank and in hand	1,096,452	352,651
	8,138,777	8,236,830
CREDITORS: amounts falling due within one year	(7,862,002)	(7,903,238)
NET CURRENT ASSETS	276,775	333,592
TOTAL ASSETS LESS CURRENT LIABILITIES AND NET ASSETS	558,872	450,000
RESERVES		
INCOME AND EXPENDITURE ACCOUNT	558,872	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 2013. 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 £879,000 (including VAT) which was paid to publishers immediately after the end of the financial year in April 2013; £431,000 (including VAT) payable under the new Bipartite Agreement (not signed until after the end of the financial year 2012/13) for the year 2011/12; a further £1,987,000 (including VAT) payable under the new Bipartite Agreement for the year 2012/13; £3,100,000 held in trust for publishers who have yet to mandate PLS. The balance relates to monies due to mandating publishers 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 balancing payment with any surplus being distributed to publishers.

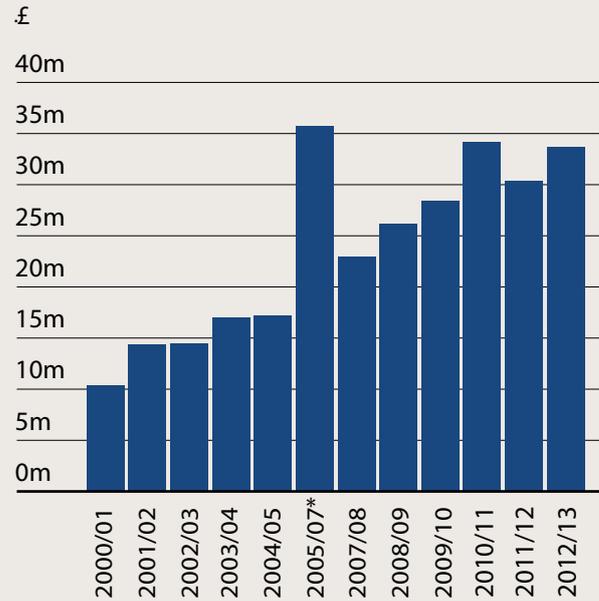
# Summary of distributions

## Overview

PLS distributed £33.5 million to publishers during the year ended 31 March 2013. This represents an increase of 10.3% which is due to incremental rises across several sectors as well as a one-off payment of monies representing an adjustment for historic excess receipts from overseas RROs distributed to visual artists.

### 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*	2012/13	£33.5m

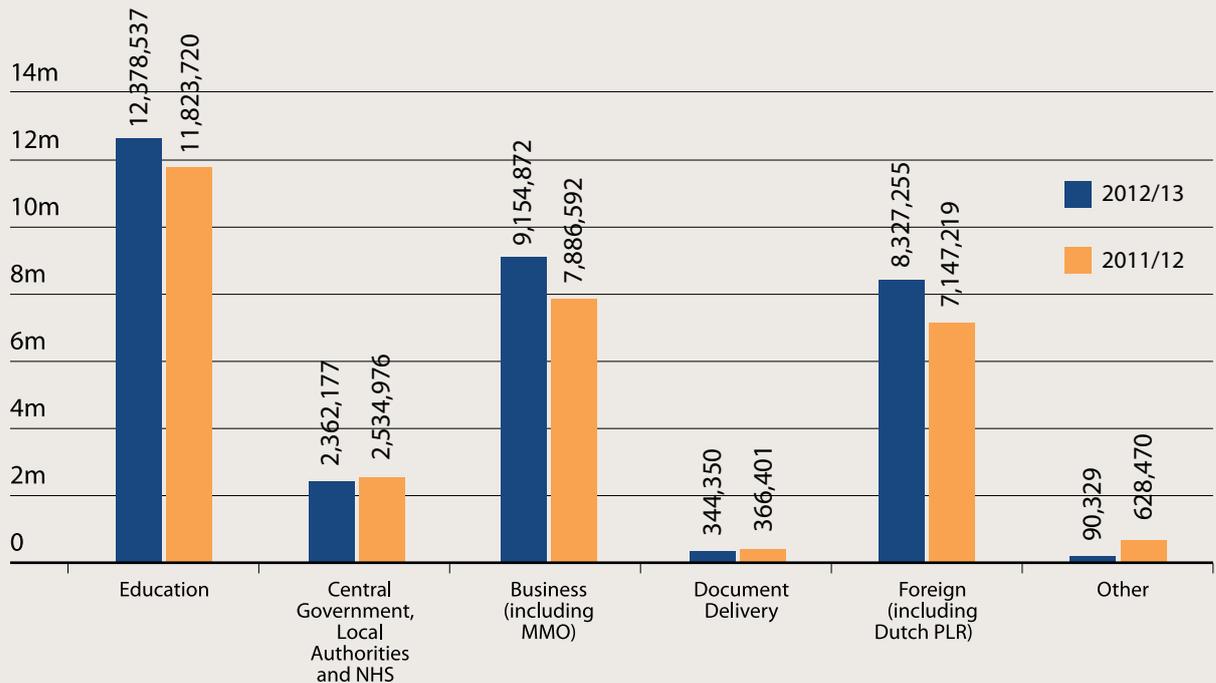


#### Note:

\* 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



## Education

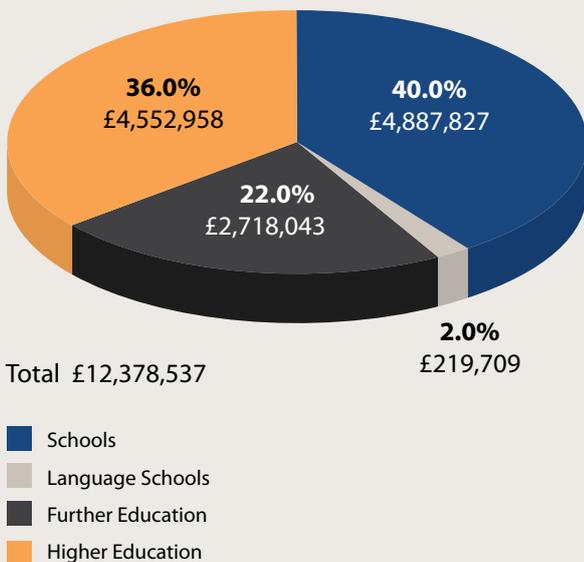
Distributions of licence fee income collected from the education sector increased from £11.82 million to £12.38 million, accounting for 36.9% of PLS distributions over the year, reflecting an increase of £554,817. Education licence fees are based on pupil and student numbers. Increases in these monies are mainly due to inflationary price increases and increases in student numbers.

The distributions of schools income was up 3.8% from £4.71 million to £4.89 million. There was also an 11.5% increase in distributions from language schools (from £197,141 to £219,709). A new three year licence has now been agreed with the Department for Education (DfE) for all state schools, effective from 1st April 2013.

In the Further Education (FE) sector there was a 5.4% increase from £2.58 million to £2.72 million. This was due to the fact that five months' fees relating to the 2011/12 academic year, which would usually have been paid in the previous financial year (February 2012), were distributed in April and August 2012 following the re-negotiation of a new FE licence rate card. These fees were in addition to those distributed in the FE distribution in February 2013.

Distributions from Higher Education increased by 4.90% from £4.3 million to £4.6 million.

### Education sector distributions



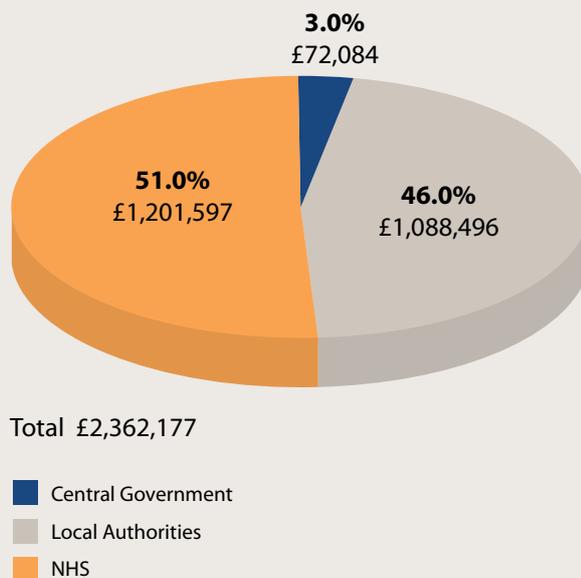
## Government

The Government sector covers the Central Government, Local Authorities and the NHS. Licences to this sector represented 7% of the total distributable revenues in the review period, down from 8.3% last year. This reflected a decrease in real terms of £172,799.

Distributions from Central Government licences decreased by 80.2% from £363,752 to £72,084. This was due to monies being held in escrow pending the re-negotiation of the licence terms and rate card in this sector.

Distributions from Local Authorities increased by 2.2% from £1.06 million to £1.09 million. The NHS sector saw an 8.6% increase from £1.11 million to £1.20 million. These fees relate to NHS England, Wales and Northern Ireland. NHS Scotland currently remains unlicensed.

### Government sector distributions



# Summary of distributions

## Business

Distributions of income from the business sector (which includes licences sold to Media Monitoring Organisations (MMOs)) represented 27.3% of total distributable revenue, up from 26% in the previous year. This represented a real terms increase of 16.1%, from £7.89 million to £9.15 million. This was partly due to a change in the timing of invoicing licensees in the legal sector which meant that fees were paid in this year rather than in the previous year. In addition CLA achieved strong licence sales across the sector.

Fees from the licence sold to MMOs increased by 9.10% from £129,164 to £140,922.

## Foreign revenue

Foreign revenues (excluding Dutch Public Lending Right (PLR)) accounted for 24.8% of the total of distributable revenue to publishers, up from 23.4% in the previous year. This was reflected in a real terms increase of 16.6% from £7.12 million to £8.30 million. Much of this increase can be attributed to higher receipts from Japan where RRO, JAACC, has been successfully promoting UK repertoire in its business licensing.

The distributions from the Dutch Public Lending Right scheme increased from £22,348 in 2011/12 to £22,844 in 2012/13.

## Document Delivery

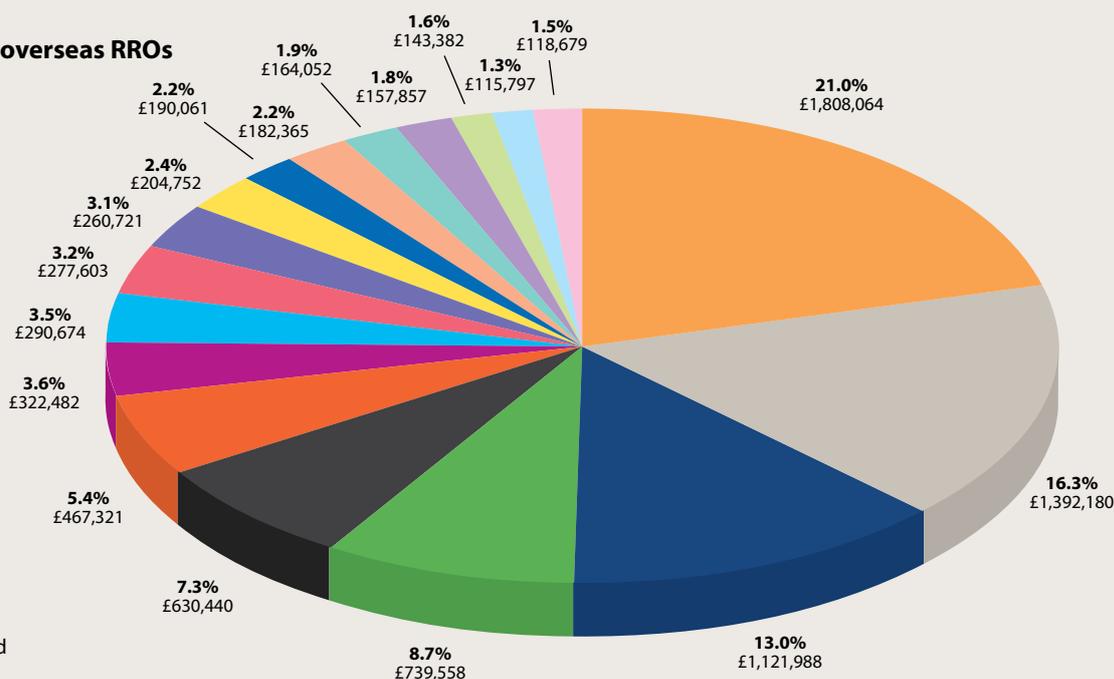
Fees from the UK Document Delivery licence (which includes income from the British Library) decreased by 6% from £366,401 to £344,350. Monies from the Document Delivery licence are subject to fluctuations due to the transactional nature of the licence and the fact that many publishers have direct deals with document delivery agents.

## Bipartite agreement between ALCS and PLS

PLS and ALCS concluded a new three year Bipartite Agreement governing the division between them of licensing income collected by CLA (after deduction of CLA's 11% subvention and the 8% share paid to Design and Artists Copyright Society (DACS) for visual artists). The split for books stands at 50:50 and that for journals and magazines at 85:15 in favour of PLS for the publishers. We have now agreed that non-title specific monies should be split 50:50 but that the balancing payment to ALCS (to ensure that the ALCS overall share does not fall below 41%) is to be capped at £1.275m. This payment had been increasing rapidly with the growth of business licensing revenues.

## Revenues from overseas RROs

- Australia
- USA
- Japan
- Germany
- Norway
- Denmark
- France
- Netherlands
- Canada
- Belgium
- South Africa
- New Zealand
- Ireland
- Finland
- Spain
- Sweden
- Italy
- Others combined (Including Dutch PLR)



# 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 collective licensing schemes in the UK, promoting voluntary collective licensing systems in the UK and abroad, and optimising revenue streams for PLS mandating publishers.
- An organisation to which publishers can turn to with confidence 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 reprographic rights organisations (RROs) and supporting the publishing industry in all licensing matters.



## PLS is owned by:

THE **PUBLISHERS**  
ASSOCIATION

**ALPSP**  
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