"The Digital Shift: How eBooks and e-Content Are Changing Readers and Libraries"

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The National Library
Beijing, China
9 November 2012

Good day, colleagues. On behalf of the 60,000 members of the American Library Association (ALA), I bring you greetings. The American Library Association has members in over 80 countries, including China, and it has a long history of working with colleagues in different countries to improve library services around the world. Many of my colleagues within the ALA have visited China, particularly during the past two decades, and have shared their experiences with me.

I am also grateful for the guidance and support of the United States Department of State and the Embassy here in Beijing as well as the consulates in other places in China that I will be visiting. Today is the beginning of a month long visit that I am making to China, and I expect by the time I leave I will have learned much more about the libraries of China and the work that you are doing here. In addition, I will have had an opportunity to see several parts of your country, though clearly it will be only a small part of the total picture.

During my career and then especially during the past couple of years in my leadership position in the American Library Association, I have worked in areas that are deeply important to the future of libraries. These include themes of community engagement, diversity, and access to materials for the widest possible audience.

Libraries have always been engaged in access to information and to facilitating that access. But as you no doubt know, the digital world has dramatically changed what that access means and how libraries are able to participate in this new environment.

Before I begin, let me make a few comments about the perspective I bring. My career spanned 40 years working in urban public libraries in Washington, DC and then Portland, Oregon. I had the opportunity to work every day with diverse communities and in communities that included all types of libraries. As an active member of the American Library Association for my entire career, I also had the opportunity to work side-by-side with colleagues from libraries of all types, ranging from large research libraries like the Library of Congress, our national library, to small public libraries, school libraries, and special libraries in corporate, nonprofit and professional libraries. As president of the American Library Association, one of my responsibilities has been to be the voice of the profession for issues from all types of libraries. But I do not hold myself as an expert in libraries where I have not worked so my knowledge and experience – and my talk today – will reflect my deeper knowledge of issues around the digital world as viewed from the public library community. As it happens, this is where the greatest uncertainty is right now in the United States as well, with challenges, frustrations, and great opportunities.

We find ourselves in an environment today where the world of the printed word is changing almost faster than we could imagine. Each time we think we have mastered a new technology or some change in how we communicate and how we build knowledge, we almost immediately find ourselves falling behind again.

To be sure, the recorded world of information and knowledge with evolving formats has been a part of humankind's existence for centuries. Some formats die or at

least go underground. Most of us have experienced many format changes – think about the format changes for video or audio recording…or think about print hardbacks to paperbacks to audiobooks to e-books…. In other words, we have been living in an environment where transition is the norm not the exception. In our personal lives, we have been making choices about how to keep up. In libraries, we have been working to keep up with changing formats and demand, seeking to meet the expectations of our current users but always keeping an eye on the future.

As ALA President, I have had the opportunity to be involved in important issues on digital content in the United States and how this shift to e-books is changing libraries. While e-books really took off in 2009, the library environment has presented some significant challenges.   The issuesin this rapidly evolving digital world reflect the challenges that the e-book ecosystem and frankly the overall book ecosystem are experiencing.

First, while the vast majority of publishers in the United States do make their e-books available to libraries, the largest publishers,known as the "Big Six",in general either do not make their e-books available to libraries, or have severe restrictions on e-book access for libraries, or charge exorbitant prices to libraries. In general e-books are made available to libraries through a thirdparty or intermediary, with platforms that provide Digital Rights Management and a model of one copy to one user at a time. The intermediaries' platforms are programmed to mimic the library lending models for print books.

Since the Big Six publishmost of the high-demand publications, most people who borrow e-books from libraries experience their policies. Just to give you a sense of how

complex and unsettled this e-book world is for libraries right now, here is a summary of their different policies:

- One publisher (Random House) makes its entire catalogof e-books available to libraries but charges very high prices ($9.99 versus $47.85);

- Another (HarperCollins) makes its entire catalog available at reasonable prices but libraries must re-purchase e-books after 26 circulations;

- A third one (Penguin) just launched a new pilot program with the two public libraries (New York and Brooklyn), making many titles available, but not including anything published in the past six months;

- The fourth one (Hachette) has launched a pilot with about 20 libraries across the countrywith price significantly higher than the cost to the public;

- The fifth one (Macmillan) announced a pilot program in September with details not disclosed; and

- The sixth one (Simon & Schuster) does not make its ebooks available to libraries, except for one: Ray Bradbury's *Fahrenheit 451*, because the author insisted.

During the past year, the ALA leadership has met face-to-face with the leadership of each of the Big Six atleast once. In addition, we have met with four different companies that provide a platform for lending e-books. We have also talked with organizations representing authors. Both the current ALA president and I have spoken to large gatherings of publishers convened by the Association of American Publishers (AAP).

Each of these meetings has increased our knowledge and understanding of the book ecosystem. We have not yet met with other important players including booksellers as well as the reallbig players such as Amazon, Apple, and Google.

One more group we plan to meet is literary agents, the people who represent authors in negotiations with publishers.

What we have learned is that thee-book ecosystem is extremely complex, and all of the players have to make decisions without having the information they would like to have. The ground is shifting under all of us as we try to figure out how best to move forward. There are factors that are unknown for each.

We in libraries are fortunate in a way because we can share information with each other, and learn how other libraries are managing these issues. We can also join together. For example, many states such as Oregon, where I live, have state libraries or consortia thatcontract with e-book intermediaries.

For those in the private sector in the United States, collaboration is not possible or particularly wise. Publishers are competitors, plus they must operate with a constant eye toward anti-trust and restraint-of-trade laws in the United States. I can assure you that publishers are extremely concerned about these legal issues. Recently, when ALA was invited to speak to an AAP meeting, we were cautioned not to raise the issue of price at all, even though this was a public meeting and the ALA president was the speaker, a situation, which should not have raised concerns about restraint of trade laws.

The result of all these conversations is that we have a much greater understanding ofthe variety of ways that publishers and others are approaching this new e-book environment. The more we learn, the more we realize that most player in this ecosystem

are operating on their own, with far less information than they need, analyzing the market as best they can and making decisions based on their best judgment about how to position themselves for the future.

I mentioned earlier the impact of the very large companies in the United States that have a great deal of money to operate. The one with the most impact is probably Amazon. Here we have a company that initially accounted for 90% of the e-book market and still is estimated to have at least 60% of that market. And as you mayknow, Amazon also was the first to market and has the most popular e-book reader, the Kindle, which initially could not be used to borrow library e-books until much later than other e-reader devices. Then, if all this is not enough, Amazon enters the arena as a publisher. It is no wonder that many parts of the e-book ecosystem worry about being able to compete.

The second really big company is Apple. Apple and several of the Big Six publishers decided to strike a deal which would allow those publishers to sell their e-books at a higher price than the price that e-books were selling for on Amazon. The publishers would individually set the price and then would guarantee Apple a percentage of that price. This led to a United States Justice Department lawsuit against Apple and five of the Big Six publishers. Since then, three of the publishers have settled the case but two (Macmillan and Penguin) as well as Apple have not. The primary issue is whether publishers colluded in setting the prices.

Then there is Google. You are probably aware of the Google Books Project, which has been tied up in the legal system in the United States for years. After years of negotiation, Google Books presented a settlement proposal to the court, which the court eventually rejected. So that case continues with no timeline.

In the meantime, the Authors Guild, an organization that represents authors and writers in the United States, sued the Hathi Trust, an entity self-described as "a partnership of major research institutions and libraries working to ensure that the cultural record is preserved and accessible long into the future." The Hathi Trust is the depository for digital content, much of which was made available through the Google Books project. Participating research libraries in the Google Books Project received a digital copy of what they made available to Google to digitize. Hathi Trust's digital library allows full-text searches, preservation of digitized works, and access for people with disabilities. The Authors Guild suit asserted that this violated US copyright law.

In a major victory for fair use and libraries in the United States, the US District Court of the Southern District of New Yorkissued a ruling on October 10[th]that the scanning and digitizing of works to make them available in these ways is, in fact, fair use under the US copyright law.

If you are like me, you probably find all of this very confusing. It is very difficult to keep up with the legal issues and the various ways publishers are acting in this new e-book environment. The digital landscape still has many unsettled issues, including much more in the legal arena.

But let's look at what does work and what is not caught up in all these events.Most publishers *are* selling to libraries and are doing so at the same prices that they sell to the public. Authors are finding that there are many more opportunities about how and with whom to publish. For first time authors, these opportunities are important because they often find that it is difficult to find a publisher. Small and medium-size

publishers seem to be navigating this new environment fairly well and seem to value the role that libraries play.

Many publishers have looked to libraries and bookstores as critically important for "discovering" new authors. If you look at libraries and bookstores in communities throughout the United States, you will find many people who come in just to browse and discover new books.

In my own community in Oregon, the public library is a thriving hub of activity, with people in the community using the library in overwhelming numbers. For several recent years, my library was the highest gross circulating public library in the country, higher than libraries serving double, triple or even large populations. My community, with a population of about 700,000, circulated nearly 25 million items last year.

Then, just five blocks from the Central Library, you will find Portland, Oregon's number one tourist attraction: Powell's Books. It also is full of people, some looking for a particular book; but manywho come in just to browse, to look to find something interesting. Most readers know how common it is to go to a library or bookstore and find a book that was unknown before the visit.

The importance of libraries in developing a literate population, a love for reading, and an informed citizenry has been the shared purpose of libraries in the United States since their inception. As we see a younger generation, not only much more comfortable with technology but also often preferringdigital to analog, we have to wonder what kind of effect it will have if we cannot find a way forward to have e-books available in libraries. While adult books purchases by libraries are estimated to account for somewhere around 10% of book sales in the United States, libraries play a much bigger

role in children's book purchasing, estimated at 30-40%. The latest *Library Journal* report on e-book usage in libraries states that the growth for children's and young adult usage has been climbing more dramatically than for adults. Is it wise for us as we adapt in this changing book ecosystem to underestimate the role libraries play in literacy and an informed citizenry?

I have touched on a number of issues that are in flux in the e-book ecosystem in my country. I'd like to talk more about access to information.

In a snapshot of *The New York Times* August 26th bestseller list, all 15 bestsellers in <u>print</u> format were available for libraries to purchase and lend, at prices either comparable or less than consumer prices at Amazon and Barnes & Noble, the two leading national sellers of books. For e-books, 10 of the top 15 bestsellers were <u>not</u> available at all to libraries, and those that were had prices that range from two to five times higher than the cost to individual consumers. Some of these are not available because of what publishers call "windowing'; that is, a front list that is not available until six months after publication.

Access raises some very challenging questions for the future as well. We have always talked about our libraries as being a great leveler for people who cannot afford to buy books. How does this new ecosystem play out in the real world? Take, for example, an issue that I read about recently in British Columbia, Canada. This is a case where a book of great interest to the general public was published only in e-book format; no print copy is available. The book is by a respected author, and it received very favorable reviews. Its subject is about the future of politics in British Columbia, which may take a dramatic shift in an election in 2013. As described by the retired city librarian of

Vancouver, British Columbia, the book contains revelations, which have been the subject of major news coverage. The headline of the *Vancouver Sun* described the book as "a stimulating read for every voter". The book is only available through Amazon.com as a Kindle or PC download. So much for "every voter" having a chance to read it; some cannot afford to purchase it. How much more will we see books published only as e-books and what does that mean for access for all in the future? It is easy to dismiss this issue as one that really might not matter if we think it is just about access to a book that is not a serious subjectas an e-book. After all, if someone really wants to read it, having to wait for months to check out the print copy from a library is hardly a cause for concern about access. But take the example I have just described about Martyn Brown's *Towards a New Government in British Columbia*, and you will probably reach a different conclusion.

One of the most important issues about digital resources and e-books is future access. For centuries, libraries have been valued for the role they play in preservation and access long after something has gone out-of-print. As we begin to see more and more e-books available in digital only, who will care whether those books are available in the future? Particularly in research and scholarly libraries, long-term access is a key focus. Libraries keep books, not just when they are popular but long after. Libraries also invest in preserving books, trying to extend their lives when the paper of print copies deteriorates or making sure that digital content continues to be available. Entities like Hathi Trust and the Internet Archive in the United States are clearly trying to do this in digital form for print books as well as sources that are only available in digital format. In my country, we are asking ourselves if we want to rely on publishers, who ultimately

must look to the bottom line of making a profit, or huge corporations like Google to ensure access in the future? Clearly, future access is another area that our libraries will protect.

And one more access issue: libraries have always made books findable and that is not going to change. The way that we make books available changes in a digital world, to be sure, but our systems are changing too. With "discoverability" much more challenging with e-books than with print books, we are counting on libraries being able to continue to develop and implement systems and tools to make information findable.

Does all this focus on the digital world mean the end of print? I think print will be with us for a long time, but it will co-exist along with more and more digital. When we met with publishers, we learned that they are still making major investments in warehouses, for example. They would not be doing that if they thought that print books were going to disappear soon.

The growth of e-book sales seems to be slowing down. In 2010, e-books accounted for 6% of the book market. Just one year later, that number jumped to 15% of the market. Estimates now are that it has jumped again to around 20%; publishers have told us that the growth seems to be slowing. E-books were a $2 billion dollar industry in 2011 compared to print books at $11.1 billion. A milestone was reached in April 2011 when Amazon announced that e-book sales had surpasses print books.

According to the 4th Annual eBook Production Survey issued in April 2012, 4 out of 5 publishers now produce e-books. Nearly 9 out of 10 US public libraries offer e-books to their readers.

We should also be looking at the great, new opportunities that e-books and digital offer. We have only just begun to leverage what this technology can offer. E-books present new ways of offering interactive capabilities to publications. In addition, we are seeing e-books that expand opportunities for knowledge creation. Recently we talked with two publishers in the school and youth market who were creating publications that allowed teachers and students to engage in knowledge creation and critical analysis in ways not possible with analog books. We are also seeing more authors able to bring their writings to readers, a part of the ecosystem that has always been challenging for new authors. Anyone can be a publisher now.

Finally, other issues that we consider "hot topics" in the United States include:

- The open access movement(unrestricted access and unrestricted use) is growing and having an impact on the digital ecosystem especially in the scholarly community. We have certainly seen this movement already in the journal world but also in the book world.

- Future legal decisions on copyright and fair usein the United States must be carefully watched; the Authors Guild-Hathi Trust lawsuit covered some but not nearly all of the issues.

- The Digital Public Library of America, an initiative being led by Harvard University's Berkman Center for Internet and Society, offers a promise for access and preservation. Its stated purpose is "an open, distributed network of comprehensive online resources that would draw on the nation's living heritage from libraries, universities, archives, and museums

in order to educate, inform and empower everyone in the current and future generations."

- The potential that access to the global world of knowledge offers. The possibilities are so much greater for information exchange and collaboration in the digital world, all around the world.

No doubt we are living in the most exciting but, in many ways,most anxiety-producing times for libraries and librarians. I continue to be optimistic that libraries and library leaders will be forward-looking and be willing to make bold choices in how they continue to adapt in the future. Future generations will, no doubt, use libraries even though they may be very different, just as libraries of today are different from libraries of my childhood.

I look forward to hearing from you about how you see this new digital world here in China as well as beyond its borders. The possibilities in this global society are exciting and open-ended.

Thank you very much for your attention today.