

# Electronic Resources Australia

## ERA Business Model

March 2009

### DISCUSSION PAPER

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#### PURPOSE

To seek feedback from ERA members and participating vendors on the ERA business model.

#### BACKGROUND

In May 2007 Electronic Resources Australia (ERA) was established with the primary goal of achieving national licences to a core set of online information resources that will provide Australians with easy, free access to the information they need to pursue further learning and leisure activities.

Libraries have responded positively to ERA in the first 18 months with over 1,100 libraries from all sectors taking subscriptions through ERA, either individually or through consortia. ERA continues to grow and has now expanded its Product Panel to include 25 products, from eight participating vendors, which will be available to libraries on 1 July 2009.

Over the next two years, ERA will work towards implementing and promoting its new Product Panel, continuing to refine its operation and increasing subscription take-up among libraries. During this time we also need to consider how ERA can be developed to further support the goal of national licensing.

Libraries and vendors now have the experience of operating under the current business model, as well as a number that have experience with other business models through other consortia both locally and internationally. Also given the current economic climate, of which the true impact may not be realised for another 6-12 months, it is more important than ever that ERA continues to strive towards a framework for national licensing that brings increased benefits to libraries.

Any change to the business model will require the ERA Executive Committee to work closely with the NLA, in consultation with ERA members and participating vendors. However at this stage the ERA Executive Committee needs input from libraries and vendors on whether they want to consider any changes to ERA.

#### BUSINESS MODEL

As a national consortium we are looking to be able to negotiate as a single consortial entity, achieve administrative savings for both libraries and vendors and to develop a framework that supports the purchase of national site licences. With the focus on moving towards national licensing and achieving economies of scale for both libraries and vendors do we need to be considering any changes to ERA to better support the achievement of these goals?

Four funding models were considered as part of the National Licensing Proposal (NLP) when developing the framework for ERA. Details of these models are at Attachment A. An "opt in or opt out" model where payments are made and contracts are signed directly between the member libraries and

vendors was chosen and implemented (model 3). There are other purchasing models used by other consortia including NZ's equivalent national consortium Electronic Purchasing in Collaboration (EPIC) that has adopted a centralised purchasing model whereby their National Library is the central body procuring on behalf of libraries (model 1).

As we enter into our 3<sup>rd</sup> subscription cycle with an increased product range it is an opportune time to review our current business model and the ERA Executive Committee seeks input from ERA members and participating vendors on:

- Any feedback on the current business model, including any merits, inhibitors and proposed changes;
- Options for simplifying the administrative processes for libraries;
- Whether better economies of scale could be realised for vendors through single invoicing and licensing;
- Options for improving the negotiating position for libraries, leading to better deals and prices;
- Ways for making ERA more marketable to alternative funding bodies;
- Any aspects covered in Attachment A such as governance, legalities, procurement, payments, pros and cons;
- Where pricing is based on library pick-up, the process for setting prices and libraries confirming their subscriptions (currently a two stage process conducted through the annual product poll); and
- How a national price should be apportioned to libraries and library sectors if a national licence was purchased through ERA.

#### **RECOMMENDATION:**

The ERA Executive recommends that the:

- ERA members and participating vendors provide input on the current and possible future business arrangements for ERA.

## Attachment A: Four models that were considered by the National Licensing Proposal (NLP)

|                                | MODEL 1.<br>EPIC like  | MODEL 2.<br>Deed Agreement  | MODEL 3.<br>Vendor/Library<br>Agreement  | MODEL 4.<br>Libraries Australia  |
|--------------------------------|--|---|--|--|
| <b>FINANCIAL RISK</b>          | High   | High  | None   | Medium/High  |
| <b>GOVERNANCE</b>              | <p>NLP Governance Framework</p> <ul style="list-style-type: none"> <li>Executive Committee</li> <li>Members</li> <li>Executive Officer (NLA)</li> </ul>  | <p>NLP Governance Framework</p> <ul style="list-style-type: none"> <li>Executive Committee</li> <li>Members</li> <li>Executive Officer (NLA)</li> </ul>   | <p>NLP Governance Framework (revised due to fact NLA would not be signing individual contracts)</p>  | <p>Libraries Australia Advisory Committee</p> <p>User Agreements in existence</p>  |
| <b>LEGALITIES/ PROCUREMENT</b> | <p>NLA Executive Officer procures on behalf of libraries</p> <p>Ministerial approval &amp; Probity advice required as likely cost of contract &gt; \$AUD1 million</p> <p>Delegate (NLA) signs contract with vendor on behalf of libraries</p> <p>NLA has agreements with individual libraries, signed prior to procurement (with some financial commitment up-front)</p> <p>Agreement of trust not always legally binding due to lack of legal status for some libraries</p> | <p>NLA Executive Officer procures on behalf of libraries</p> <p>Ministerial approval &amp; Probity advice required as likely cost of contract &gt; \$AUD1 million</p> <p>Delegate (NLA) signs contract with vendor on behalf of peak bodies/consortia</p> <p>Executive Officer (NLA) has deed of agreement or MOU with peak bodies/consortia empowering NLA to act on their behalf.</p> <p>Agreement of trust not always legally binding due to lack of legal status for some peak bodies/consortia</p> | <ul style="list-style-type: none"> <li>NLA Executive Officer facilitates procurement on behalf of libraries</li> <li>Ministerial approval not formally required</li> <li>Legal and probity advice prudent</li> <li>Libraries/Consortia sign contract/s directly with vendor/s</li> </ul> | <p>NLA Executive Officer procures on behalf of libraries</p> <p>Ministerial approval &amp; Probity advice required as likely cost of contract &gt; \$AUD1 million</p> <p>Delegate (NLA) signs contract with vendor on behalf of membership</p> <p>Electronic product/databases as an optional extra to Libraries Australia service</p> |

|                 | <b>MODEL 1.<br/>EPIC like</b>   | <b>MODEL 2.<br/>Deed Agreement</b>  | <b>MODEL 3.<br/>Vendor/Library<br/>Agreement</b>   | <b>MODEL 4.<br/>Libraries Australia</b>  |
|-----------------|---|---|--|--|
| <b>PAYMENTS</b> | NLA pays vendor up-front and recovers costs from participating libraries  | NLA pays vendor up-front and recovers costs from peak bodies/consortia<br><br>Peak bodies/consortia recover costs from membership/constituency  | <ul style="list-style-type: none"> <li>• Direct payments between libraries and vendors</li> <li>• No payment for NLA up-front (other than for Library's own use of product)</li> </ul>   | NLA pays vendor up-front and recovers costs from member libraries  |
| <b>PROS</b>     | <p>Individual libraries can buy in without belonging to a sector or peak body</p> <p>Standard license agreement &amp; terms apply to all</p> <p>Financial commitment on signing agreement</p> <p>Economies of scale - better deals from vendors</p> <p>High profile for NLA as lead agency for establishment of NLP</p> <p>Increased rate of success or buy in of NLP</p> | <p>Ownership of and active participation in NLP by peak bodies/consortia</p> <p>NLA one amongst equals</p> <p>Small libraries increased chance of "getting in" ( as per "greater good" above)</p> <p>Administratively easier for NLA with fewer parties involved</p> <p>Economies of scale and transfer of risk to NLA likely to yield better offers from vendors</p> <p>High profile for NLA as lead agency for establishment of NLP</p> <p>Strong likelihood of success</p> | <ul style="list-style-type: none"> <li>✓ NLA leading as per recommendation of the Senate</li> <li>✓ No NLA payments up front</li> <li>✓ Financial risk transferred to vendors</li> <li>✓ Administration overheads minimised for the NLA</li> <li>✓ Minimal administrative change for vendors</li> <li>✓ Vendors stand to gain customer introductions</li> <li>✓ Likelihood of success amongst library community</li> </ul> | <p>Potential to attract new customers to Libraries Australia</p> <p>Billing system and infrastructure exists</p> <p>Known libraries and relationships</p> <p>Enables individual libraries to buy in directly</p> |

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|------------------|--|--|--|---|
| PROS (CONTINUED) |  | <p>Deed of agreement gives in principle support to NLA to proceed with procurement</p> <p>Absorb CASL Consortium - efficiency gains</p> <p>In the spirit of original proposal</p>  | <p>✓ Autonomy and flexibility for participating libraries</p>  |   |
| CONS             | <p>No NLA budget allocation 2006-07</p> <p>Administratively unwieldy for NLA: contract administration, invoicing, management of relationships and expectations</p> <p>Unfinancial libraries may not be able to buy in due to costs and lack of access to legal advice, etc.</p> <p>Not all signatories to the Deed are legal entities - no legal bond, but have access to a parent body who may have.</p> <p>Risk of delayed or failed payment back to NLA</p> | <p>No NLA budget allocation 2006-07</p> <p>Not all libraries affiliated with a peak body or Consortia and so not all have access to deals</p> <p>Special libraries may feel they do not have equal representation</p> <p>Some peak bodies/consortia cannot or will not sign for their sector (eg ASLA, TAFE)</p> <p>No legal bond to deed if signatories are not legal entities</p> <p>Existing consortia (eg CAUL) work in environment of high-level trust rather than legal contract → suspicion?</p> <p>Risk of delayed or failed cost recovery for NLA</p> | <ul style="list-style-type: none"> <li>✗ Potentially fewer economies of scale to be realised</li> <li>✗ Possibly less market interest due to increased risk to vendors</li> <li>✗ Less control/motivation by libraries</li> <li>✗ May be issues regarding the Library lessening competition under Trade Practices Act</li> </ul> | <p>No NLA budget allocation 2006-07</p> <p>Bad PR for NLA - perception of wielding “NLA knows best” stick</p> <p>Excludes non member libraries</p> <p>Technical issues - if part of LA service would need to be z39:50 enabled</p> <p>Risk of delayed or failed cost recovery for NLA</p> |

