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The Newspaper as a Business

By

Eugene Hallman

P. F. Oliphant and R. C. White

Communications Research Center

(Leonard Kubas)

Volume 4

Research Publications



Royal Commission on Newspapers

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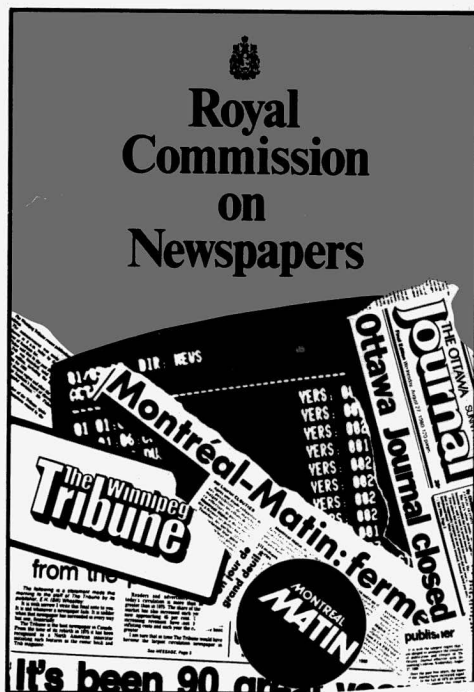
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Research studies on
the newspaper industry

Volume 4

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Research publications of the Royal Commission on Newspapers

- Volume 1 *Newspapers and their Readers*, by the Communications Research Center, with an introductory chapter by Leonard Kubas.
- Volume 2 *The Journalists*, by Robert Fulford, Lysiane Gagnon, Florian Sauvageau, George Bain, Walter Stewart, Gérald LeBlanc, Dominique Clift, Tom Sloan, Pierre Ivan Laroche, and Jean Cloutier.
- Volume 3 *Newspapers and the Law*, by Walter Tarnopolsky, Colin Wright, Gérald-A. Beaudoin, and Edith Cody-Rice.
- Volume 4 *The Newspaper as a Business*, by Eugene Hallman, P.F. Oliphant and R.C. White, and Communications Research Center.
- Volume 5 *Labor Relations in the Newspaper Industry*, by Gérard Hébert, and C.R.P. Fraser and Sharon Angel, Allan Patterson, John Kervin, Donald Swartz and Eugene Swimmer, Pierre-Paul Proulx, and James Thwaites.
- Volume 6 *Canadian News Services*, by Carman Cumming, Mario Cardinal, and Peter Johansen.
- Volume 7 *The Newspaper and Public Affairs*, by Frederick J. Fletcher, with contributions from David V.J. Bell, André Blais, Jean Crête, and William O. Gilsdorf.
- Volume 8 *Newspapers and Computers: An Industry in Transition*, by Peter Desbarats, with the research assistance of Morrison W. Hewitt, Michael Tyler, Jean-Paul Lafrance, Ian Brown, Robert Collison, Tom Paskal, the Institute for Research on Public Policy, and Charles Dalfen.

Note: The numbering of the volumes reflects the order in which their subject matter is taken up in the Commission's Report.

Introduction

"The newspaper is a split personality, one side journalistic, the other side advertising. But the philosophy which integrates the newspaper is the idea that the market provides the foundation on which both sides of the papers stand."

That observation by Eugene Hallman in the opening chapter of this volume appropriately sums up its theme.

It looks at the newspaper publishing industry from a variety of aspects: the publisher's philosophy; the economics of the industry; leadership patterns and management processes employed on a cross-section of Canadian dailies; and finally the perception of the advertisers who provide the bulk of newspaper content and revenue.

The authors are all specialists in their research fields. Hallman, a retired CBC executive, has launched a second career as a lawyer with the federal Department of Justice. Peter Oliphant and Robert White are chartered accountants in partnership in Toronto in their own management consulting firm. Part III on management is based on the research study of Dr. David Jackson, a Toronto psychologist, and his associates in the consulting firm of Jackson-Smith Ltd. Leonard Kubas heads his own company in the marketing and management research field.

The views they express are their own and not necessarily those of the Commission, which drew material from their research for its own conclusions and recommendations embodied in the main Report.

The editor of this volume was Charles King. Timothy J. Corbin was coordinator of economic research for the Commission. Dick MacDonald was coordinating editor of research publications, which were under the general supervision of Tim Creery, director of research.

I

The publisher's philosophy

by Eugene Hallman

The business concept

This essay attempts to describe the philosophy of newspaper publishers as the author understands it from extensive interviews with a large number of publishers throughout Canada.

The concept of the daily newspaper as a business, which has been expressed by the industry, is of a business privately owned, operated for profit, subject to the disciplines of the commercial marketplace. The industry generally acknowledges that the newspaper industry is by necessity essentially local in character, and dependent for its success on the reader support and advertising support in the local community. The one exception to this premise is, of course, the *Globe and Mail*, which terms itself a national newspaper with a market from coast to coast.

Hidden in this business concept is the idea of a fragile and somewhat miraculous enterprise. If one could imagine a business whose products have to be created fresh each day, whose manufacture cannot be completed until all the ingredients have been gathered and processed — some at the last minute — one would not yet have listed all the hazards that attend this business. The product must be sold the day it is made, for a price far below the cost of the raw material in it, and the delivery of this remarkable product is ordinarily entrusted to children.

Fragile though this business may seem, it has proved extremely resilient, capable of adapting itself to fundamental changes in the social, economic, and technological revolutions of modern society.

The product itself, the content, is what distinguishes this business from any other. The product is a mixture of news, information, opinion, comment and advertising. It is packaged and printed for two different sets of customers, the readers and the advertisers. This is a business which has a special appeal for its customers because it displays the “creative” process at work in writing, photography, and design, not in any remote or abstract sense, but in dealing with the events and interests of the day. The narrative drama of news, the literary quality of a good column, are both assets of the newspaper business.

There is one further product now being sold by the newspaper industry — a delivery system which, rain or shine, stops at your house or apartment each weekday and in some areas seven days a week. This is the only delivery system of its kind. What it permits is that in the folded package which is the newspaper, advertising “inserts” are now being placed for delivery. These are piggyback products to the newspaper, but they are not part of the newspaper itself. Whether or not this delivery

system can be utilized for the delivery of other kinds of products or services in the future is as yet undetermined by the industry.

The concept of the newspaper which emerges here is of a business dependent on a double market, the advertiser and the subscriber. The scope of the subscriber market is local and is circumscribed by the maximum distance of daily delivery to customers who are themselves "news". The scope of the advertisers' market is the distance at which advertising messages in sufficient numbers are converted into profitable sales. Significantly then, for the newspaper, its market is a restricted one. The community is its market, its economic base. No newspaper in Canada can easily capture distant markets, although the new technology may make this more practicable in future.

One result of the market limitation which confronts daily newspapers is that the industry has tended to follow a pattern of rationalizing each market, one at a time. The competition between and among newspapers in Canadian communities over the past 100 years shows that this rationalization leads to the establishment of one-newspaper markets. Papers which cannot compete for advertising with the front runner have been killed off or merged with the successful. Once a single-newspaper town has been established, events have shown that in only a few instances, and those in recent years, have new competing daily newspapers been able to establish themselves.

The logic of this type of competition is win, lose. The newspaper which fails to achieve market dominance and control does not survive. The winner takes all, and the usual rewards of monopoly in the newspaper community are stability, growth, and high profitability. If the publisher so decides, he can usually afford to produce a very good newspaper. The result, however, is that there is one less adversarial voice, one less newspaper in the community than before.

Nothing in the industry's concept of the newspaper industry as a commercial business rules out other forms of ownership by definition. Foundations can operate newspapers, trade unions perhaps, co-operatives, Caisses Populaires, but few dailies supported by such organizations have emerged in Canada.

Nothing legally prevents public authorities from setting up agencies to operate newspapers. Given political support by the voters and the public, governments could establish agencies to fund newspapers in financial difficulty through grants or loans for capital purposes or designated operating expenses. The practice in Sweden of subsidizing the cost of newsprint to certain papers affords an example.

Of the publishers interviewed in the course of this study only two, William P. Callaghan of the *Daily News* in St. John's, Newfoundland, and Martin Boudreau of *l'Évangéline* in Moncton, New Brunswick, indicated that they would be prepared to see governments provide assistance to newspapers in difficulty under appropriate conditions and safeguards.

All other publishers interviewed were opposed to any intrusion by government into the field of direct assistance to the press, or the establishment of official newspapers supported by public funds. On both economic and philosophical grounds, publishers would see such a development as a direct threat to the independence and integrity of daily newspapers, with damaging consequences for the democratic process as well.

The printing press is one of the essential features of the business phenomenon of the newspaper. It is vital to the concept. The old technology, renewed and changed over generations, married now to video screens and computers and data banks, is private property. A press can be bought, rented, or made. No one is technically excluded from publishing a newspaper. No one need issue a licence or allocate a space in a spectrum to enable a newspaper to begin publishing. Private property, independence, freedom of speech, freedom of the press, and freedom to operate a business enterprise all lead back to the printing press. Associated with the printing press are the vigorous ideas of 19th century economic liberalism.

The double market

The double market of newspapers makes strange bedfellows. Publishers are quick to point out that in their medium, in contrast to the situation which exists in radio and television, the two sets of customers like and need one another. The reader wants to see the advertisements; the advertiser wants the reader to see them. Like love and marriage in an old-fashioned song, say the publishers, they go together.

The symbiotic relationship between readers and advertisers is not always a stable one, in that the objectives of the two kinds of customers are not identical. The reader wants to read what he is interested in, and he uses the advertisements for what he wants to buy. The advertiser, on the other hand, has a single aim, to sell goods or services to the readers.

For the relationship to be an attractive one to the advertiser, he must be able to reach buyers in sufficient numbers to justify what the newspaper advertisements cost him. If he cannot do this, if other media can offer him a more efficient advertising purchase, he goes elsewhere.

The strategies adopted by newspapers and advertisers for reaching potential buyers are legion, and the variety does not concern us here. What is important is that the efficient and cost-competitive delivery of appropriate readers to the advertiser is what the successful newspaper business is all about. When general interest newspapers compete to the death, this is the arena. This is the bottom line, the success or failure in obtaining advertising revenues. No matter how buoyant the circulation figures are, the flow of advertising revenues is what counts. Although the analogy is not perfect, the fate of general-interest magazines several years ago is instructive in the newspaper field. Magazines like *Collier's* and *Look*, for example, collapsed when their circulations were at a peak. Why? The advertisers had moved elsewhere, to special interest publications, delivering the readers they wanted at a better price. What must be remembered with respect to this country is that for decades in Canada, advertisers have had the final word in creating one-newspaper cities which characterize the newspaper industry.

These are trite observations of the newspaper concept of the market necessities. What they underline is the striking fact about the market that advertisers contribute roughly 80 per cent of the revenues of the daily newspaper, and the readers, subscribers, contribute only 20 per cent. The dependence of the newspaper on advertising income is high. The ratio of financial income is four to one against the subscriber.

This massive dependence on advertising was not an original part of the newspaper concept of itself, nor is it a comfortable part of the image of the industry held by most individual publishers today. The more idealistic view remains that the newspaper is published for readers, with their interests and concerns uppermost in the minds of all. The fact that the reader does not pay his way is acknowledged and regretted. Publishers wish they could discover a painless way of raising subscription rates by significant amounts without losing subscribers in the result. None has been found, and no one suggests that a successful newspaper can be built in today's world on subscription income alone.

The subscriber and reader have interests and concerns which are broader than, and fundamentally different from, those of the advertiser. But it is the readers' interests that are at risk if the advertiser takes his custom elsewhere. The advertiser does this, of course, without malice or bad faith. He's simply doing his job.

Despite these concerns regarding the readers' interests, the newspaper industry has shown itself capable of responding to new competitive conditions in different ways in the last 10 years. Whereas in the past the general approach to competition had been to aim a newspaper at a broad general middle-ground of readers, the new approach is to segment out potential readership with certain characteristics, certain interests and certain needs capable of being served by a new paper, and at the same time of specific interest to advertisers. The word most commonly used in this new phase of newspaper competition is "demographics", a term long familiar to broadcasting. The not-so-surprising discovery of the newspaper industry, notably of recent times by the entrepreneurial founders of the *Toronto Sun*, was simply this: there are more markets in the larger cities than had been thought. Find one, reach and reflect it, sell it and you can build a successful newspaper in the teeth of intense competition. This new approach is about 10 years old in Toronto and older in Montréal, where *Le Journal de Montréal* also adopted such an approach to the market. *Le Devoir*, founded back in 1910, has long since been addressing itself to a special market.

The *Toronto Sun* venture made another set of assumptions: that a morning tabloid newspaper for sale only on the street and not home-delivered could exploit a new market that no other paper had been touching. This was a commuter market which included many people who had not been reading a paper previously at all. The *Sun* was right in its assumptions. The *Sun* also launched a successful Sunday paper, tabloid in format, for home delivery; thus long-held ideas about the nature of the Toronto newspaper market and the Toronto Sunday were abandoned in the wake of the *Toronto Sun's* success.

What is significant from an economic and social point of view is that a new newspaper product found a new market in a city blanketed by contending media. If one market can be located in this way, can others be carved out of the existing circulations of other newspapers, or can another market be carved out by some other medium of print or electronic communication? Are there cities hiding, within their boundaries, markets waiting to be tapped? Perhaps most critical of all is the question whether the circulations of giant general-interest newspapers conceal restive groups of markets vulnerable to new newspaper appeals, ready to be seduced away with media fare of another kind.

The new interests of newspapers in demographics, the success of the *Sun* in Toronto and the subsequent invasion of the *Sun* into Edmonton and Calgary, the explorations of tabloid options by Southam Inc. in Vancouver, all tend to confirm that the subscriber market of larger cities may be capable of being successfully fragmented and remobilized by newspapers tailored narrowly to the needs and interests of a portion of the market. Furthermore, it seems that advertising tailored to such markets can be designed and sold successfully.

The formula used by the *Sun* papers in general terms is to attract a previously disconnected community: a community of men and women and young people not used to finding their interests being adequately dealt with in the news, or their opinions vigorously presented and declared in editorials, or their tastes satisfied by the general run of news coverage. The *Sun* is a non-elitist mass-circulation daily newspaper, one of the first to come on the scene for a long time. Somewhere in its success is a message about the urban society of Canada.

The careful triangularity of competition in Toronto, the *Sun*, the *Star*, and the *Globe and Mail*, is not as stable as it might appear at first sight. The *Star* competes with both the *Globe and Mail* and the *Sun* for readership, but the *Globe* and the *Sun* do not really compete with one another. The *Sun* is in competition with the *Star*.

In circulation terms, the *Sun* is well behind the *Star*, but the *Sun* is commanding an increasing share of the advertising expenditures available in the community. Is there a stable level of competition ahead? At some point will the *Sun*'s success in gaining greater circulation work a sea change on the style and character of the paper as it endeavors to add new constituencies of readers and advertisers? In the long run, the double market of subscribers and advertisers will have its way, but the advertisers inevitably speak with a louder voice.

There is no topographical uniformity in the newspaper market across Canada. The giant newspapers in one-newspaper cities reflect the desire of publishers to reach out to every variety of reader and to every interest — to the fashion and food lovers, the travel bugs, the hi-fi fans, traditional business and sports types, the arts and letters patrons, the science, medicine and education groups, and so on, and so on. Especially on weekends, the big city newspaper is a veritable home library of news and special departments and special advertisements, marking the triumph of the policy that the newspaper is attempting to be all things to all readers.

The surveys of readers which newspapers carry out from time to time indicate that they would like to have more news in perhaps all categories. News tends to be a rather costly and somewhat risky item. If it is news gathered in the community, it often has to be pried loose, double and triple-checked and confirmed, written and rewritten, perhaps, scrutinized by the company's lawyers. News stories often provoke discussion, controversy, and criticism. By contrast, the fat feature sections on fashion or travel or gourmet food are usually polite, colorful, and profitable. The readers enjoy them as well.

Given the state of prosperity of most Canadian daily newspapers, the owners' concept and the publishers' concept of the needs of their primary customers, the readers, can best be gauged by the commitment made to the demand for more news. Acknowledging no higher obligations than the expectations of their readers, publishers generally acknowledge that the quality and character of the paper is in the hands of the publisher himself. While there may be inequalities of talent among

publishers, as among any other profession, the abilities of publishers to quench the quantitative thirst for news in most cities is beyond doubt. The fact that some publishers do, and some do not, meet the demand for news is a measure of their regard for the reader and for the community.

Publisher Don Nicol and his colleagues of the Winnipeg *Free Press* speak of the city as a "great news town". Frank Swanson, publisher of the Calgary *Herald*, speaks of his city as a city "still not out of the crate", an affectionate recognition of Calgary as a new news city. Publisher Graham Dennis of the Halifax *Herald* and *Mail-Star* speaks of his Nova Scotian readers as looking to his papers for support and guidance. David Radler, president of Sterling Newspapers Limited, expects his small-town dailies to carry as much news as the weekly did in the past. Colin McCullough of the Victoria *Times-Colonist* believes his readers want his paper to identify problems and help solve them. Hartley Steward of the Calgary *Sun* believes that news for his readers is what they talk about and what nobody else gives them.

The reader-publisher connection, what one publisher calls the "contract", varies from city to city across Canada. One senior publisher, looking back over a long career, ventured the opinion that "a community gets the kind of newspaper it deserves". Few of his colleagues agreed, and placed the responsibility for the newspaper solidly in the publisher's and owner's hands. They are probably right. The reader-subscriber can refuse to buy, can stop buying the paper if he's not getting the news in the volume or variety that he expects; he can write the editor and the publisher, he can stop buying the goods advertised. But the economic leverage of these moves is limited, especially in a one-newspaper city.

If newspaper subscribers and readers were to find their hometown newspaper unacceptable, what might they do? Open to them are all the modalities of complaint and protest: they can wait upon the publisher and tell him of their views, just as an unhappy advertiser might do. They might form subscriber lobbies and express their views in paid advertisements in the newspaper complained about. How useful such actions and such measures might be is difficult to say and perhaps it leaves unanswered the more difficult question, does the community get the newspaper it is prepared to accept?

Competition, monopoly, and group ownership

In a speech to the Winnipeg Chamber of Commerce on October 30, 1980, Gordon Fisher, president of Southam Inc., expressed a number of views on the subjects listed above which are common in the newspaper industry, if not wholly representative of all the views available. Quotations from Fisher's speech are given below:

It is a simple fact that a daily newspaper that does not face direct newspaper competition can be profitable enough to afford excellence.

It is a simple fact that a one-newspaper city will offer newspaper advertisers a more efficient and lower cost penetration of the most attractive higher income markets.

It is a simple fact that the so-called newspaper monopolies are not monopolies at all. In recent decades the proliferation and expansion of broadcast media has represented real competition both for the advertisers' dollar and the readers' time.

It is a simple fact that approximately 100 Canadian daily newspapers have faced no direct newspaper competition for many decades, and many of these are first-class products which continue to serve their communities responsibly and well.

It is a simple fact that outside Canada some of the least obviously reputable newspapers face extremely tough competition... the *Mirror* and the *Sun* in the United Kingdom are examples, and some of the best known and respected newspapers have absolutely dominated what little direct competition they face — the *Los Angeles Times* and the *New York Times* are United States examples.

My thesis, indeed, I think the unavoidable conclusion, is that the best and most responsible of newspapers are that way because their owners insist on an energetic pursuit of the highest standards.

The publishers in Canada who face competition from other newspapers in St. John's, in Montréal, in Toronto, in Calgary, and in Edmonton state that they value the competition, that it gives a zest to the work carried on in the newspaper by both the editorial and business sides of the operation.

Those publishers who operate in a one-newspaper community, who have recently survived a win-or-lose contest, tend to recall the competitive period both with a sense of excitement and also a sense of regret that that kind of competition is

unlikely ever to occur again. These publishers and others who have for a long time published the only newspaper in a community, stress the continuing importance of professionalism, of doing the job that should be done in the best way possible. Most of them would agree with Fisher's conclusion that "the best and most responsible of papers are that way because their owners insist on an energetic pursuit of the highest standards".

The "old" competition which killed off dozens of newspapers in previous decades created the kind of newspaper industry this country now supports — the one-newspaper town is the norm. Canada may well have seen the last of this "old" competition. Old, imaginative, costly competition between newspapers continued over an extended period of time can produce the liveliest and most relevant newspapers readers have ever seen, as happened in Winnipeg when Southam's *Tribune* made its drive to supplant FP's *Free Press* as number one in the market. The best of all newspaper times, many people call it in Winnipeg, and it lasted right up to the moment the *Tribune* fell dead some \$15 million later.

Such competition is splendid to remember, so long as no reader expects journalistic fireworks to become the norm. The idea of sustained newspaper service, service to both readers and advertisers, has to proceed on a different premise.

A question about Winnipeg which inevitably arises is whether this fatal kind of competition was necessary. Over the period of 60 years when Southam owned the *Tribune*, it was possible and apparently practicable to maintain two newspapers in that community. Apparently the *Tribune* was losing money at the end of its life. But somehow, in between, 60 years of valuable journalistic service to the community had been rendered by this newspaper and by its competitor at the same time.

Was Southam's long support of the *Tribune* while it remained the number two paper based on expectation of later success, on the hope of finding new ways to compete with the *Free Press*, or was it based on the view that winners in the Southam chain of publications should help the financially less successful papers to survive? No one in the industry suggests that altruism can be the basis of business enterprise, but is there a "model" of newspaper competition which would permit the survival of the situation which existed in Winnipeg and in Ottawa when those cities supported two newspapers, a model which would achieve that end and still satisfy the legitimate demands of shareholders for adequate return on their investment? So far, no one in the newspaper industry has enunciated the theory on how to govern competition along these lines, if indeed it is at all practicable. The idea of controlled competition between newspapers of the same type directed at the same kind of readership is not part of the concept the industry has of itself.

The "new" competition in the newspaper industry is represented by what is taking place in Toronto, the so-called extreme product differentiation of the three papers, the *Star*, the *Globe*, and the *Sun*. The presumption is that this form of competition will avoid the fatal result of eyeball-to-eyeball confrontation, that somehow if newspapers look in different directions, that will prevent disastrous encounters. There are, however, no guarantees of a stable future. One need only recall Fisher's remarks that some of the least reputable newspapers face extremely tough competition, and the tabloids are among the competitors.

The view that competition from other media, essentially the electronic media, radio and television and cable, has contributed to the death of newspapers in recent

times is undoubtedly true. But as the record shows, the kind of competition which killed off newspapers goes back many decades.

Certain it is in 1981 that multi-channelled television, both public and private, domestic and foreign, has grown enormously in Canadian cities in the last 10 years. More is to come. Cable penetration in Canada is the highest in the world. Radio stations have proliferated on the FM band in all large communities and in many smaller ones. Pay television is now being awaited in all of the urban areas across Canada. These media, together with new city magazines, with news magazines like *Maclean's* and *Time* and *Newsweek*, suburban dailies and suburban weeklies, present the newspaper with problems which did not exist in the form and in this magnitude 10 years ago.

One problem never changes: the need for revenue. Will the newspapers continue to attract enough revenue to maintain the size and variety and quality of newspapers, or will the loss or flattening out of revenue bring about a decline in quantity and quality of newspaper service? The newsprint costs escalate, wage costs increase, inflation continues.

Most publishers do not foresee competition from other media seriously threatening the newspaper industry, especially when most cities have only one newspaper. The qualities which enable a newspaper to compete for the readers' time, say the publishers, are that it delivers at the least cost the greatest volume and variety of news and information and opinion in the most convenient and usable fashion on a daily basis. The paper waits for you, you can sample it, you can scour it, you can select from it what you want, and all this is given for less than the price of a cup of coffee.

In all of the cities visited, the other media are admittedly sources of news and information and entertainment, competitive with the newspaper. Much of the material on these other media, however, originates from far away, from a network or from a syndication service. Some publishers believe that the local character of the newspaper may in future be a source of strength. Paddy Sherman of the *Vancouver Province* believes the further fragmentation of the television audience in particular will make the newspaper more attractive as a one-stop shopping centre for all you ever wanted to know about today and tomorrow.

The newspaper is seen as secure for the next 10 or 20 years, because what it does for the reader it does so well and so conveniently that nothing is likely to replace it. In monopoly cities the publisher can afford excellence. In the increasing professionalism of newspapers is further assurance of quality, whether the papers are owned independently or by a group.

If there is any question about the long-term health and survival of the newspaper press, perhaps the issue lies outside the normal range of competition, not in the possibility of replacement by other media, but in the erosion of the role performed by the newspaper as mediator between the advertiser and the reader. Any new medium, and it would have to be a new medium, which could winkle away a portion of the newspapers' advertising revenue on a permanent basis could affect the economic base of this service the reader expects and now receives.

Any technological innovation which enabled the advertiser routinely to contact the consumer directly, and vice versa, would unhinge the economic foundation on which journalism and the newspaper are at present based.

The large corporate publishers are aware of the potential threat offered by interactive cable. Their concept of themselves as being in "communications", not simply in newspaper publishing, is an indication of the defensive planning now taking place in the industry and of a determination not to be surprised by the future.

The group ownership of newspapers, which is characteristic of most of the industry, is generally accepted by publishers with few reservations. An independent publisher such as Michael Davies of the Kingston *Whig-Standard* admits that the voice of the small independents is not very powerful in the councils of national press bodies. One publisher employed by a national group expressed theoretical concern for the lack of career opportunities outside the group if he were one day to become unhappy with his company. In that view, Canada is a small country.

The publishers who work for Southam Inc. are proud of their editorial independence from central direction. The publishers of the large urban dailies recently purchased by Thomson refer to their editorial independence from headquarters, and so does the publisher of Montréal's *La Presse*.

Publishers see many advantages in group ownership: the access to financial resources on a large scale, the staying power to cope with unprofitable years, the capacity to employ the best professional staff, the long-term planning which looks ahead for all the member papers and the opportunities in some circumstances to provide excellent journalism.

The owner, the independent, or a corporate group, ultimately calls the shot with respect to the quality of the newspaper. The owner's concept of the newspaper is what counts, what gives every city the character and content of the newspaper it reads. Every community can afford a "best possible" newspaper reflecting the interests of the readers, the level of advertising revenue available, the vitality of the community itself. But only the owner can say the best possible paper is what the community will get.

The concept of group ownership is silent about potential conflicts of interest in publishing, about the responsibilities of publishers to deal with matters which reflect adversely on their owners' interests. The genuine concern of owners that their publishers be free to comment upon or criticize such interests cannot ensure that such comment or criticism will occur when it is deserved. Equally apparent is the fact that the concept of independent ownership is silent with respect to these responsibilities as well. To address the question in simple, moral, and professional terms will not provide an answer. There are too many variables to write a single prescription. The big urban daily with established traditions, with public commitments to the principle of disclosure, will publish news which is damaging to an owner's interests, will let the chips fall. Another newspaper locked into a community which terms disclosure as simple disloyalty or simple stupidity faces quite a different problem.

Can the free market in news provide a safeguard against self-censorship or self-intimidation? Can other media provide some protection to the public? If the economic basis of independence is available to these competing media, the answer may be a qualified yes. If no basis of economic independence can be found, they will be of little help.

The industry itself does not conceive of an answer. The answer, if there is one, has not yet been invented.

Philosophy and the market

Few industries carry a working philosophy on their backs. The philosophy of journalism which newspapers have carpentered together over a long time is both a public and private shield for the publisher.

The publisher knows that he is in a different kind of business from making plastic cups or manufacturing automobiles. He is dealing with "something alive", something creative, a daily chronicle of the community, recording its news, reflecting its concerns, reporting its gossip. The front page and the editorial page announce what and who are important and why they are. These pages continue to create the agendas of public awareness.

The content of the product, which is the product itself in Marshall McLuhan's terms, is what accounts in part for the apparatus of policy which individual publishers and group publishers use in their daily business. Publishers are dealing in power, the power to disclose information or deny disclosure, to provide a free range of opinion, or to provide some of it; to cool public opinion or to heat it up, to analyze and interpret the world's events, and those of the village at hand. Publishers are conscious of the dependence of the public on the newspaper to ask or question in its name, to gain access where the public cannot go, to disclose what the public needs to know and does not know it needs to know. For most publishers, the exercise of power over news and information requires the legitimacy conferred by avowed standards.

The Southam credo sets out the standards of the chain, and to a greater or lesser degree, these are the standards to which most traditional newspapers would subscribe.

The standards seem to perform a four-fold purpose. First, they establish norms for the member newspapers by which either the owner or the publisher can judge the journalistic performance and integrity of the paper.

Second, they lay to rest among publishers any concerns that the papers will be required to follow a concerted editorial policy set down by head office. The publishers enjoy full editorial autonomy.

Third, they enumerate the range of contents a paper should try to accommodate, a long and varied list.

Fourth, they state the premise on which newspaper publishing is based in Canada. The credo says simply, "Freedom of the press is the right of all Canadians and one that publishers should preserve and defend. It is not a special privilege of the press, but a simple extension of the concept of freedom of speech."

The philosophical concept on which the newspaper business in Canada is built is freedom of the press. Freedom of the press permits a publisher to own and to operate the business of selling information, and to publish opinions subject only to the general laws which govern obscenity, slander, libel, and sedition. Without such right, without such freedom, the press as we know it could not exist.

The rest of the credo describes "the product mix" which is desirable for the paper, the standards required to assure its quality and consistency, and the market to be served, the local community.

The statement is an impressive one, not because it is designed to exalt the imagination, but because it is a carefully stated, realistic policy for managing certain aspects of a successful newspaper business. In addition, the elements that constitute the policy are also philosophically and morally attractive.

The phrase freedom of the press evokes memories of John Stuart Mill, John Milton, and Voltaire. Closer to home, one thinks in Canadian terms of the Roncarelli case, the Alberta press bill. What must not be overlooked in looking at these victories for freedom of speech is that the economic independence implied by freedom of the press is what enables the newspaper, if it chooses, to publish what it wishes without fear or favor.

The concept of the newspaper industry of what freedom of the press means to it does not satisfy some critics of newspapers or some advocates of the "new journalism". The concept does not necessarily incorporate "the public's right to know"; nor does it obligate the press to search out the hidden news and disclose it to the public. No one denies the fact that "good" newspapers do investigative reporting and present research reports and disclose their findings to the reading public. They conduct campaigns; they become engaged in the political process. What the critics would like is the recognition that such activities are required of a newspaper.

The industry's answer to such arguments is that the press cannot accept obligations of this kind in the abstract; that they constitute restrictions on its freedom and independence. Whatever the press does in particular situations to fulfil the expectations identified above must be actions taken by the press of its own volition in the day-to-day conduct of its affairs.

From the philosophical point of view this position on the part of the industry is consistent with the idea of freedom of the press on which the newspaper stands. If the paper is responsive to its readers' real needs, it will be strongly influenced to defend its readers' interests and serve them, but that responsiveness, that readiness to act on the readers' behalf cannot be institutionalized without curbing the paper's freedom. Freedom to act cannot be compelled.

The philosophical strength of the industry's position is also its practical weakness. The umbrella of freedom and independence is wide enough to justify the behavior of papers of all types, the good, the bad, and the indifferent.

The philosophy of the market is of little consolation if the only paper available is simply poor. The market argument says that if the market required good journalism, the paper would respond. But the readers' desire in economic terms is not "effective demand"; it is merely moral. The effective demand in the market is the advertiser who is usually indifferent to the issue. The reader and subscriber cannot register an effective demand for reports of events not even known to them. The newspaper is surrogate to the reader, stand-in for the subscriber. Unless the paper acts in the

reader's name, and acts in his interests, the public is without ears, without eyes, and without a voice.

Excluded from the concept of the newspaper industry, expressed by the industry, is any recognition that the obligations of publishers to the reader and to the community, to the public, are other than economic in origin, self-assumed by publishers. Understandably, newspaper publishers are reluctant to acknowledge that obligations of this kind have any independent or objective status. Certainly they have no legal status. They may be part of the traditions of journalism, part of the mythology of newspaper publishing, but they are not an established or entrenched aspect of the public interest. If they were recognized as fundamental to the public interest, the newspapers fear that governments might translate them into statutory or regulatory obligations. Such a development would be seen as a grave threat to the freedom and the independence of the press.

What are the criteria of a good newspaper as seen by the industry? Robert McConnell, publisher of the *Montréal Gazette*, said it this way: "One that has selected a potential audience that's large enough to meet the paper's economic needs and has addressed that audience successfully. By that criterion *Le Devoir* is a highly successful newspaper. *Le Journal de Montréal* is a good newspaper. I refuse to pick and choose between the *Toronto Globe and Mail* and the *Toronto Sun*. Both the *Globe and Mail* and the *Toronto Sun* meet those criteria. The *Star* doesn't any more. But those two do. Is one a better newspaper than the other? Hell, no. The question's not valid."

The evidence is abundant that newspaper publishers and their professional staffs are often motivated by journalistic values not set out in internal memoranda or in public documents. The market alone does not explain why editors and reporters run the risks they do to bring back stories that lift the lid on civic corruption or corporate fraud, stories which take months of research and discipline to prepare. Such stories, of course, sell newspapers. That's the market side of the story. Then there's the drama of putting it all down in print and pictures. That's the visceral side of the story which every professional knows. But the public interest is served in the best tradition of newspapering by such stories. A good publisher is the publisher who creates the working environment where such things happen and happen again.

The newspaper is a split personality, one side journalistic, the other side advertising. But the philosophy which integrates the newspaper is the idea that the market provides the foundation on which both sides of the paper stand.

The philosophy has served the press well for more than 100 years, enabling it in time to escape the captivity of partisan political ownership or religious domination, to abandon violent rhetoric and partisan abuse, to quash biased reporting and to set objectivity as a goal.

The market philosophy has enabled the newspaper as an institution to play chameleon to its public, to abandon old prejudices, old ideas, old traditions, old convictions. In adopting and promoting the consumer society, the newspaper has been an effective instrument in reassuring the public that new ideas, new products, new responses, and new modes of behavior are all legitimate.

There is no indication that the market philosophy of the newspaper is obsolete. New worlds for it to conquer will turn up tomorrow on page one.

II

A financial and economic study of the newspaper industry in Canada

by

Peter F. Oliphant

and

Robert C. White

1

Service and demand

In August, 1980, two daily newspapers, the *Winnipeg Tribune* and the *Ottawa Journal*, ceased publication. A month later the two Victoria papers merged into one, the *Times-Colonist*. These closings and the merger reduced the number of daily newspapers in Canada from 114 to 111. Ten years earlier when the Special Senate Committee on Mass Media (the Davey Committee) presented its report, there were 108 daily newspapers in Canada.¹

Table 1 lists the numbers of daily newspapers in Canada in September, 1970, and March, 1980, and the number of dailies that started or ceased publication

Table 1

Daily newspapers in Canada — 1970 and 1980

	Sept. 1970 Total	Changes			March 1980 Total
		Closed	New	Attempted	
Yukon	—	—	1	1	1
British Columbia	16	—	4	1	20
Alberta	7	—	2	—	9
Saskatchewan	4	—	1	—	5
Manitoba	7	—	1	—	8
Ontario	46	3	2	1	45
Québec	14	4	1	5	11
New Brunswick	4	—	—	—	4
Nova Scotia	5	—	1	—	6
Prince Edward Island	2	—	—	—	2
Newfoundland	3	—	—	—	3
Total	108	7	13	8	114

Note: On the above chart, the following two-in-one newspapers which have different titles but single ownership and shared editorial staffs, are counted as single newspapers:

London *Free Press*, evening and morning editions,
The *Times-News* and the *Moncton Transcript*,
The *Telegraph-Journal* and the *Evening Times-Globe*, Saint John,
The *Chronicle-Herald* and the *Mail-Star*, Halifax,
The *Guardian* and the *Evening Patriot*, Charlottetown.

during the period. In addition it includes a tally of "attempted" papers — the number of short-lived dailies that both started and ceased publication during the 10-year period.

The opening and closing of newspapers in the decade between 1970 and 1980 reflect, in part, demographic shifts that have taken place in the same period. Population has grown in the West and in the North where nine of 13 new dailies have been established. Also, a number of anglophone Canadians have moved from Québec where two English-language dailies, the *Montréal Star* and the *Québec Chronicle Telegraph*, ceased publication.

Some of the changes in the number of daily newspapers have occurred in major urban centres. In Montréal two French-language dailies, *Le Jour* and *Métro-Matin*, failed to establish adequate circulations; *Montréal-Matin*, already an established daily in 1970, closed. In Québec City, *l'Action*, an established daily in 1970, closed in 1973; in the following year *A Propos* failed to establish a daily. Ottawa *Today* was unsuccessful in its bid to become Ottawa's third English-language daily in 1977-78.

Some of the new and briefly attempted dailies in such areas were responses to the closing or problems of others. The *Montréal Record* was published for a short period while the *Montréal Star* was closed because of a labor dispute. In Vancouver, the *Courier* became a daily while the *Province* and the *Sun* were closed by a strike. In Toronto, the *Sun* was established in 1971, immediately following the closing of the *Telegram*. The *Sun* has become one of the major success stories of the decade. On the strength of its capture of a particular sector of the morning market, the Toronto Sun Publishing Corporation launched a sister daily, the *Edmonton Sun*, in 1978 and revamped the Calgary *Albertan* into the Calgary *Sun* in 1980. (The Winnipeg *Sun*, no relation of the Toronto-Edmonton-Calgary *Sun* chain, was established after the closing of the Winnipeg *Tribune* in August, 1980.)

The origin of most other new dailies was from a weekly newspaper; during the 1970s such an evolution took place in Whitehorse, Dawson Creek, Fort St. John, Terrace, Vernon, Fort McMurray, Lloydminster, Cobourg, and Bedford-Sackville. However, three dailies, the Oakville *Journal-Record*, Wallaceburg *Daily News* and Québec *Chronicle Telegraph*, shifted from daily to weekly publication.

Two new dailies were established in smaller centres in Québec and Manitoba during the period: in Chicoutimi, *Le Quotidien du Saguenay-Lac-Saint-Jean*, and in Swan River, the *Swan Valley Report*. Short-lived dailies were published in Whitehorse and in Rouyn-Noranda.

The remainder of this chapter looks at the newspaper industry from two different points of view. First, how many communities across the country have been served by newspapers? Second, what demand has there been among the public for Canada's dailies? The analyses compare data from March, 1971, and March, 1980, to determine what changes took place in the decade.

As a basis for examining the first question, the study has taken service or reach to be synonymous with newspaper circulation and availability. This approach excludes all non-quantitative analysis of the influence of a daily upon a city.

The analysis of demand for dailies in the second section of this chapter is based on the circulation levels of newspapers in 1971 and 1980.

The term “city” in these analyses refers to any centre with a resident daily newspaper in 1971 or 1980 or a centre with more than 50,000 population in either year.

Newspapers serving cities

In 1980, Canada’s 114 daily newspapers were resident in — or served — 98 cities. Ten years earlier, 108 newspapers served 88 cities.

Table 2 sets out by province the numbers of cities with resident daily newspapers in March, 1971, and in March, 1980. The table is divided according to the language of newspapers. In 1971, five cities — Ottawa, Montréal, Québec, Sherbrooke, and Moncton — are counted twice as both an English and French city; in 1980, Québec is considered as only a French city.

Table 2

Cities served by resident daily newspapers

	English		French	
	1971	1980	1971	1980
Yukon	—	1	—	—
British Columbia	14	18	—	—
Alberta	6	7	—	—
Saskatchewan	4	5	—	—
Manitoba	6	7	—	—
Ontario	41	41	1	1
Québec	3	2	5	6
New Brunswick	3	3	1	1
Nova Scotia	5	6	—	—
Prince Edward Island	2	2	—	—
Newfoundland	2	2	—	—
Total	86	94	7	8

Between March, 1971, and March, 1980, 11 cities — four in British Columbia and one each in the Yukon, Alberta, Saskatchewan, Manitoba, Ontario, Québec and Nova Scotia — saw the establishment of resident dailies. Two cities in Ontario saw the closing of a 1970 resident daily. In addition, an English-language daily closed in Québec so that the city, which in 1971 had both English-language and French-language newspapers, had only French-language newspapers in 1980.

Nineteen anglophone and 14 francophone cities were not served by resident dailies in 1980. The cities lacking daily newspapers were located in Ontario, Québec, and Nova Scotia, and, with one exception, were parts of major urban metropolitan areas — for example, Markham, Mississauga, and Oakville, which are a part of the Toronto census metropolitan area (CMA) and Beauport, Charlesbourg, and Ste-Foy, which form a part of the Québec CMA. The one exception is Wallaceburg, Ontario, which is considered a city only because it had a resident daily in 1971 and not because it met the population criterion.

In 1971, the numbers of anglophone and francophone cities not served by resident dailies were 27 and 15 respectively. These cities were either parts of larger urban areas or cities in which dailies were established between 1971 and 1980. None of the cities in the latter category exceeded 50,000 in population.

Table 3 lists the cities in which there were resident competing dailies in 1971 and 1980, and names the competing newspapers.²

Table 3

*Cities with resident competing daily newspapers
(March, 1971 and March, 1980)*

1. Cities with resident competing dailies at both dates

Vancouver	<i>The Province</i> <i>The Vancouver Sun</i> <i>The Columbian</i> (New Westminster)
Victoria	<i>Daily Colonist</i> <i>Daily Times</i>
Calgary	<i>The Albertan</i> <i>The Calgary Herald</i>
Winnipeg	<i>Winnipeg Free Press</i> <i>The Winnipeg Tribune</i>
Ottawa (English)	<i>The Citizen</i> <i>The Ottawa Journal</i>
Toronto	<i>The Globe and Mail</i> <i>Toronto Star</i> <i>The Toronto Sun</i> (1980 only) <i>The Telegram</i> (1971 only)
Montréal (French)	<i>Le Devoir</i> <i>Journal de Montréal</i> <i>Montréal-Matin</i> (1971 only) <i>La Presse</i>
Québec (French)	<i>L'Action</i> (1971 only) <i>Journal de Québec</i> <i>Le Soleil</i>
St. John's	<i>The Daily News</i> <i>The Evening Telegram</i>

2. Cities with resident competing dailies in 1971 only

Montréal (English)	<i>The Gazette</i> <i>The Montréal Star</i>
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3. Cities with resident competing dailies in 1980 only

Edmonton	<i>The Edmonton Journal</i> <i>The Edmonton Sun</i>
Halifax	<i>The Chronicle-Herald</i> and the <i>Mail-Star</i> <i>Bedford-Sackville Daily News</i>

The table shows a slight change in the number of cities in which there were resident competing daily newspapers. In 1971 there were nine cities with competing dailies (Montréal English and Montréal French counted as a single city) and this

increased to 11 in 1980; the cities gaining competing dailies were Edmonton and Halifax.

In the period following the March, 1980, tabulation, a number of other changes took place in the number of cities with resident competing dailies. In Victoria, the two existing dailies were merged into one, the *Times-Colonist*. In Ottawa, the *Journal* closed, leaving the *Citizen* as the only resident English-language daily. In Winnipeg, the *Tribune* ceased publication and competition between dailies lapsed until the *Winnipeg Sun* became a daily in 1981. After March, 1980, the *Albertan* went through a major transformation when it was sold and reappeared as the *Calgary Sun*; this change did not affect competition in Calgary. By March, 1981, the number of cities with competing resident dailies had dropped to nine.

Table 4

*Daily newspapers reaching six or more cities —
1971 and 1980*

Daily newspaper	Number of cities	
	March, 1971	March, 1980
The <i>Globe and Mail</i> , Toronto	27	54
Toronto <i>Star</i>	20	28
The <i>Gazette</i> , Montréal	14	18
The <i>Province</i> , Vancouver	17	17
<i>Le Devoir</i> , Montréal	13	16
<i>La Presse</i> , Montréal	13	11
The <i>Telegram</i> , Toronto	14	not pub.
The Toronto <i>Sun</i>	not pub.	14
The Vancouver <i>Sun</i>	14	14
<i>Journal de Montréal</i>	11	14
Montréal <i>Star</i>	13	not pub.
<i>Montréal-Matin</i>	10	not pub.
Winnipeg <i>Free Press</i>	10	10
The Winnipeg <i>Tribune</i>	10	10
The <i>Chronicle-Herald</i> and the <i>Mail-Star</i> , Halifax	8	8
The <i>Spectator</i> , Hamilton	6	7
The London <i>Free Press</i>	7	7
Edmonton <i>Journal</i>	6	6
Kitchener-Waterloo <i>Record</i>	5	6
The <i>Citizen</i> , Ottawa	5	6
Ottawa <i>Journal</i>	5	6
<i>Journal de Québec</i>	4	6
<i>Le Soleil</i> , Québec	6	4

A newspaper can serve readers in communities distant from its home base. This became increasingly evident in Canada during the period from 1971 to 1980 when a change occurred in the circulation patterns of a number of dailies. For the purposes of this study, a newspaper is considered to reach a city when its ratio of aggregate weekly circulation to households (RCH) in that city exceeds two per cent. Table 4 sets out those newspapers that in this sense reached six or more cities in 1971 or in

1980. It should be understood that the standard involved is only a third of one per cent of households on the basis of average daily circulation. But the standard implies that the newspaper is obtainable, at least in a part of the community, by those who can take the trouble or who want it enough to accept some delay.

An analysis of the circulation in 1971 and 1980 of all daily newspapers within cities shows that only one centre, Whitehorse, gained service from a daily newspaper. Prior to the establishment of the *Whitehorse Star*, no daily had appreciable circulation — an RCH of two per cent or more — in this community. All other cities which gained or lost a resident daily newspaper were served in either 1971 or 1980 by out-of-town dailies. Because of census boundary changes between 1971 and 1980, it is impossible to determine with any precision the extent to which the four British Columbia cities (Dawson Creek, Fort St. John, Terrace, and Vernon) and the cities in Manitoba (Swan River) and Ontario (Cobourg) were served by other dailies in 1971. Similarly, data are not available on either Oakville or Sackville, which form part of the Toronto and Halifax census metropolitan areas. Data do show, however, that the ratio of circulation of out-of-town dailies to households in these communities exceeded the study's base of two per cent.

Data are available on four centres in which three new dailies were established and one was closed. In 1971, Fort McMurray was reached by the *Edmonton Journal*; it had an RCH of 39 per cent. Lloydminster was reached by the *Saskatoon Star-Phoenix* (RCH, 17 per cent), and Chicoutimi by *Le Soleil* and *La Presse* (combined RCH, 68 per cent). Between 1971 and 1980, Québec lost its English-language daily, the *Chronicle Telegraph*; in 1980, it was reached by the *Montréal Gazette* and *Toronto Globe and Mail* (combined RCH, 72 per cent of English-speaking households).

Table 5 sets out the number of newspapers reaching, in the minimum sense defined, the cities covered in this study.

Table 5
Number of daily newspapers reaching cities
(resident and non-resident)

Number of newspapers reaching a city	Number of cities			
	1971	English 1980	1971	French 1980
One	21	8	5	2
Two	37	47	2	—
Three	22	26	—	15
Four	16	16	14	5
Five	10	7	1	—
Six	4	6	—	—
Seven	2	3	—	—
Total cities reached by a resident or non-resident daily	112	113	22	22
Total cities with a resident daily	86	94	7	8

Table 5 shows that in 1971, 21 anglophone cities were reached by only one daily and that in 1981 the number had diminished to eight. The table shows also that the number of cities reached by three or more newspapers (resident or non-resident) increased from 1971 to 1980. In 1971, 54 anglophone cities were reached by from three to seven dailies; in 1980, the number was 58. Cranbrook and Kimberley were served by seven dailies in both 1971 and 1980; in addition to the dailies resident in these communities, they were served by the Nelson *Daily News*, the Vancouver *Sun* and *Province*, the Calgary *Herald*, and the Lethbridge *Herald*. In 1981, Woodstock, Ontario, also was served by seven dailies — its resident *Daily Sentinel-Review*, two Toronto papers, the *Globe and Mail* and *Star*, and newspapers from Brantford, Kitchener-Waterloo, London, and Stratford.

The number of francophone cities reached by only one daily dropped from five to two. Of the five served by only one French-language daily in 1971, only two, Gatineau and Hull, were located in the province of Québec; all others in 1971 and all in 1980 were located in Ontario and New Brunswick.

The demand for daily newspapers

The traditional measure of circulation used in the industry, average daily circulation, is replaced throughout this study by aggregate weekly circulation. This provides a comparable measure whether a "daily" newspaper appears five, six, or seven days a week.

Table 6 sets out the aggregate weekly circulation of major daily newspapers which in 1980 had more than 250,000 weekly circulation, and includes, as well, the 1971 circulation figures for three newspapers which terminated publication between 1971 and 1980. Newspapers are listed by circulation size in 1980.

Examination of the growth rates shows that there is no particular pattern in growth on the basis of circulation. More than one-half of the 29 dailies publishing in both 1971 and 1980 had growth rates between 0.6 and 1.9 per cent.

The two dailies recording the biggest growth are *Le Journal de Montréal* and *Le Journal de Québec*, at 14.9 and 23.4 per cent, respectively. These two newspapers, like the two *Suns* established in Toronto and Edmonton, are morning tabloids with a distinct editorial style.

Major growth was also recorded by newspapers in centres in which another newspaper ceased publication. The Montréal *Gazette* recorded a growth rate of 5.5 per cent; during the period, the Montréal *Star* ceased publication. The Toronto *Star* recorded growth in aggregate weekly circulation of 5.1 per cent; in 1971 the Toronto *Telegram* ceased publication, and later in the period, the *Star* introduced a Sunday edition, thus increasing the potential for its aggregate weekly circulation by one-sixth. *Le Journal de Montréal* also operated in a market where a competing daily closed, in this case *Montréal-Matin*.

Newspapers in cities where there was tight competition also showed higher growth rates. The Winnipeg *Tribune* recorded a growth of 3.5 per cent, considerably greater than that of the Winnipeg *Free Press*, at 1.1 per cent. The *Tribune* undertook a campaign in the mid-1970s to become more competitive with the *Free Press*; it showed some success in the battle for circulation, but lost the war of survival. In Ottawa the situation was reversed; the *Citizen* showed a growth rate of 5.4 per cent as opposed to the *Journal*, which showed a loss of 1.9 per cent.

Table 6

Aggregate weekly circulation of major daily newspapers—1971 and 1980

(Newspapers with more than 250,000 aggregate weekly circulation in 1980 and major newspapers that terminated publication between 1971 and 1980)

Daily newspaper	March, 1971 (in thousands)	March, 1980	Growth rate (%)
Toronto <i>Star</i>	2,259.7	3,540.6	5.1
<i>Journal de Montréal</i>	614.6	2,150.5	14.9
The <i>Globe and Mail</i> , Toronto	1,594.8	1,746.6	1.0
The Vancouver <i>Sun</i>	1,262.5	1,405.6	1.1
The <i>Gazette</i> , Montréal	813.4	1,324.5	5.5
The Toronto <i>Sun</i>	not pub.	1,153.8	
<i>La Presse</i> , Montréal	1,265.6	1,139.4	(1.1)
The Edmonton <i>Journal</i>	916.6	1,078.0	1.8
The <i>Spectator</i> , Hamilton	775.5	887.9	1.5
Winnipeg <i>Free Press</i>	793.9	874.0	1.1
The Calgary <i>Herald</i>	606.5	831.8	3.6
The <i>Citizen</i> , Ottawa	494.4	796.6	5.4
London <i>Free Press</i>	729.3	780.1	0.8
The <i>Chronicle-Herald</i> and the <i>Mail-Star</i> , Halifax	693.4	775.8	1.3
<i>Le Soleil</i> , Québec	922.3	768.4	(2.0)
The <i>Province</i> , Vancouver	624.3	734.2	1.6
The Winnipeg <i>Tribune</i>	466.5	637.2	3.5
<i>Journal de Québec</i>	91.7	610.3	23.4
The Windsor <i>Star</i>	515.7	546.3	0.6
Kitchener-Waterloo <i>Record</i>	329.2	428.9	3.0
Ottawa <i>Journal</i>	495.7	418.5	(1.9)
The <i>Leader-Post</i> , Regina	384.1	413.9	0.8
The <i>Telegraph-Journal</i> , the <i>Evening Times-Globe</i> , Saint John	325.8	386.5	1.9
The Edmonton <i>Sun</i>	not pub.	379.0	
The <i>Star-Phoenix</i> , Saskatoon	293.3	318.2	0.9
<i>Le Nouvelliste</i> , Trois-Rivières	286.3	310.0	0.8
<i>Daily Colonist</i> , Victoria	262.8	283.4	0.8
<i>Le Droit</i> , Ottawa	232.6	281.4	2.1
The <i>Albertan</i> , Calgary	210.4	277.3	3.1
The St. Catharines <i>Standard</i>	213.7	260.2	2.2
<i>Le Devoir</i> , Montréal	237.7	254.8	0.7
Montréal <i>Star</i>	1,118.4	not pub.	
Montréal- <i>Matin</i>	873.9	not pub.	
The <i>Telegram</i> , Toronto	1,416.5	not pub.	

Other dailies showing good growth in their aggregate weekly circulation were the Calgary *Herald*, with a 3.6-per-cent growth rate, and the Kitchener-Waterloo *Record*, with a 3.0-per-cent growth rate. In total in Canada, aggregate weekly circulation rose from 27,850,500 to 32,515,700, or at an annual growth rate of 1.7 per cent.

The above analysis shows that there has been a slight increase in the aggregate weekly circulation of Canadian daily newspapers. However, when aggregate weekly

circulation is compared against measures of Canadian population growth, daily newspaper circulation is hardly keeping pace. The measures against which daily newspapers can be compared include adult population, comprising those who are 18 years of age and over, total population, and number of households.

Table 7 compares aggregate weekly circulation of daily newspapers and Canadian population statistics for 1970-71 and 1979-80 and their relative growth rates in each.

Table 7

Aggregate weekly circulation of daily newspapers and Canadian population

	1970-71 ¹ (in thousands)	1979-80 ²	Growth rate (%)
Aggregate weekly circulation of daily newspapers	27,850.5	32,515.7	1.7
Adult (18 years and over) population	13,872.5	16,686.9	2.1
Total population	21,568.3	23,670.6	1.0
Households	6,040.8	7,883.1	3.0

1. Circulation data valid for September, 1970; population figures come from 1971 census data.

2. Circulation data valid for March, 1980; population figures are based on 1979 estimates.

This table shows that the annual growth rate of aggregate weekly circulation of daily newspapers is better than that of the total Canadian population, but well under that of the Canadian adult population, and of total estimated Canadian households.

The ratios for 1971 and for 1980 aggregate weekly circulation of daily newspapers to adult population, total population and estimated households are set out on a province-by-province basis in Table 8.

Table 8

Ratio of daily newspaper circulation, adult population, total population and household count by province/territory—1971 and 1980

	Ratio of aggregate weekly newspaper circulation to					
	Adult population		Total population		Households	
	1971	1980	1971	1980	1971	1980
Canada	2.01	1.95	1.29	1.37	4.61	4.13
Newfoundland	0.85	.88	.47	.55	2.24	2.17
Prince Edward Island	2.57	2.59	1.58	1.75	6.33	5.94
Nova Scotia	1.94	1.95	1.22	1.35	4.63	4.29
New Brunswick	1.72	1.82	1.05	1.23	4.21	4.09
Québec	1.68	1.57	1.07	1.12	4.03	3.40
Ontario	2.41	2.31	1.58	1.64	5.46	4.83
Manitoba	2.20	2.34	1.43	1.64	4.90	4.82

	Ratio of aggregate weekly newspaper circulation to					
	Adult population		Total population		Households	
	1971	1980	1971	1980	1971	1980
Saskatchewan	1.26	1.30	.79	.89	2.74	2.82
Alberta	1.91	2.18	1.19	1.49	4.16	4.64
British Columbia	2.12	1.84	1.41	1.32	4.60	3.65
Yukon		1.28		1.15		3.29

Relative to adult population — those people 18 years of age and over — daily newspaper circulation has decreased nationally. There has been an increase in this measure of demand for newspapers in three provinces — Alberta, Manitoba, and New Brunswick. In four other provinces there has been little change — Saskatchewan, Nova Scotia, Prince Edward Island, and Newfoundland. However, in the three most populous provinces, British Columbia, Ontario, and Québec, aggregate weekly newspaper circulation as a percentage of adult population dropped.

Relative to total population, the aggregate weekly circulation of daily newspapers has increased in all provinces except British Columbia. Relative to the estimated number of households, the aggregate weekly circulation of daily newspapers has decreased in all provinces except Alberta and Saskatchewan. The drop in the ratio of daily newspaper circulation to households is explained in part by the decline in the average number of people per household; Statistics Canada estimates that in 1971 there were 2,300 people per 1,000 households, whereas in 1980 there were 2,119 people per 1,000 households.

Earlier it was noted that all communities in which dailies were established during the 1970s were reached by an out-of-town newspaper in 1971, and that the one city which lost its daily continued to be served by non-resident newspapers in 1980. What impact did the introduction or withdrawal of a newspaper have on the demand for (or circulation of) newspapers in these communities?

In Fort McMurray, the ratio of daily newspaper circulation to households (RCH) rose by about one-third; the Edmonton *Journal*, the only daily with appreciable circulation in this northern Alberta community in 1971, dropped in RCH in 1980 to a position just about equal with Fort McMurray *Today*. In both Lloydminster and Chicoutimi, where new dailies were established, newspaper RCH declined. The Lloydminster *Times* ran behind the Saskatoon *Star-Phoenix* in 1980 circulation, and the combined circulation of these two dailies relative to local households was less in 1980 than that enjoyed by the Saskatoon daily in 1971. In Chicoutimi, the 1971 RCH of Québec's *Le Soleil* was about double that of the 1980 RCH of Chicoutimi's resident daily, *Le Quotidien*; *Le Quotidien*'s RCH plus that of other out-of-city dailies was about 15 per cent lower in 1980 than the RCH of all dailies in 1971. The final example is Québec; the RCH of English-language dailies, all non-resident, was higher than the RCH of Québec's *Chronicle Telegraph* in 1971.

References

1. The figures differ from those in the Report of the Royal Commission because: (1) the 10-year period here ends earlier than the period used in the Report, and (2) two-in-one newspapers having the same owner, plant, and editorial staff are here counted as single papers. (Editor's note)
2. Owing to the time period and difference in definition of competition, this list is more extensive than the Commission's. (Editor's note)
3. A research paper containing additional information on circulation has been deposited with Public Archives Canada:
Daily Newspaper Circulation

2

Newspaper and other media owners

Daily newspapers in Canada are in the business of doing two things:

- 1) selling information to readers, and
- 2) selling readers to advertisers.

Daily newspapers are not acting in isolation in their pursuit of readers and advertisers. Weekly newspapers, radio, television, and magazines need readers or audiences and advertising revenues if they are to survive.

This chapter examines the circulation of the weekly press and the reach of the broadcast media in 1971 and 1980, and contrasts them with the circulation of the daily newspaper industry. It then considers the amounts of advertising revenue earned in 1971 and 1980 by daily and weekly newspapers and the broadcast media. It concludes with a review of the ownership of daily newspapers and their interest in other media.

Daily newspapers and the weekly press

In 1980, there were about 1,000 weekly community newspapers in Canada. In addition, there are a small number (fewer than 50) of special-interest weeklies whose circulation, unlike the community papers, spans a number of provinces. Because small-circulation weekly newspapers are relatively easy to establish and frequently have a short life, it is almost impossible to make an accurate count of all of these newspapers at any time. Table 9, which shows the number of community newspapers in 1971 and 1980, is based on listings published in Maclean Hunter's monthly publication, *Canadian Advertising Rates and Data*. These listings incorporate titles of newspapers belonging to the Canadian Community Newspaper Association and the Audit Bureau of Circulations, as well as the titles of many independent weeklies that are not members of these associations. It seems generally agreed that, as a result, the publication includes more than 90 per cent of all weekly newspaper titles.

Table 9 specifies, by province, the number of community newspapers resident in areas served by daily newspapers or in other locations.

The table shows that the number of weekly community newspapers in centres where there are daily newspapers increased significantly between 1971 and 1980 and that the number of weeklies serving other communities dropped. There were big increases in the number of weeklies serving communities which had resident daily newspapers in British Columbia, Alberta, Manitoba, and Ontario. In only two

Table 9

*Number of weekly community newspapers
by province/territory — 1971 and 1980*

	1971			1980		
	Daily cities	Other	Total	Daily cities	Other	Total
Northwest Territories	—	2	2	—	7	7
Yukon	1	—	1	1	—	1
British Columbia	58	40	98	80	52	132
Alberta	32	51	83	49	71	120
Saskatchewan	13	84	97	12	80	92
Manitoba	17	43	60	28	31	59
Ontario	157	101	258	258	84	342
Québec	61	96	157	62	41	103
New Brunswick	1	16	17	1	22	23
Nova Scotia	12	18	30	6	18	24
Prince Edward Island	—	—	—	—	2	2
Newfoundland	—	5	5	1	11	12
Total	352	456	808	498	419	917

provinces, Saskatchewan and Nova Scotia, was there a decrease. In all other provinces there was no marked change in the number of weeklies published in cities served by daily newspapers.

In British Columbia, the Northwest Territories, Alberta, New Brunswick, and Newfoundland, there were significant increases in the numbers of community newspapers being published in areas that did not have resident dailies. However, there were substantial decreases in Manitoba and the two most populous provinces, Ontario and Québec.

Community newspapers often have relatively short lives, at the end of which they cease publication, are revamped or merge into another community newspaper. Of the 352 weeklies in communities also served by daily newspapers in 1971, only 152 had the same title in 1980.

There are a number of different types of community newspapers. They may be sold or distributed free. They can be designed to serve a fairly well-defined community, or to circulate nationally. They can be designed to serve the interests of a specific geographic community, or to serve special interests. For the purposes of this study, weekly newspapers have been divided into two major categories — community weeklies and special-interest weeklies. Community weeklies are looked at in terms of their circulation base — whether paid or controlled by the publisher (distributed free). Other weeklies are analyzed on the basis of their thematic appeal.

Table 10 sets out the paid circulation of community weeklies that have an aggregate weekly circulation in excess of 10,000 and are located in cities served by daily newspapers.

Four of the newspapers listed in Table 10 had both paid and controlled distribution; only the paid distribution has been included. In addition to the paid circulation listed in Table 10, the North York *Mirror* and Scarborough *Mirror* combined, also distributed 42.1 and 24.6 thousand copies, in 1971 and 1980 respectively, on a controlled-distribution basis. Corresponding figures for other community weeklies included in Table 10 are the Richmond (B.C.) *Review*, 2.5 and 2.9; Oshawa *This Week*, 35.2 and 27.5; and Mississauga *News*, 12.0 and 61.2.

The growth rates for the circulation of these paid community weeklies ranged from a negative growth of 6.4 per cent to positive growth of 4.3 per cent. The Oakville *Journal-Record* recorded the largest loss in circulation. The Mississauga *News* lost with respect to paid circulation but, as noted above, increased its controlled circulation. The community weekly reporting the biggest gain in circulation was the Richmond (B.C.) *Review*.

Table 10

Paid circulation of weekly community newspapers with 1980 circulation in excess of 10,000 — 1971 and 1980

(in centres served by daily newspapers)

Weekly newspaper	Aggregate weekly circulation (thousands of copies)	
	March, 1971	March, 1980
North York <i>Mirror</i> and Scarborough <i>Mirror</i>	42.0	58.4
Richmond (B.C.) <i>Review</i>	25.4	37.2
<i>L'Éveil des Deux Rives</i> , St. Eustache	X	36.0
Trenton <i>Trentonian</i>	23.2	22.0
Etobicoke <i>Advertiser Guardian</i>	17.8	21.8
Tillsonburg <i>News</i>	16.3	21.5
Oakville <i>Journal-Record</i>	38.0	21.0
<i>News and Chronicle</i> , Pointe Claire	17.6	19.2
Vancouver <i>Free Press</i>	X	17.1
Oshawa <i>This Week</i>	no paid circulation	15.4
Brampton <i>Guardian</i>	X	15.2
Sarnia <i>Gazette</i>	9.6	12.7
Mississauga <i>News</i>	17.4	11.8
Midland <i>Free Press</i>	X	10.5

X = not published

Table 11 sets out the circulation of community weeklies with controlled distribution in centres served by daily newspapers. It includes only those weeklies that had more than 50,000 aggregate weekly circulation in 1980.

Of the 19 papers listed, only four were in existence in 1971. Of these only one, the Mississauga *Times*, showed an extraordinary increase in circulation with an annual growth of 20.1 per cent. The Longueuil and Saskatoon weeklies showed growth rates in the three-per-cent range; the York *Regional Topic* reported a drop in circulation.

Table 11

Controlled circulation of weekly community newspapers with 1980 aggregate weekly circulation in excess of 50,000 — 1971 and 1980

Weekly newspaper	Aggregate weekly circulation (thousands of copies)	
	1971	1980
Longueuil, <i>Journal L'Image de la Rive Sud</i>	X	120.0
Winnipeg <i>Marketplace</i>	X	95.9
Longueuil, <i>Le Courrier du Sud/South Shore Courier</i>	65.0	89.0
North York <i>Consumer</i>	X	88.5
Surrey <i>Super Shopper</i>	X	80.4
Mississauga <i>Times</i>	15.4	80.0
Longueuil <i>Courier Mag</i>	X	76.0
Calgary <i>Albertan's North Side Mirror</i>	X	75.8
Calgary <i>Albertan's South Side Mirror</i>	X	73.6
Kamloops <i>News</i>	X	73.6
York <i>Regional Topic</i>	70.0	66.6
<i>Journal Contact Laval</i>	X	65.0
Surrey <i>Shopper</i>	X	60.0
The Saskatoon <i>Commentator</i>	41.0	55.2
<i>Courrier de Laval</i>	X	55.0
New Westminster <i>Columbian's The Weekly News</i>	X	54.3
Vancouver <i>Buy and Sell Press</i>	X	51.7
South Edmonton <i>Times</i>	X	51.0
Vancouver <i>Courier</i>	X	50.0

X = not published

Table 12 sets out the paid weekly circulation levels of special-interest weekly newspapers that had an aggregate weekly circulation in excess of 20,000 in 1980. The table does not include six Québec weekend newspapers which in 1971 reported circulations in excess of 20,000 weekly and which were still in print in 1980, because 1980 circulation data for them was not available. The table includes the compound annual growth rate in circulation for each of the weeklies.

Table 12

Paid circulation of special-interest weekly newspapers with 1980 aggregate weekly paid circulation in excess of 20,000 — 1971 and 1980

Weekly newspaper	Aggregate weekly circulation (in thousands)		Growth rate %
	1971	1980	
Business			
<i>Les Affaires</i> (Montréal)	21.2	36.4	6.2
<i>Financial Post</i> (Toronto)	142.0	177.6	2.5
<i>Financial Times</i> (Toronto)	47.4	92.1	7.7

Weekly newspaper	Aggregate weekly circulation (in thousands)		Growth rate %
	1971	1980	
Farm			
Manitoba <i>Co-operator</i> (Winnipeg)	37.4	45.0	2.1
<i>La Terre de Chez Nous</i> (Montréal)	63.4	53.1	(2.0)
<i>Western Ontario Farmer</i> (London)	21.5	26.0	2.1
<i>Western Producer</i> (Saskatoon)	153.1	136.5	(1.3)
Religious			
<i>Canadian Jewish News</i> (Toronto)	not reported	45.3	
<i>The Catholic Register</i> (Toronto)	49.5	52.8	0.1
<i>Western Catholic Reporter</i> (Edmonton)	25.0	33.5	3.3
Weekend			
<i>Allo Police</i> (Montréal)	147.8	94.6	(4.8)
<i>Dimanche Dernière Heure</i> (Montréal)	56.0	21.8	(9.9)
<i>Dimanche-Matin</i> (Montréal)	280.1	204.2	(3.5)
<i>Echos-Vedettes</i> (Montréal)	127.2	155.1	2.2
<i>Nouvelles Illustrées</i> (Montréal)	98.0	44.6	(8.4)
<i>Progrès Dimanche</i> (Chicoutimi)	35.8	45.9	2.8
<i>Sunday Express</i> (Montréal)	44.6	45.2	0.2

The table shows that business publications have done fairly well in their growth in circulation. Farm publications have shown little growth. In addition, in the decade under review, a major farm weekly, *Free Press Weekly*, became a monthly publication; in 1971 it had a circulation of 445,600 copies per week. The three religious publications with weekly circulation in excess of 20,000 have shown low growth. All weekend publications are published in Québec; the majority have suffered major losses in circulation and others only modest growth.

Table 13 sets out data on a provincial basis on weekly community newspapers. The table includes those with paid and controlled circulation and lists the number of community papers, their aggregate weekly circulation, the ratio of circulation to households, and circulation growth rates.

Table 13

Weekly community newspapers, paid and controlled, numbers, aggregate weekly circulation, and growth rates 1971-1980

	Number		1971		1980		AWC growth rate
	1971	1980	AWC	RCH	AWC	RCH	
Northwest Territories	2	7	3.6	1.09	14.7	1.23	16.7%
Yukon	1	1	10.2	*	8.8	1.16	(1.6)
British Columbia	98	132	528.7	0.85	1,571.2	1.68	12.9
Alberta	83	120	278.5	0.65	738.1	1.14	11.4
Saskatchewan	97	92	215.9	0.82	401.3	1.32	7.1

	Number		1971		1980		AWC growth rate
	1971	1980	AWC	RCH	AWC	RCH	
Manitoba	60	59	160.8	0.61	331.1	0.94	8.3
Ontario	258	342	986.7	0.48	2,573.2	0.89	11.2
Québec	157	103	1,404.4	0.96	2,894.3	1.40	8.4
New Brunswick	17	23	52.9	0.36	115.2	0.55	9.0
Nova Scotia	30	24	118.5	0.63	121.6	0.46	0.3
Prince Edward Island	—	2	—	—	9.2	0.26	—
Newfoundland	5	12	12.6	0.37	53.5	—	17.4
Total	808	917	3,772.7		8,832.4		9.9

AWC — Aggregate weekly circulation (in thousands)

RCH — Ratio of circulation to households

*Yukon RCH combined with Northwest Territories

The table shows substantial growth of weekly community newspaper circulation between 1971 and 1980. Only in the Yukon has weekly circulation of community newspapers dropped. Nova Scotia showed virtually no growth, but all other provinces recorded a growth rate in circulation in excess of seven per cent. The ratio of circulation to households has increased in all provinces except Nova Scotia; this increase was recorded in a period when the number of households was rising faster than both the adult and the total population of Canada.

A comparison of the circulation figures in 1971 and 1980 shows that controlled distribution weeklies are growing much faster than those with paid circulations. In 1971, the aggregate weekly circulation of community newspapers sold to the public was 45.3 per cent of the total circulation of community newspapers. In 1980 it had dropped to 26.5 per cent of the aggregate weekly circulation of all community newspapers. The growth rate in circulation for weeklies which are sold is 3.8 per cent, whereas for those which are not, it is 13.6 per cent.

More than 90 per cent of all community newspapers, whether distributed on a paid or controlled basis, are issued only once a week. The total of the single-issue circulations for purchased community weeklies accounted for 98.1 per cent of the aggregate weekly circulation of such weeklies in 1971 and for 93.2 per cent in 1980. Controlled distribution community weeklies changed in the opposite direction. In 1971 the total of all single-issue circulations for controlled distribution community weeklies was 94.8 per cent of total weekly aggregate circulation, and in 1980 it was 98.6 per cent. These data indicate that the number of paid circulation weeklies publishing more than one issue a week, while small in number, is increasing.

Table 14 gives composite data on weekly special-interest publications. Like Table 13, it includes data on paid and controlled special-interest newspapers and presents the number of publications, their aggregate weekly circulations, the ratio of circulation to households and the growth rates in circulation.

Table 14

Numbers, aggregate weekly circulation, circulation/household ratio and growth rates of weekly special-interest publications (paid and controlled) 1971-1980

	Number		1971		1980		AWC growth rate
	1971	1980	AWC	RCH	AWC	RCH	
Canada**	36	31	2,623.9		1,421.0		(6.6)
Northwest Territories	7	5	.5	0.11	1.2	0.10	8.5%
Yukon	5	4	.9	*	.7	0.09	(3.0)
British Columbia	12	10	84.2	0.14	93.1	0.10	1.1
Alberta	11	11	165.1	0.39	152.3	0.23	(0.9)
Saskatchewan	9	8	170.9	0.65	102.6	0.34	(5.5)
Manitoba	11	9	87.4	0.33	19.4	0.06	(15.4)
Ontario	13	12	346.3	0.17	266.0	0.09	(2.9)
Québec	24	18	1,694.6	1.15	760.6	0.36	(8.5)
New Brunswick	8	7	18.5	0.13	12.5	0.05	(4.2)
Nova Scotia	7	6	28.8	0.16	8.7	0.03	(12.4)
Prince Edward Island	7	5	5.2	0.20	1.1	0.02	(16.3)
Newfoundland	8	6	21.4	0.21	2.8	0.02	(20.1)

AWC — Aggregate weekly circulation (in thousands)

RCH — Ratio of circulation to households

*Yukon RCH combined with Northwest Territories

**Most special-interest publications circulate in more than one province

This table shows a general decline in the circulation of special-interest weekly newspapers. Two factors mentioned earlier contributed heavily to the decline. First, the termination of the farm publication, *Free Press Weekly*, which had a circulation of 445,600 in 1971. Second, the lack of circulation data for the Québec weekend newspapers, which in 1971 had a combined circulation of 375,000. After eliminating these weeklies, the aggregate weekly circulation of special-interest newspapers is still less in 1980 than it was in 1971 and shows a negative growth rate of 2.6 per cent.

Contrasting 1971 data with 1980 data on the circulation of weekly newspapers and daily newspapers allows a number of observations:

- The major growth in the number of community newspapers has come in centres where there are resident dailies;
- Both paid and controlled-circulation community weeklies are showing more rapid growth in aggregate weekly circulation than are dailies;
- Special-interest weekly newspapers have shown a major decline in aggregate weekly circulation, well behind the growth in daily newspaper circulation.

Daily newspapers and the broadcast media

Comparisons of public demand for daily newspapers and for radio and television are difficult to make. The difficulty arises from the lack of comparable data on the reach or penetration of these media. This section focuses on the major problems that arise in the comparison of data from the Audit Bureau of Circulations (ABC) and BBM Bureau of Measurement, and includes brief comments on the changes which have

occurred in the reach or penetration of these media. In this section, both 1971 and 1972 are used as the beginning point in different series. This reflects a lack of 1971 data in some areas of analysis.

ABC publishes a number of reports with regard to the circulation of both daily and weekly newspapers; included among these is the annual *ABC Factbook*, a primary source for the circulation analyses of daily newspapers. *BBM Television Reach/Portée* and *BBM Radio Reach/Portée* include BBM's impartial measurements of television and radio audiences; each is published semi-annually.

A problem in the comparison of ABC and BBM data is found in the selection of the geographic area on which circulations or audiences are analyzed. The *ABC Factbook* publishes raw circulation data for all daily newspapers on a county/census division or census metropolitan area basis for all provinces in Canada. In addition, it includes data with regard to newspapers' circulations, as appropriate, in census metropolitan areas, city zones, retail trading zones and primary market areas. The *BBM Reach* publications contain analyses of census divisions, of census metropolitan areas and of many other market areas, called extended markets. The markets analyzed in each of the *BBM* publications change from edition to edition.

Choosing the appropriate geographical basis for comparing measurements thus presents difficulties.

A second problem in the comparison of the ABC and BBM data arises from the unit of measurement. A newspaper's circulation does not measure the number of its readers; there is a "pass-along" readership and one copy of a newspaper may be read by a number of different people in a household or an office. Therefore, comparisons between a newspaper's circulation and population statistics do not measure a newspaper's readership. The measurement used by ABC is the ratio of daily circulation to the number of households which incorporates a degree of pass-along readership. However, the adequacy of this measure is questionable to the extent that the average number of people per household changes; the number of residents per 1,000 households has dropped from 2,300 in 1971 to 2,119 in 1980.

BBM uses a different basis of measurement. BBM surveys determine the number of individuals who have the opportunity to listen to the radio or to watch television (who had a radio or television) within each of its market areas. It also compiles data on the number of individuals listening to or watching an individual radio or television station for a minimum of 15 minutes per week; such an individual becomes part of that station's total weekly audience. BBM's reach figures, accordingly, are quotients of one station's total weekly audience divided by the total potential audience.

Thus there are two quite different measures available for measuring the penetration or reach of daily newspapers and the electronic media. Each has a geographic base, but these bases have sufficient differences to make comparisons difficult. The units used in each measure differ as well. The ABC newspaper measure does not touch on the number of readers of a newspaper but rather on the number of copies of it that are sold. The BBM radio and television measure indicates the degree of attention given to the various media outlets.

Thus, one can compare radio and television reach with some confidence that like measurements are being compared. In this respect, it can be seen that from 1972 to 1980 the reach of both increased in Canada, but television's almost doubled. For the

country as a whole, it appears that radio's reach increased by about four per cent per annum, while television's reach grew by closer to six per cent per annum. As well, one can determine that the penetration of U.S. television stations into the Canadian market was quite substantial in many areas of the country where cable reception is fairly recent.

Between 1971 and 1980, daily newspapers, on the other hand, showed a drop in the ratios of circulation to households and adult population. Only in the proportion of circulation to total population has newspaper circulation gained.

The media and advertising revenues

Advertising is the main source of revenue for the newspaper industry. Advertising is also the main source of revenue for many other media — radio, television, weekly newspapers, periodicals, directories. Were there any significant changes in the split of advertising revenues between the daily and weekly newspapers and the broadcast media between 1972 and 1980? Have the changes which have been seen in the composition of newspaper advertising revenue been experienced by other media?

Gross advertising revenues in Canada have gone from \$1.4 billion in 1972 to \$3.8 billion in 1980; estimates for 1981 put them at \$4.2 billion.¹

As a percentage of gross national product, gross advertising revenues were the same, 1.32 per cent, in 1972 and 1980; however, in the intervening years they dropped to a low of 1.24 per cent in 1974, and gradually over the six following years returned to the level of 1972.

Table 15 sets out net advertising revenues by selected media. Table 16 sets out the percentage share of total net advertising revenues. The chart in Table 17 presents graphically the comparison of net advertising revenues by media in 1972 and 1980 in current and constant dollars.

Table 15
Net advertising revenues by medium, 1972 to 1980
(in millions of dollars)

Calendar year	Daily newspapers	Radio	Television	Weekly newspapers	Total
1972	\$400.4	\$144.7	\$166.0	\$63.8	\$1,302.9
1973	451.5	160.3	198.5	75.3	1,479.4
1974	520.6	182.0	225.2	84.1	1,720.7
1975	587.8	207.7	265.6	90.7	1,938.5
1976	687.2	241.8	322.6	109.3	2,243.8
1977	725.1	269.1	375.6	123.5	2,458.0
1978	776.5	305.5	441.8	146.9	2,790.8
1979	868.0*	352.0	526.8	170.0*	3,184.5*
1980	936.0*	388.0*	600.0*	190.0*	3,528.0*

*Projected

Table 16*Distribution of net advertising revenues by medium — 1972 to 1980*

Calendar year	Daily newspapers	Radio	Television	Weekly newspapers	Other
1972	30.7%	11.1%	12.7%	4.9%	40.5%
1973	30.5	10.8	13.4	5.1	40.1
1974	30.3	10.6	13.1	4.9	41.1
1975	30.3	10.7	13.7	4.7	40.6
1976	30.6	10.8	14.4	4.9	39.4
1977	29.5	10.9	15.3	5.0	39.3
1978	27.8	10.9	15.8	5.3	40.1
1979	27.3*	11.1	16.5	5.3*	39.8*
1980	26.5*	11.0*	17.0*	5.4*	40.1*

*Projected

Data in Table 16 show that the daily newspaper industry's share of net advertising revenues dropped by 4.2 percentage points from 1972 to 1980. In the same period television increased its share by a fractionally larger amount. Radio's share remained constant and the share of weekly newspapers rose by 0.5 per cent. The major drop in the newspaper industry's share of net advertising revenues occurred since 1976; on the other hand, television's increase proceeded gradually over the eight years.

The compound annual growth rate of total net advertising revenues from 1972 to 1980 was 3.1 per cent. The advertising revenues received by daily newspapers over the same period grew at 1.2 per cent. The compound annual growth rates for other media were: radio, 3.0 per cent; television, 6.9 per cent; and weekly newspapers, 4.4 per cent.

The net advertising revenues for the daily newspaper industry can be further segregated into two classifications, those received by daily newspapers as such and those received by weekend supplements, such as *Today* and its predecessors, the *Canadian* and *Weekend*. The advertising revenues earned by weekend supplements have not grown as total advertising expenditures have increased. In 1972, weekend supplements claimed 2.0 per cent of total net advertising revenues; in 1980 their share had dropped to 0.3 per cent. Their 1980 revenues were approximately half of those earned in 1972. Advertising revenues from weekend supplements are relatively small in relationship to those earned by the daily newspaper industry; in 1972 they accounted for 6.5 per cent of daily newspaper industry advertising revenues and in 1980, 1.3 per cent. Daily newspapers by themselves (excluding weekend supplements) increased their share of total net advertising revenues from 28.7 per cent in 1972 to 29.5 per cent in 1976. However, each succeeding year brought a decrease in the dailies' proportionate share, and in 1980 it equalled only 26.2 per cent of total net advertising revenues. The growth rate for the advertising revenues of daily newspapers only (excluding weekend supplements) was 1.9 per cent — well below the overall growth rate of 3.1 per cent of advertising revenues shared by the dailies, weeklies, radio, and television.



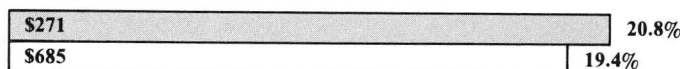
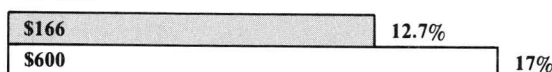
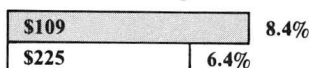
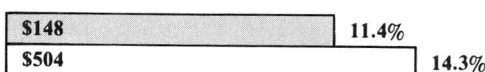
Table 17*Percentage of advertising expenditure by medium, 1972 and 1980*1972  \$1,303 Total advertising (millions of dollars)1980  \$3,528 Total advertising (millions of dollars)**Daily newspapers****Catalogues, direct mail****Television****Radio****Outdoor advertising****Weeklies****All others**

Table 16 shows also that daily newspapers took, throughout the period from 1972 to 1980, the largest percentage share of total net advertising revenues of any of the media. From 1972 to 1976 the advertising revenues of daily newspapers exceeded those of radio, television, and weekly newspapers combined.

The overall composition of advertising revenues received by daily and weekly newspapers, radio, and television shifted slightly from 1975 to 1980. In 1976, national advertising accounted for 34.9 per cent of total revenues, retail or local advertising 51.3 per cent, and classified advertising 13.8 per cent. During the six years, national advertising revenues were marked by a steady gradual increase as a percentage of total revenues, and classified declined steadily. Retail or local advertising hovered between a low of 50.9 per cent and a high of 52.2 per cent.

Table 16 showed the percentage share of total net advertising revenues for each of the media from 1972 to 1980. Tables 18 and 19 set out the percentage share of each medium in national and retail advertising revenues respectively.

Table 18

Percentage share of national advertising revenue by medium 1975 to 1980

Calendar year	Daily newspapers	Radio	Television	Weekly newspapers
1975	31.6%	14.8%	48.8%	4.8%
1976	30.5	14.4	50.2	4.9
1977	28.6	13.7	52.4	5.3
1978	25.5	14.0	55.6	4.9
1979	23.4*	13.9	57.8	5.1*
1980	23.3*	13.1*	58.4*	5.2*

*Projected

Table 19

Percentage share of retail advertising revenue by medium 1975 to 1980

Calendar year	Daily newspapers	Radio	Television	Weekly newspapers
1975	51.1%	25.1%	11.8%	12.1%
1976	50.9	24.7	12.1	12.3
1977	48.9	25.8	12.7	12.5
1978	47.9	25.5	13.0	13.6
1979	47.2*	25.9	13.3	13.6*
1980	46.6*	26.2*	13.5*	13.7*

*Projected

Daily newspapers lost a significant share of revenues derived from national advertising; over the six years there was a drop of 8.3 percentage points. Radio, too, dropped in its share of these revenues. Television picked up most of the market share lost by daily newspaper and radio. In 1975, it collected nearly half (48.8 per cent) of national advertising revenues, and in 1980, 58.4 per cent.

The daily industry also lost in its share of total retail advertising. In 1975, it commanded 51.1 per cent of retail advertising revenues. Over the six years there was a gradual and steady decline, and the industry lost 4.5 percentage points between 1975 and 1980. Its loss in market share was picked up about equally by radio, television, and weekly newspapers.

Analysis of newspaper industry revenues shows that there have been slight changes in the percentage composition of traditional run-of-press advertising revenues — national, retail, and classified. As a percentage of total ROP advertising revenues, national advertising revenues dropped from 19.8 per cent in 1973-74 to 18.7 per cent in 1979-80. Classified advertising revenues increased from 27.2 per cent to 28.4 per cent. Retail advertising remained constant. Examination of data

relating to the composition of the advertising revenues of weekly newspapers shows essentially no change in the mix between retail and national in 1975 and 1980. In 1980, retail advertising accounted for 78.9 per cent of total weekly newspaper advertising revenue, and national, 21.1 per cent; the difference from 1975 was only 0.2 per cent in both categories.

However, there was a noticeable change in the composition of advertising revenues of both radio and television. Radio's main source of revenue is local advertisers; in 1975 local advertising revenue accounted for 71.4 per cent of total advertising revenue, and this increased gradually to 74.0 per cent in 1980. Television's main source of revenues is national advertising, which over the six years, shifted upward from 73.9 per cent to 75.3 per cent of total revenues.

A number of observations can be made about the changes that occurred in the advertising revenues earned by the various media during the period under review. First, the newspaper industry's share of total advertising revenues dropped. The decreases occurred both in its share of national and retail advertising revenues. Weekly newspapers and radio maintained their market share of total net advertising. Television increased its share by one-third in the period from 1972 to 1980, and its gain of more than four percentage points equals the loss suffered by the daily newspaper industry. Both radio and television showed slight increases in their reliance on major advertising revenue sources — local advertising in the case of radio, and national advertising in the case of television.

Owners of daily newspapers

In 1970, there were 108 newspapers in Canada; 43 were independent and the rest, 65, were owned by 10 chains (or 11 chains if one counts Pacific Press Limited, jointly owned in 1970 by FP Publications Limited and Southam Inc., as an independent chain). In March, 1980, there were 114 daily newspapers of which 27 were independents and the remainder, 87, were owned by 11 (or 12) newspaper chains. Following the closing of the *Winnipeg Tribune* and the *Ottawa Journal* and the merging of Victoria's two dailies, the *Daily Colonist* and *Daily Times* into the *Times-Colonist*, there were 111 dailies in Canada; 27 were independents and the rest were owned by 11 chains (between March, 1980, and March, 1981, Pacific Press became a part of Southam).

Table 20 specifies the owners of daily newspapers in Canada in September, 1970, March, 1980, and March, 1981.

Thomson Newspapers Limited owns the largest number of newspapers in Canada. In 1970 it owned 28 dailies; this number increased to 41 in March, 1980, and shrank to 38 in 1981. (Two-in-one papers are here counted as one.) Thomson's greatest increase in newspapers came through its acquisition of FP Publications Limited. Seven newspapers were involved in this purchase of which one, the *Calgary Albertan*, was sold to the Toronto Sun Publishing Corporation; another, the *Ottawa Journal*, was closed, and the two Victoria papers merged into the *Times-Colonist*. During the 11 years Thomson acquired three independent dailies plus one from each of two chains, the former Dingman chain and Bowes Publishers. In 1973, Thomson changed its Vernon newspaper from a weekly to a daily.

Table 20

Owners of daily newspapers 1970 — 1980 — 1981

	Number of newspapers owned		
	September 1970	March 1980	March 1981
Present chains			
Armada Co. Limited (Michael Sifton)	2	2	2
Bowes Publishers Limited	3	3	3
Gesca Ltée (Paul Desmarais)	4	4	4
Irving family	3	3	3
Northumberland Publishers Limited (James Johnston)	—	2	2
Quebecor Inc. (Pierre Péladeau)	2	2	2
Southam Inc.	10	13	14
Sterling Newspapers (Black, Radler, White)	—	11	11
Thomson Newspapers Limited	28	41	38
The Toronto Sun Publishing Corporation	—	2	3
UniMédia Inc. (Jacques Francoeur)	—	2	2
Former chains			
Dingman family	2	—	—
FP Publications Limited	7	—	—
News Publishing Company (Green family)	2	—	—
Former joint ventures			
Pacific Press Limited — FP Publications Limited and Southam Inc.	2	—	—
Pacific Press Limited — Southam Inc. and Thomson Newspapers Limited	—	2	—
Present independents	21	27	27
Former independents	22	—	—
Total	108	114	111*

*Chapter 5 of the Report of the Commission makes reference to 117 daily newspapers in March, 1981. The difference exists because of the treatment of two-in-dailies (dailies with different titles but of a single ownership and shared editorial staffs). In the above chart, six newspapers are treated as two-in-one dailies; these were treated as two newspapers in the Commission's Report. The newspapers involved are: Irving family — the Moncton *Times* and the Moncton *Transcript*, Saint John *Telegraph-Journal* and *Evening Times Globe*; Thomson Newspapers Limited — Thunder Bay, the *Times-News* and the *Chronicle-Journal*, Charlottetown *Guardian* and *Evening Patriot*; Independent — the evening and morning *London Free Press*, the Halifax *Chronicle-Herald* and *Mail-Star*.

During the 11 years Southam Inc. acquired independently-owned newspapers in Brantford, Sault Ste. Marie, and Windsor, Ontario. In August, 1980, it acquired full control of Pacific Press by buying out Thomson's 50-per-cent interest in the company that publishes Vancouver's two dailies. In addition, in August, 1980, Southam closed the Winnipeg *Tribune*. Southam has major, but not controlling, interests in the Brandon *Sun* and the Kitchener-Waterloo *Record*; it has an option to purchase the Brandon *Sun*.

The Sterling Newspaper chain came into existence between 1970 and 1980. In that period, it acquired News Publishing Company, which owned dailies in Nelson and Trail, British Columbia. In addition, Sterling acquired three B.C. dailies and four B.C. weeklies which it subsequently converted into dailies. Sterling's holdings also include dailies in Lloydminster, Saskatchewan, and Summerside, P.E.I. In the early 1970s, Sterling bought and sold the English-language Québec paper in Sherbrooke, the *Record*.

Two of the three newspapers belonging to the Toronto Sun Publishing Corporation, the *Suns* in Toronto and Edmonton, were started "from scratch". Its third newspaper, the Calgary *Sun*, was purchased as the Calgary *Albertan* from Thomson Newspapers Limited.

UniMédia Inc. has two newspapers, both of which were acquired from a former chain owner, the Gilbert family. The newspapers held by Northumberland Publishers Limited consist of an independent daily it acquired in 1971 and a weekly which it converted into a daily in 1976.

Table 5 showed the number of cities reached by non-resident as well as resident newspapers. It showed, for example, that in 1971, 54 anglophone cities were reached by from three to seven dailies and that in 1980, the number of such cities had increased to 58. A comparable analysis to that set out in Table 5 was made on the basis of the owners of daily newspapers to determine whether cities served by a number of newspapers were also served by a number of owners or merely had access to a number of dailies owned by a single chain. It shows that in 1971, 49 anglophone cities were reached by three or more newspapers with different owners; in 1980, only 35 cities fell into this category. However, francophone cities reached by three or more owners rose from 15 in 1971 to 20 in 1980.

Media holdings of daily newspaper owners

Many of the proprietors of Canada's daily newspapers have holdings in other media — weekly newspapers and radio and television stations. Table 21 sets out the numbers of other media owned or controlled by the owners of daily newspapers.

The table shows that in 1981 the 26 proprietors of 99 of the country's 111 newspapers also own or control 155 weekly newspapers, 30 radio stations, and 12 television stations.

A study conducted for the Commission dealt with the numbers and owners of weekly community newspapers in Canada. It showed that in June, 1981, there were 1,044 weekly newspapers in Canada. These weeklies were owned by 761 proprietors. More than one half of these weeklies, 527, belong to community newspaper chains of more than one weekly newspaper. Table 22 presents data on the ownership of weekly community newspapers.

Only two daily newspaper chains do not own weekly newspapers; they are Armadale Co. Limited and Southam Inc., the latter of which publishes an extensive array of consumer, business, and trade publications, and both of which have interests in the broadcast media.

For the most part, weekly newspapers owned by daily newspapers are distributed in the same area served by the daily.

Table 21*Media holdings of daily newspaper owners March, 1981**

	Daily news-papers	Weekly newspapers	Radio	Television	Total
Thomson Newspapers	38	15	—	—	53
Southam	14	—	9	5	28
Sterling Newspapers	11	8	4	1	24
Irving family	3	1	1	1	6
Gesca	4	3	7	3	17
Bowes Publishers	3	7	—	—	10
Toronto Sun	3	2	—	—	5
Armada	2	—	4	—	6
Northumberland Publishers	2	3	—	—	5
Quebecor	2	28	—	—	30
UniMédia	2	12	—	—	14
Torstar*	1	31	—	—	32
Kitchener-Waterloo <i>Record</i>	1	4	—	—	5
London <i>Free Press</i>	1	8	4	2	15
Red Deer <i>Advocate</i>	1	5	—	—	6
Robinson-Blackmore (St. John's <i>Daily News</i>)	1	10	—	—	11
St. Catharines <i>Standard</i>	1	4	1	—	6
Other daily/weekly chains	9	14	—	—	23
Total	99	155	30	12	296

*Torstar holdings as at April, 1981, following sale of its interest in Western Broadcasting

Table 22*Owners of weekly community newspapers, June, 1981*

Number of weeklies in chain	Number of owners with chains of this size	Total weekly newspapers
2	75	150
3	27	81
4	11	44
5	11	55
6	9	54
7	2	14
8	3	24
9	1	9
10	1	10
12	1	12
15	1	15
28	1	28
31	1	31
Total chains	144	527
Independents	517	517
Total	661	1,044

The largest weekly newspaper chains are owned by daily newspaper chains. The five largest weekly newspaper chains are:

	Weeklies owned
Torstar	31
Quebecor	28
Thomson Newspapers	15
UniMédia	12
Robinson-Blackmore (publisher of the St. John's <i>Daily News</i>)	10

Thomson's dailies are published in all provinces except Québec and New Brunswick. Its weeklies are found in Saskatchewan, where it has two dailies and in Ontario, where it has 22 dailies. One weekly, Bathurst *Northern Light*, stands alone and represents Thomson's only newspaper venture in New Brunswick. All Torstar weeklies circulate in the general area served by the Torstar's daily, the Toronto *Star*.

Most of the small weekly chains are based close to the daily with which they are associated. All weeklies published by the New Westminster *Columbian*, Portage la Prairie *Daily Graphic*, Dauphin *Herald*, Northumberland Publishers, Kitchener-Waterloo *Record*, Lindsay *Post* and St. Catharines *Standard* circulate in the area served by the daily. Seven of Quebecor's 28 weeklies are published in Montréal, the home of Quebecor's *Le Journal de Montréal*. The Toronto Sun Publishing Corporation has only two weeklies, and both are published in Calgary, home of the Calgary *Sun*.

Other owners of both dailies and weeklies have one or more of their weeklies published in the same area or areas as their daily or dailies and publish yet other weeklies in distinctly separate market areas. Many of Sterling Newspapers' weeklies are published in Interior and Northern British Columbia and Lloydminster, Saskatchewan, close to some of the dailies Sterling owns. However, Sterling owns another four weeklies distributed in B.C.'s lower mainland, an area removed from the chain's dailies. Bowes has weeklies in both Alberta and Ontario; two dailies are published in Northern Alberta, and Wallaceburg, where Bowes used to have a daily in the early 1970s, is the base for two of its four Ontario weeklies. Both the London *Free Press* and the Red Deer *Advocate* own weeklies that are distant from their dailies' homes. The London *Free Press* has one weekly in London as well as one in Victoria, four in Edmonton, and two in Ottawa. The Red Deer *Advocate* publishes one weekly in Red Deer and four in the lower Fraser Valley in British Columbia.

Three observations can be made on the combined ownership of dailies and weeklies. First, of the 111 daily newspapers in Canada in 1981, 99 are owned by proprietors who also own weekly newspapers. These 26 owners own 155 of the 1,044 weekly newspapers in Canada today — nearly 15 per cent of all weeklies. Second, the largest weekly newspaper chains are owned by those who also hold daily newspapers. Third, many owners of both dailies and weeklies publish both in the same market area.

The number of proprietors of daily newspapers who also own radio or television stations is less than those who also own weekly newspapers. At present there are seven daily newspaper owners who fall into this category. Thomson Newspapers is excluded; while it has small interests in cable television in Ontario, it is not otherwise known to have any broadcasting interests in Canada. Torstar Corporation is also excluded from this group. It had a major interest in Western Broadcasting, which owns numerous radio and television stations, but Torstar sold this interest in April, 1981.

Southam Inc.'s interest in radio and television stations comes through its control (as the largest shareholder) of Selkirk Communications Limited. In five instances, Southam's newspapers and Selkirk's radio and television stations are in the same market areas. In Vancouver, Southam owns the *Sun* and *Province* and Selkirk owns a radio station and a part interest in a television station; both the radio and TV stations have the highest reach in Vancouver. In Prince George, Southam owns the *Citizen* and Selkirk controls a TV rebroadcast unit which is fourth highest in local reach. In Calgary, Southam owns the *Herald* and Selkirk owns a radio and a TV station, both of which stations have the second highest reach in the city. Southam owns the Edmonton *Journal* and Selkirk, an AM radio station with the fourth highest reach in Edmonton, and an FM station as well. Finally, in Hamilton, Southam owns the *Spectator* and Selkirk, CHCH-TV, each having highest penetration in terms of audience. Other Selkirk radio and television holdings are located in British Columbia and Alberta.

The broadcast outlets controlled by Western Dominion Investments Company Ltd., of which Sterling Newspapers is an operating division, are located in large urban centres distant from the smaller communities in which Sterling has daily and weekly newspapers. Western Dominion controls the top AM and FM outlets in Toronto, CFRB and CKFM, Ottawa television station CJOH, and Montréal's third-ranking English-language AM and FM stations.

Gesca Ltée is a part of the Power group of companies which is controlled by Paul Desmarais. Only one of the Power broadcast stations is found in a centre in which Power also publishes a daily. This radio station ranks third in reach in Granby; Gesca's *La Voix de l'Est* has the highest circulation in the area. The Power group has six other radio stations and three television stations which operate in Québec and Southern Ontario.

In Regina, Armadale Co. Limited owns both the *Leader-Post* and the leading AM radio station. Armadale had other broadcast interests in Saskatchewan, but sold them in the mid-1970s. The three other radio stations owned by Armadale Communications are distant from its newspaper operations; they are located in Manitoba and Ontario.

The Irving family's radio, television, and television rebroadcast stations are all located in centres in which it owns newspapers. An AM radio station and television station are in Saint John and a television rebroadcast station in Moncton. The Saint John outlets have the highest reach and the Moncton outlet, second highest. Only newspapers owned by the Irving family have a significant ratio of circulation to households in New Brunswick.

The Blackburn family, owners of the London *Free Press*, also own two radio stations and one television station in London; the AM and TV stations are the most

popular in the area and the FM station has the third highest reach. In addition the Blackburn family owns AM, FM and TV stations in Wingham, Ontario.

All media holdings of the Burgoyne family are found in St. Catharines — the daily *Standard*, four weeklies and an AM radio station, the sixth highest radio station in terms of local reach.

References

1. Research papers containing additional material on ownership and circulation have been deposited with Public Archives Canada:

Daily Newspaper Ownership

Weekly Newspaper Ownership

Weekly Newspaper Circulation

3

Industry overview

The newspaper industry in Canada is now a billion-dollar business. In 1979-80, total revenues neared \$1.2 billion — up from \$575 million in 1973-74. In 1979-80, the industry expended \$1.1 billion on wages, the purchase of goods and services, and capital expenditures; seven years earlier in 1973-74, the same economic inputs totalled about \$495 million. The cost of net assets employed in the industry — land, buildings, machinery, equipment, and motor vehicles — now nears the half-billion mark.

The industry's net income before interest and income taxes did not increase over seven years as did revenues and expenses; it remained constant about the \$100-million mark. However, throughout the period, the industry was more profitable than most.

This chapter deals with the industry as a whole. It examines the overall financial performance and results of the newspaper industry in Canada for the seven years from 1973-74 to 1979-80. It outlines the industry's operating results and its economic inputs and their significance within the Canadian economy, the net assets it employs, and its profitability.

The chapter concludes with an outline of the circulation groups of newspapers that are used in subsequent chapters for analyzing daily newspaper revenues, expenses, and profitability, and it provides financial data for each of these groups.

Financial overview

In the seven years covered by this study, total revenues have increased at a compound annual growth rate of 2.2 per cent. In the same period, expenses have grown at an annual rate of 4.1 per cent. Net income attributable exclusively to newspaper operations has remained fairly constant over the period, moving from \$90.5 million before interest and income taxes in 1973-74, to \$104.3 million in 1979-80, with a high point in 1976-77 of \$119.7 million.

Table 23 sets out an income statement for the newspaper industry for the seven-year survey period. The table includes estimates for major daily newspapers which did not supply data to the Commission as well as for those that submitted data for less than the full seven-year period.

A number of factors had an impact on the operations — and finances — of the industry over the seven years. Demographic shifts have resulted in the birth and death of daily newspapers; these have been discussed in Chapter 1 of this part. In

addition, work stoppages caused material drops in industry revenues and technological innovations brought about significant changes in costs. Newspapers have grown in size over the seven years; the bulk of most 1979-80 newspapers is greater than that of their 1973-74 editions.

Between 1973-74 and 1979-80, the newspapers providing the Commission with data (which excludes, among others, the *Ottawa Journal* and the *Montréal Star*), in all but one year, lost among them more than 100 publishing days due to labor disputes. The worst year was 1978-79, when 491 publishing days were lost; between 248 and 297 days were lost in three other years in this period. The combined losses of three major Québec newspapers (*Montréal-Matin*, *La Presse*, and *Le Soleil*) were 289 publishing days in 1977-78 and 333 publishing days in 1978-79. In addition, in 1978-79, the Vancouver *Sun* and *Province* were involved in a protracted labor dispute; they lost 36 days in the first year and 126 in the next. The publishing days lost in 1978-79 were an important factor that contributed to that year's decrease in the growth rate of gross revenues of the industry.

Technological development resulted in major savings in production and employee costs. The changeover from hot-type composition to photo-typesetting had a significant impact on the organization of production work. Traditional tradesmen, the typographers for example, have almost disappeared from present-day newspapers. The increase in computerization of the typesetting function has allowed a considerable reduction in manpower devoted to this function. It has also linked the journalist more directly with the layout and content of the newspaper.

However, the full savings from technological improvement are not felt immediately but only over a number of years. The unions have obtained for their current members various forms of job security in exchange for the right of management to introduce new technology. In one of its annual reports, Southam commented on the company's practice of giving employment security guarantees to employees whose jobs might be affected by technological change. The company pointed out that this slowed the appearance of savings expected from technological change.

From 1973-74 to 1979-80, both production costs, other than newsprint, and employee costs declined significantly as a percentage of total costs — production costs from 26.8 per cent to 22.7 per cent, and employee costs from 48.2 per cent to 44.0 per cent.

Savings in the production area, in pre-press costs and printing, were almost fully offset by increases in the costs of newsprint, which rose from 19.9 per cent to 23.1 per cent of total expenses. The increase in total newsprint costs was attributable only partially to rises in the price of newsprint; more important was the substantial increase in the physical size of newspapers. In 1973-74, the industry average for the number of pages in a daily was 26; six years later in 1979-80, this had increased to 44.

Total production costs — newsprint and pre-press and pressroom costs — stayed comparatively stable over the seven-year period; 46.7 per cent in 1973-74 and 45.8 per cent in 1979-80. In essence, the savings effected through technological developments were offset by increased newsprint costs — more newsprint at higher costs.

Table 23

Income statement — all reporting newspapers and estimates

	1974	1975	1976	1977	1978	1979	1980	1974	1975	1976	1977	1978	1979	1980
			(thousands of dollars)						(Income and revenues—% of gross revenues)	(Expenses—% of gross expenses)				
Advertising revenue														
National	82816	97076	108682	125961	134754	138644	157596	14.4	14.1	13.8	13.9	13.8	13.6	13.5
Retail	221962	258766	299931	346175	379548	394960	446785	38.6	37.6	38.0	38.2	38.8	38.7	38.4
Classified	114129	148232	166498	192698	204849	212438	239514	19.8	21.5	21.1	21.3	21.0	20.8	20.6
Other	10909	16101	22421	32087	38306	49562	65439	1.9	2.3	2.8	3.5	3.9	4.9	5.6
Circulation revenue	136860	157799	181420	196700	206305	210341	234608	23.8	22.9	23.0	21.7	21.1	20.6	20.2
Other revenues	9044	10776	10402	12430	13237	15320	19276	1.6	1.6	1.3	1.4	1.4	1.5	1.7
Total revenues	575720	688750	789354	906051	976999	1021265	1163218	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Production														
Newsprint	96768	118574	149640	174044	193562	201573	244192	19.9	20.6	22.0	22.1	22.5	22.0	23.1
Printing	129984	151527	174695	195665	209688	217247	240753	26.8	26.3	25.7	24.9	24.4	23.7	22.7
Circulation and distribution	64831	78332	93616	111418	120627	135079	158444	13.4	13.6	13.8	14.2	14.0	14.7	15.0
Advertising and marketing	45134	51691	61366	71535	80388	85540	100807	9.3	9.0	9.0	9.1	9.4	9.3	9.5
Administration and other	70164	82966	90772	107480	114701	118726	130203	14.5	14.4	13.4	13.7	13.4	12.9	12.3
Editorial expenses	78278	93255	109166	126160	139994	158681	184477	16.1	16.2	16.1	16.0	16.3	17.3	17.4
Total expenses	485159	576345	679255	786302	858960	916846	1058874	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Newspaper income	90561	112405	110099	119749	118039	104419	104344	15.7	16.3	13.9	13.2	12.1	10.2	9.0
Expenses included above														
Salaries and benefits	234077	274681	320939	366329	386408	404661	465644	48.2	47.7	47.3	46.6	45.0	44.1	44.0
Depreciation	13042	16447	18039	20708	24010	25330	28927	2.7	2.9	2.7	2.6	2.8	2.8	2.7
Inter-corporate charges	13907	17240	20684	25526	38365	38587	18756	2.9	3.0	3.0	3.2	4.5	4.2	1.8
Research and development	22	535	444	514	205	127	87	0.0	0.1	0.1	0.1	0.0	0.0	0.0
Government operating and capital grants	125	29	3	8	5	—	3							
Profitability measures														
Net income as % of gross revenues	15.7	16.3	13.9	13.2	12.1	10.2	9.0							
Return on net assets employed	32.9	37.5	31.2	33.0	31.3	24.7	21.6							

There were other changes in the composition of industry expenses during the seven-year period of this study. Administration dropped by 2.2 percentage points. Circulation and distribution costs and editorial expense increased by 1.6 and 1.3 percentage points respectively. The latter was accounted for in large measure by increased amounts spent on purchased special supplements such as weekend magazines, comics, and television guides.

There were two significant changes in the composition of overall industry revenues in the seven years studied. The first was the drop in circulation revenues of 3.6 percentage points over the seven years. Second, there was an increase in revenues from advertising. At the start of the survey period, advertising revenues accounted for about 74.7 per cent of the total revenues of the industry; in 1979-80 the share had crept up to 78.1 per cent of total revenues. This increase was accounted for primarily by the growth in "other" advertising revenues. As the size of newspapers increased, so did the size and number of the "extras" that accompany them — the inserts and special supplements such as television guides and comics. This increase in "extras" brought with it a substantial increase in other (non-run-of-press) advertising revenues — up from \$10.9 million in 1973-74 to \$65.4 million in 1979-80. Extended controlled distribution publications (known in the trade as "shoppers") also contributed to the growth in "other" advertising revenues. Throughout the seven years the relationship between run-of-press advertising revenues shifted only slightly. Retail advertising was about half of total advertising revenues; national advertising dropped marginally over the period, while classified revenues increased by a comparable amount.

After removing the impact of inflation, the compound annual growth rate in industry revenues was 2.2 per cent. This is slightly less than the 3.1-per-cent growth in gross national expenditure over the same period. The revenue growth rate for the first four years was 4.3 per cent, but work stoppages which began in 1977-78 and continued into 1978-79 contributed to the slowing of this growth rate. The compound annual growth rate of expenses for the seven years was 4.1 per cent, 1.9 percentage points greater than that of revenues.

Table 23 shows that the industry's net income or profit before interest and income taxes has remained fairly constant. In 1973-74, industry profits were \$90.6 million, and they rose steadily over the next three years to a high point of \$119.7 million in 1976-77. In the following year they were \$118.0 million and, for the final two years of the study, \$104.4 million. Expressed as a percentage of gross revenues, industry income before interest and taxes declined steadily from its high of 16.3 per cent in 1974-75 to 9.0 per cent in 1979-80.

Economic inputs

Table 24 is a statement of the economic inputs of the daily newspaper industry from 1973-74 to 1979-80. It sets out the expenditures made by the industry on wages and benefits, goods and services, and capital expenditures.

Total expenditures by the newspaper industry grew over the seven years at a compound annual growth rate of 3.8 per cent. The percentage of the total spent for wages and benefits declined gradually over the period from 47.4 per cent to 42.9 per cent, or a drop of 4.5 percentage points. On the other hand, expenditures for goods

Table 24

*Newspaper industry in Canada—economic inputs 1973-74 to 1979-80
(thousands of dollars)*

	1973-74	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80
Salaries, wages and benefits	\$234,077	\$274,681	\$320,959	\$366,329	\$386,408	\$404,661	\$465,644
Goods and services	238,040	285,217	340,257	399,265	448,542	486,855	564,303
Capital expenditures	21,746	33,592	29,747	29,391	33,330	47,264	55,093
Total	\$493,863	\$593,490	\$690,963	\$794,985	\$868,280	\$938,780	\$1,085,040

and services rose gradually over the period from 48.2 per cent of total inputs to 52.0 per cent. In 1973-74 the percentage of expenditures for total wages and benefits and those for goods and services differed by less than one percentage point; in 1980, the difference neared 10 percentage points. Capital expenditures on fixed assets totalled \$250 million over the seven-year period.

The respective growth rates for wages and benefits, goods and services, and capital expenditures before inflation were 1.9, 5.3, and 3.9 per cent. The differences indicate a growing capital intensiveness in the industry, and a corresponding reduction in reliance on labor.

Industry expenditures on wages and benefits reflect both the numbers of employees, full and part-time, and the level of wages, salaries, and benefits paid to them.

Daily newspapers throughout Canada employ more than 20,000 people. Table 25 sets out the industry's employees by functional areas in 1979-80 and the percentage composition of the industry's work force in 1973-74 and 1979-80.

Table 25

Newspaper industry employees by functional areas

	1979-80	Per cent of total*		Growth rate*
		1973-74	1979-80	
Editorial	4,250	20.3%	22.3%	2.6%
Production	5,950	35.7	30.6	(2.2)
Marketing (advertising, circulation and distribution)	5,650	31.2	33.8	1.8
Administration	1,875	9.7	9.8	1.0
Other	600	3.1	3.5	2.6
Not classified	750			
Sub-total	19,075			1.0
Part-time (in equivalent full-time numbers)	1,800			
TOTAL — equivalent full-time employees	20,875			

*For newspapers reporting in all seven years

Employment statistics on the industry represent an aggregate of different situations, for there are marked dissimilarities from paper to paper. Most of the dailies have their own printing shop, but some contract out their printing. Others have switched over the period. Most have updated their technology, but some are still in the process. With regard to editorial content, some papers rely heavily on wire services, freelance writers, and syndicated columnists, while others depend more on home-produced material. Hence, employment figures should not be compared without qualification; Table 25 shows their order of magnitude.

According to a labor study undertaken for the Commission, the respective growth and decline of the editorial and production groups over the six years are part of a longer trend (*Labor Relations in the Newspaper Industry*, Vol. 5 — Research study co-ordinated by Gérard Hébert). They reflect the recent effects of the technological changes that have taken place during the last 20 years. The labor component required to transform editorial and advertising copy into the daily that is delivered to homes and offices and sold at newsstands has diminished materially. There are two areas in which the number of employees increased — in editorial offices and in the marketing sales, circulation, and distribution departments — the areas that are responsible for collecting the editorial and advertising copy that make up a newspaper and that sell and deliver newspapers to readers. However, the labor component in these areas is not growing as fast as the total costs in these departments; the emphasis has been comparatively more on the purchase of goods and services.

The second factor determining total employee costs is the wages and benefits paid. The simple average of annual wages and benefits paid rose from \$9,300 in 1973-74 to \$16,000 in 1979-80. There was, however, a slight loss in real earning power after the impact of inflation is removed from the average wage packages.

The largest expenditure for goods and services was for newsprint; it accounted for 40.6 per cent of such costs in 1973-74 and 43.3 per cent in 1979-80. Cost increases for newsprint were attributable to a number of factors other than inflation. In fact, the increase in cost per ton in constant dollars was less than that for all other newspaper costs. Increases in circulation, while small, required more paper. More important, the expansion in the number of pages per paper added to newsprint costs. Some dailies were able to trim cost increases by adjustments to page size and by using lighter paper. In a few cases, such changes entirely offset all but inflationary increases in newsprint cost per ton.

During the seven-year period, capital expenditures did not follow a regular pattern. Less was spent on fixed assets in 1975-76 than in the previous year. During the seven years, the Thomson and Southam groups made substantial investments in modernizing their plants. Southam moved, or was in the process of moving, the *Hamilton Spectator*, *Calgary Herald*, and *Edmonton Journal* to new premises. From 1973-74 to 1979-80 the *Toronto Sun* was continually spending to keep up with demand for its product, and many other dailies added to or modernized their plants.

Aside from these major expenditures, there was a continuing flow of capital into the industry. Capital expenditures rose from \$21.7 million in 1973-74 to \$55.1 million in 1979-80. Table 26 sets out capital expenditures made by the newspapers providing the Commission with financial data.

Table 26

*Newspaper industry in Canada
capital expenditures 1973-74 to 1979-80
(thousands of dollars)*

	1973-74	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80
Land	\$ 574	\$ 254	\$ 91	\$ 1,716	\$ 320	\$ 4,304	\$ 3,951
Buildings	6,264	8,846	8,946	5,619	6,638	11,438	16,323
Machinery and equipment	14,004	23,263	19,352	19,606	24,702	29,534	32,718
Motor vehicles	904	1,229	1,358	2,450	1,670	1,988	2,101
Total	\$21,746	\$33,592	\$29,747	\$29,391	\$33,330	\$47,264	\$55,093

Total expenditures for fixed assets over the seven years totalled \$250 million. The largest portion, \$163.2 million, was spent for machinery and equipment; it represented 65.2 per cent of total capital expenditure. The cost of new buildings was 25.6 per cent of total capital expenditures, and purchases of land and motor vehicles 4.5 and 4.7 per cent respectively.

Table 27 compares the newspaper industry's total revenues with gross national expenditures and the industry's advertising revenues with consumer expenditures on goods and services.

Table 27

Newspaper industry in Canada — comparison of total revenues and advertising revenues with gross national expenditure and consumer expenditures on goods and services — 1973-74 to 1979-80 (millions of dollars)

	Gross national expenditure (GNE)	News- paper revenues	Newspaper revenues as percentage of GNE	Consumer expenditure on goods and services (CEGS)	Newspaper advertising revenues	Newspaper advertising revenues as percentage of CGES
1973-74	\$123,560	\$ 575.7	0.466%	\$ 71,278	\$429.8	0.603%
1974-75	147,528	688.8	0.467	83,388	520.2	0.624
1975-76	165,343	789.4	0.477	96,995	597.5	0.616
1976-77	191,031	906.1	0.474	110,886	696.9	0.628
1977-78	208,806	977.0	0.468	122,471	757.5	0.619
1978-79	229,698	1,021.2	0.445	135,359	795.6	0.588
1979-80	260,305	1,163.2	0.447	150,489	909.3	0.604

Newspaper revenues rose somewhat faster than the country's gross national expenditure in the first half of this seven-year period, but more slowly in the second half.

Industry assets and liabilities

Table 28 is a statement on net assets employed in the newspaper industry from 1973-74 to 1979-80. It lists, at cost, the investments of the newspaper industry in fixed,

current, and other assets. From the total investments in these assets are deducted the liabilities of the industry which relate directly to newspaper operations.

This statement of net assets employed is different from the more frequently published statement listing a company's assets, liabilities, and shareholders' equity — the balance sheet or statement of financial position. The statement of net assets employed deals only with assets and liabilities which are used directly and exclusively in the operations of daily newspapers; it contains no reference to the methods employed by an organization to finance these assets. The balance sheet, on the other hand, both lists assets of an organization and shows the methods by which they are financed.

Hence, current assets in the statement of net assets employed include accounts receivable, inventories, and prepaid expenses. The statement's fixed assets include the land, buildings, plant, equipment, and motor vehicles used in the operation of the country's newspapers. Unamortized goodwill is an example of other assets. Other newspaper liabilities are made up of deferred revenues (subscriptions paid in advance) and deposits made by those distributing and delivering newspapers. These assets and liabilities are fully comparable from newspaper to newspaper.

The statement of net assets employed excludes assets and liabilities relating to the financing of a business — cash, investments, accounts payable, mortgages and debentures; nor does it include share capital or retained earnings.

Over the seven years the net assets employed in the industry rose steadily. In 1979-80, net assets employed in the industry were 75.5 per cent higher than six years earlier; in the same period, both revenues and expenses doubled.

The greater part (81.5 per cent and 79.9 per cent in 1973-74 and 1979-80 respectively) of liabilities relating directly to newspaper operations are deferred revenues — that is, newspaper subscriptions collected in advance. Comparing these with circulation revenues shows that newspapers have been able to increase the average period of pre-payment from two weeks in 1973-74 to about 2½ weeks in 1979-80. Other newspaper liabilities are primarily deposits made by newspaper distributors and carriers; the amounts involved range from \$1.2 million in 1973-74 to \$2.8 million in 1979-80. The proportion of newspaper financing through prepaid subscriptions and deposits made by delivery agents is small, ranging between two and three per cent of total net assets employed in both 1973-74 and 1979-80; expressed as a percentage of current assets, the newspaper liabilities are 6.9 and 7.1 per cent in each of the two years.

The largest portion of fixed asset costs is found in the machinery and equipment area; at cost, they represented 59.1 per cent of total asset costs in 1973-74 and 63.2 per cent in 1979-80. In 1973-74, land and buildings accounted for 39.1 per cent of the fixed asset investment; this portion dropped to 34.7 per cent in 1979-80. The cost of motor vehicles owned by the industry is relatively minor in relationship to the cost of fixed assets, 1.7 and 2.1 per cent in 1973-74 and 1979-80 respectively.

Industry profitability

Over the seven-year period, the industry's profit or net income has remained relatively stable in current dollars — rising from \$90.6 million in 1973-74 to 119.7 million in 1976-77 and falling back to \$104.3 million in 1979-80. As a percentage of

Table 28

Statement of net assets employed — all reporting newspapers and estimates

	1974	1975	1976	1977	1978	1979	1980		1974	1975	1976	1977	1978	1979	1980
	(thousands of dollars)								(percentage of net assets employed)						
Fixed assets at cost															
Land	16956	16910	17488	19429	19467	22373	25477		6.2	5.6	5.0	5.4	5.2	5.3	5.3
Buildings	102822	108690	122853	120855	126460	134158	147014		37.4	36.2	34.8	33.4	33.5	31.8	30.5
Machinery and equipment	180855	195215	216074	224715	251025	282878	314133		65.8	65.1	61.2	62.0	66.5	67.0	65.1
Motor vehicles	5136	5553	5992	7932	8881	10032	10541		1.9	1.9	1.7	2.2	2.4	2.4	2.2
Fixed assets—total	305769	326368	362407	372931	405833	449441	497165		111.2	108.8	102.6	102.9	107.6	106.4	103.1
Accumulated depreciation	-132924	-142426	-155433	-159227	-175889	-192952	-210230		-48.4	-47.5	-44.0	-43.9	-46.6	-45.7	-43.6
Fixed assets at net book value	172845	183942	206974	213704	229944	256489	286935		62.9	61.3	58.6	59.0	61.0	60.7	59.5
Current assets	93287	111035	141611	145802	144418	164010	196419		33.9	37.0	40.1	40.2	38.3	38.8	40.7
Other assets	15196	14779	14578	13812	13737	13669	12824		5.5	4.9	4.1	3.8	3.6	3.2	2.7
Total assets	281328	309756	363163	373318	388099	434168	496178		102.4	103.3	102.8	103.0	102.9	102.8	102.9
Deferred revenues and deposits	6479	9788	10015	10936	10851	11664	13918		2.4	3.3	2.8	3.0	2.9	2.8	2.9
Net assets employed	274849	299968	353148	362382	377248	422504	482260		100.0	100.0	100.0	100.0	100.0	100.0	100.0

gross revenue, net income hit a high point in 1974-75 when it was 16.3 per cent. In 1979-80, it stood at 9.0 per cent. In this recent period, the industry's income did not keep pace with inflation.

A critical measure of overall profitability is return on net assets employed (RONAE). Return on net assets employed is used extensively throughout this study. RONAE expresses net income, before interest and income taxes, as a percentage of net assets employed.

There are many methods by which a business can be financed; the costs that accrue to each method can differ substantially. A business financed exclusively through bank demand loans could well face interest charges double those paid by an organization which arranged long-term financing 10 to 15 years ago. The differences in interest charges do not relate to the operations of the business but instead to the way in which its financing is organized. For this reason, interest is not used in the calculation of RONAE. In addition RONAE ignores income taxes. By eliminating interest and income taxes, RONAE brings a degree of comparability to the operations of a number of entities whose results before considering interest charges are comparable, but whose results after considering these charges could vary greatly.

Table 29 sets out the return on net assets employed for the newspaper industry from 1973-74 to 1979-80.

Table 29

Return on net assets employed 1973-74 to 1979-80

	Newspaper income (\$ millions)	Net assets employed (\$ millions)	Return on net assets employed
1973-74	\$ 90.6	\$274.8	32.9%
1974-75	112.4	300.0	37.5
1975-76	110.1	353.1	31.2
1976-77	119.7	362.4	33.0
1977-78	118.0	377.3	31.3
1978-79	104.4	422.5	24.7
1979-80	104.3	482.3	21.6

For the first five years, fluctuations in return on net assets employed were minor. The major drop in RONAE in 1978-79 is attributable mainly to two factors: first, the pause in newspaper revenue growth attributable to the major work stoppages that occurred in that year and second, to a significant increase in capital expenditures over the preceding year (from \$33.3 million in 1977-78 to \$47.3 million in 1978-79). The continuing drop in RONAE in 1979-80 was, to a lesser degree, attributable to the same factors.

The relevance of these levels of profitability emerges only in comparison with other industries. Table 30 uses RONAE to compare the profitability of the newspaper industry with that of a number of other Canadian industries in 1975 and 1978. The data are drawn from a Statistics Canada report, compiled from returns

under the *Corporations and Labor Unions Return Act*. Income for each industry is calculated before interest and income taxes. The definition of net assets employed in these industries is the same as that for the newspaper industry. It includes current assets (other than cash and short-term investments and advances to or investment in affiliates) and fixed assets (including depleting assets); it does not include any liabilities, as these relate only to financing arrangements.

Table 30

Return on net assets employed in selected industries

	1975	1978
Daily newspapers	37%	25%
Broadcasting (excluding CBC)	35	26
<i>Other industries</i>		
Food	7	10
Beverage	15	25
Textile mills	9	7
Wood industries	2	20
Metal fabricating	14	9
Electrical products	22	9
Wholesale trade	6	5
Retail trade	25	21

Note: The RONA E for each industry, apart from newspapers and broadcasting, is calculated as an average of data from highest and lowest categories of revenues reported in Statistics Canada listings. Broadcasting returns are medians for radio and television outlets in major cities.

In both years, broadcast RONA E was about the same as that for the newspaper industry. Only in 1978 did an industry other than broadcasting approach the RONA E figure for the newspaper industry. The largest components of the information industry are thus able to prosper more than other industries.

Industry circulation groups

Newspapers vary widely in circulation levels, from the Dauphin *Herald*, with 5,500 aggregate average weekly circulation in 1979-80, to the Toronto *Star* with 3,540,600. They differ also in the number of communities they reach; most serve one community only, but some reach many cities, such as the *Globe and Mail*, which has an appreciable readership in 54 cities. They differ in the number of pages usually found in an edition, in the amount of retail, national, and classified advertising they carry, and in the relative space given to advertising and editorial pages.

For the purposes of this examination of the financial operations of the daily newspaper industry in Canada, the industry has been divided into four segments based on the size of a newspaper's 1979-80 aggregate weekly circulation (or if a newspaper ceased publication, on its circulation at the time of its closing).

The four newspaper groupings used in this study are:

Newspapers with less than 250,000 aggregate weekly circulation

Newspapers with 250,000 to 500,000 aggregate weekly circulation

Newspapers with 500,000 to one million aggregate weekly circulation

Newspapers with more than one million aggregate weekly circulation

Industry financial statements

This chapter concludes with the financial statements for each of the circulation categories used in this study.

The income statements for each of these circulation groups provide the basis for subsequent chapters dealing with industry revenue, expenses, and profitability. The other statements — those dealing with economic inputs, and the statement of net assets employed and capital expenditures — provide data that are used throughout in revenue, expense, and profitability analyses.

Table 31

Income statement — newspapers with less than 250,000 aggregate weekly circulation

	1974	1975	1976	1977	1978	1979	1980
			(thousands of dollars)				
Advertising revenue							
National	7585	8769	9952	11643	12440	14655	15044
Retail	46381	53609	61427	69739	75818	81265	89230
Classified	14022	17654	19682	23534	26212	28313	31188
Other	1677	2473	3444	4188	4990	8619	10693
Circulation revenue	23030	26498	30001	32946	34804	37287	40863
Other revenues	2996	3348	3677	4060	4523	4259	6585
Total revenues	95691	112351	128183	146110	158787	174398	193603
Production							
Newsprint	7513	10068	12552	14791	16542	19298	21703
Printing	21613	26871	29755	33407	34972	37410	40233
Circulation and distribution	7148	8854	10561	12352	14312	17832	20084
Advertising and marketing	6610	8348	9841	11533	12384	14097	15715
Administration and other	18290	18601	20777	24091	27068	26339	29002
Editorial expenses	10780	13799	16446	19320	21121	23558	26208
Total expenses	71954	86541	99932	115494	126399	138534	152945
Newspaper income	23737	25810	28251	30616	32388	35864	40658
Expenses included above							
Salaries and benefits	38227	45857	52629	59281	63471	68584	74839
Depreciation	1750	2366	2332	2878	3403	3865	4143
Inter-corporate charges	3436	3938	4381	4889	5245	5826	6135
Research and development	0	0	0	0	1	35	1
Governing operating and capital grants	101	17	-	-	-	-	-
Net income as % of gross revenues	24.8	23.0			20.4	20.6	21.0
Return on net assets employed	53.0	57.7			48.1	46.7	45.0

Table 32*Economic inputs — newspapers with less than 250,000 aggregate weekly circulation*

	1974	1975	1976	1977	1978	1979	1980	1974	1975	1976	1977	1978	1979	1980
	(Thousands of dollars)							(Percentage of total)						
Salaries, wages and benefits	38227	45857	52629	59281	63471	68584	74839	51.6	50.8	51.2	49.1	47.0	47.6	47.5
Goods and services	31977	38318	44971	53335	59525	66085	73963	43.2	42.4	43.8	44.2	44.1	45.8	47.0
Capital expenditures	3894	6155	5145	8159	11962	9489	8699	5.3	6.8	5.0	6.8	8.9	6.6	5.5
Total inputs	74098	90330	102745	120775	134958	144158	157501	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Table 33*Statement of net assets employed—newspapers with less than 250,000 aggregate weekly circulation*

	1974	1975	1976	1977	1978	1979	1980	1974	1975	1976	1977	1978	1979	1980
	(thousands of dollars)							(Percentage of net assets employed)						
Fixed assets at cost	2738	2748	2830	3449	3467	3904	4996	6.1	6.1	5.4	6.1	5.1	5.1	5.5
Land	19660	19698	20672	22134	25321	28580	33234	43.9	44.0	39.6	39.0	37.6	37.2	36.8
Buildings	33802	31428	34073	38855	44244	50680	55603	75.4	70.2	65.3	68.4	65.7	65.9	61.5
Machinery and equipment	1200	1269	1342	1517	1656	1809	1811	2.7	2.8	2.6	2.7	2.5	2.4	2.0
Motor vehicles	57400	55143	58917	65955	74688	84973	95644	128.1	123.2	113.0	116.2	110.9	110.5	105.8
Fixed assets—total	—28041	—28630	—30149	—32012	—32865	—35513	—38286	—62.6	—64.0	—57.8	—56.4	—48.8	—46.2	—42.3
Accumulated depreciation	29359	26513	28768	33943	41823	49460	57358	65.5	59.2	55.2	59.8	62.1	64.3	63.4
Fixed assets at net book value	15060	18202	23290	23188	25757	27963	33845	33.6	40.7	44.7	40.8	38.2	36.4	37.4
Current assets	1392	1303	1429	1285	1545	1487	1416	3.1	2.9	2.7	2.3	2.3	1.9	1.6
Other assets	45811	46018	53487	58416	69125	78910	92619	102.2	102.8	102.6	102.9	102.7	102.6	102.4
Total assets	989	1263	1334	1641	1786	2032	2192	2.2	2.8	2.6	2.9	2.7	2.6	2.4
Deferred revenues and deposits	44822	44755	52153	56775	67339	76878	90427	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Net assets employed														

Table 34

Income statement — newspapers with 250,000 to 500,000 aggregate weekly circulation

	1974	1975	1976	1977	1978	1979	1980	1974	1975	1976	1977	1978	1979
	(thousands of dollars)							(Income and revenues—% of gross revenues) (Expenses—% of gross expenses)					
Advertising revenue													
National	6529	8288	9398	10996	12352	15405	15523	11.4	11.4	11.3	11.5	11.9	11.6
Retail	25685	31383	36251	41721	46068	59499	66056	44.8	43.1	43.5	43.7	44.5	44.8
Classified	9107	13309	15261	17908	18371	23216	25802	15.9	18.3	18.3	18.8	17.7	17.5
Other	761	1390	1955	2924	3251	5403	6847	1.3	1.9	2.3	3.1	3.1	4.1
Circulation revenue	14387	17506	19708	21172	22768	28384	31039	25.1	24.0	23.7	22.2	22.0	21.4
Other revenues	820	977	704	779	762	806	802	1.4	1.3	0.8	0.8	0.7	0.6
Total revenues	57290	72853	83277	95500	103572	132662	146069	100.0	100.0	100.0	100.0	100.0	100.0
Production													
Newsprint	9497	11701	14726	16780	18316	23129	28954	17.5	18.2	19.3	19.1	18.9	17.5
Printing	16579	18959	22199	24881	26889	36180	38249	30.5	29.6	29.1	28.3	27.8	27.4
Circulation and distribution	6885	8126	9488	10985	12003	17126	19112	12.7	12.7	12.4	12.5	12.4	13.0
Advertising and marketing	4316	4899	6083	7093	8308	11633	13837	7.9	7.6	8.0	8.1	8.6	8.8
Administration and other	8337	10289	11829	14216	15107	20167	22005	15.3	16.0	15.5	16.2	15.6	15.3
Editorial expenses	8801	10152	12007	13862	16119	23641	26177	16.2	15.8	15.7	15.8	16.7	17.9
Total expenses	54415	64127	76331	87816	96741	131877	148334	100.0	100.0	100.0	100.0	100.0	100.0
Newspaper income	2875	8727	6946	7684	6831	785	2265	5.0	12.0	8.3	8.0	6.6	0.6
Expenses included above													
Salaries and benefits	25997	29665	35404	39864	42906	58673	66730	47.8	46.3	46.4	45.4	44.4	44.5
Depreciation	2183	2625	2586	3075	3649	3437	4084	4.0	4.1	3.4	3.5	3.8	2.6
Inter-corporate charges	1653	1796	1721	1930	2009	2168	2440	3.0	2.8	2.3	2.2	2.1	1.6
Research and development	2	25	21	24	8	3	5	0.0	0.0	0.0	0.0	0.0	0.0
Government operating and capital grants	—	—	—	—	—	—	—						
Profitability measures													
Net income as % of gross revenues	5.0	12.0	8.3	8.0	6.6	0.6	-1.6						
Return on net assets employed	8.7	24.4	18.2	19.8	17.6	1.6	-4.8						

Table 35

Economic inputs — newspapers with 250,000 to 500,000 aggregate weekly circulation

	1974	1975	1976	1977	1978	1979	1980	1974	1975	1976	1977	1978	1979	1980
	(Thousands of dollars)							(Per cent of total)						
Salaries, wages and benefits	25997	29665	35404	39864	42906	58673	66730	49.1	46.6	47.0	45.8	44.9	43.3	45.0
Goods and services	26235	31837	38341	44877	50186	69767	77521	49.6	50.0	50.9	51.6	52.5	51.4	52.3
Capital expenditures	662	2119	1646	2307	2467	7190	3941	1.3	3.3	2.2	2.7	2.6	5.3	2.7
Total inputs	52894	63621	75391	87048	95559	135630	148192	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Table 36

Statement of net assets employed — newspapers with 250,000 to 500,000 aggregate weekly circulation

	1974	1975	1976	1977	1978	1979	1980	1974	1975	1976	1977	1978	1979	1980
	(thousands of dollars)							(Percentage of net assets employed)						
Fixed assets at cost	2081	2057	2045	1963	1990	2595	2535	6.3	5.7	5.4	5.1	5.1	5.3	5.3
Land	16600	16598	17101	15929	15750	19161	19015	50.3	46.3	44.9	41.1	40.6	39.5	40.1
Buildings	21465	23682	25848	27770	29073	34603	35159	65.1	66.1	67.8	71.7	74.9	71.2	74.1
Machinery and equipment	537	567	669	848	945	982	867	1.6	1.6	1.8	2.2	2.4	2.0	1.8
Motor vehicles	40683	42904	45664	46511	47759	57341	57577	123.4	119.8	119.8	120.0	123.0	118.1	121.4
Fixed assets—total	-18046	-20349	-23057	-24273	-27297	-28640	-29386	-54.7	-56.8	-60.5	-62.6	-70.3	-59.0	-61.9
Accumulated depreciation	22638	22555	22607	22238	20461	28700	28191	68.7	63.0	59.3	57.4	52.7	59.1	59.4
Fixed assets at net book value	10151	13108	15447	16620	18615	19936	19501	30.8	36.6	40.5	42.9	47.9	41.0	41.1
Current assets	1420	1413	1406	1433	1419	1729	1550	4.3	3.9	3.7	3.7	3.7	3.6	3.3
Other assets														
Total assets	34209	37076	39460	40291	40495	50366	49242	103.7	103.5	103.5	104.0	104.3	103.7	103.8
Deferred revenues and deposits	1234	1259	1332	1540	1662	1799	1797	3.7	3.5	3.5	4.0	4.3	3.7	3.8
Net assets employed	32975	35817	38128	38751	38833	48567	47444	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Table 37

Income statement — newspapers with 500,000 to one million aggregate weekly circulation

	1974	1975	1976	1977	1978	1979	1980	1974	1975	1976	1977	1978	1979	1980
	(thousands of dollars)							(Income and revenues—% of gross revenues) (Expenses—% of gross expenses)						
Advertising revenue														
National	17067	19497	22159	26245	28502	28644	37595	12.4	12.5	12.2	12.5	12.3	11.7	12.5
Retail	58432	64814	76836	89575	100087	103520	123896	42.6	41.4	42.4	42.5	43.3	42.4	41.0
Classified	26147	31409	35626	42490	46193	50086	60808	19.1	20.1	19.6	20.2	20.0	20.5	20.1
Other	2544	4069	6012	8478	10913	14309	19621	1.9	2.6	3.3	4.0	4.7	5.9	6.5
Circulation revenue	31617	34567	38694	41231	42329	43025	52668	23.1	22.1	21.3	19.6	18.3	17.6	17.4
Other revenues	1359	2058	2065	2639	2948	4592	7359	1.0	1.3	1.1	1.3	1.3	1.9	2.4
Total revenues	137166	156414	181392	210658	230972	244176	301947	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Production														
Newsprint	23521	28266	35698	41982	48038	50872	64107	20.5	21.2	22.3	22.6	23.5	23.3	24.3
Printing	31737	36117	41897	47126	49435	51138	58790	27.7	27.0	26.1	25.4	24.2	23.4	22.3
Circulation and distribution	14625	17327	20712	25010	27682	31111	39302	12.8	13.0	12.9	13.5	13.5	14.3	14.9
Advertising and marketing	11357	12855	15493	17986	20750	22375	27704	9.9	9.6	9.7	9.7	10.2	10.3	10.5
Administration and other	12626	15156	17966	21105	22881	23582	27474	11.0	11.4	11.2	11.4	11.2	10.8	10.4
Editorial expenses	20631	23803	28382	32301	35601	39065	46500	18.0	17.8	17.8	17.4	17.4	17.9	17.6
Total expenses	114497	133524	160348	185510	204387	218143	263877	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Newspaper income	22669	22890	21044	25148	26585	26033	38070	16.5	14.6	11.6	11.9	11.5	10.7	12.6
Expenses included above														
Salaries and benefits	57280	65494	77209	87653	93852	98727	117097	50.0	49.1	48.2	47.2	45.9	45.3	44.4
Depreciation	3690	4299	4990	5623	6163	6851	7755	3.2	3.2	3.1	3.0	3.0	3.1	2.9
Inter-corporate charges	2335	3291	3957	4356	4874	4263	5066	2.0	2.5	2.5	2.3	2.4	2.0	1.9
Research and development	13	9	9	19	15	51	16	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Government operating and capital grants	24	12	3	8	5	—	—							
Profitability measures														
Net income as % of gross revenues	16.5	14.6	11.6	11.9	11.5	10.7	12.6							
Return on net assets employed	35.0	32.5	22.2	25.9	26.9	23.1	31.4							

Table 38*Economic inputs — newspapers with 500,000 to one million aggregate weekly circulation*

	1974	1975	1976	1977	1978	1979	1980	1974	1975	1976	1977	1978	1979	1980
	(thousands of dollars)							(Per cent of total)						
Salaries, wages and benefits	57280	65494	77209	87653	93852	98727	117097	48.6	46.7	45.7	47.0	45.6	43.6	43.8
Goods and services	53527	63731	78149	92234	104372	112565	139025	45.4	45.4	46.3	49.5	50.7	49.8	52.0
Capital expenditures	7095	11161	13504	6599	7501	14899	11488	6.0	8.0	8.0	3.5	3.6	6.6	4.3
Total inputs	117902	140386	168862	186486	205725	226191	267610	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Table 39*Statement of net assets employed — newspapers with 500,000 to one million aggregate weekly circulation*

	1974	1975	1976	1977	1978	1979	1980	1974	1975	1976	1977	1978	1979	1980
	(thousands of dollars)							(Percentage of net assets employed)						
Fixed assets at cost	4304	4304	4858	4707	4712	6797	6044	6.7	6.1	5.1	4.9	4.8	6.0	5.0
Land	29726	32428	42537	38521	39652	42878	42918	46.0	46.0	44.9	39.7	40.1	38.0	35.5
Buildings	47503	52604	63390	59876	63942	72387	78507	73.4	74.6	66.9	61.7	64.7	64.2	64.8
Machinery and equipment	1004	1092	1204	1394	1575	1694	2069	1.6	1.5	1.3	1.4	1.6	1.5	1.7
Motor vehicles	82537	90428	111989	104498	109881	123756	129538	127.6	128.3	118.2	107.7	111.3	109.8	107.0
Fixed assets—total	-38046	-39040	-41424	-37034	-41139	-47084	-51560	-58.8	-55.4	-43.7	-38.2	-41.7	-41.8	-42.6
Accumulated depreciation	44491	51388	70565	67464	68742	76672	77978	68.8	72.9	74.5	69.5	69.6	68.0	64.4
Fixed assets at net book value	20755	21916	27132	32515	32429	38362	46799	32.1	31.1	28.6	33.5	32.8	34.0	38.7
Current assets	1274	1286	1299	984	996	1009	748	2.0	1.8	1.4	1.0	1.0	0.9	0.6
Other assets														
Total assets	66520	74590	98996	100963	102167	116043	125525	102.8	105.8	104.5	104.1	103.4	102.9	103.7
Deferred revenues and deposits	1840	4081	4273	3954	3398	3298	4461	2.8	5.8	4.5	4.1	3.4	2.9	3.7
Net assets employed	64680	70509	94723	97009	98769	112745	121064	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Table 40

Income statement — newspapers with more than one million aggregate weekly circulation

	1974	1975	1976	1977	1978	1979	1980
	(thousands of dollars)						
Advertising revenue							
National	51635	60522	67173	77077	81460	79940	89434
Retail	91464	108960	125417	145140	157575	150726	167603
Classified	64853	85860	95929	110823	114073	121716	127176
Other	5927	8169	11010	16497	19152	21231	28278
Circulation revenue	67826	79228	93017	101351	106404	101645	110038
Other revenues	3869	4393	3956	4952	5004	5663	4550
Total revenues	285573	347132	396502	453783	483668	470029	521599
Production							
Newsprint	56237	68539	86664	100491	110666	108274	129428
Printing	60055	69580	80844	90251	98392	92519	103480
Circulation and distribution	36173	44025	52855	63071	66630	69010	79946
Advertising and marketing	22851	25589	29949	34923	38946	37435	43551
Administration and other	30911	38920	40200	48068	49645	48638	51722
Editorial expenses	38066	45501	52131	60677	67153	72417	85592
Total expenses	244293	292153	342644	397482	431433	428292	493718
Newspaper income	41280	54978	53858	56301	52235	41737	27881
Expenses included above							
Salaries and benefits	112573	133665	155717	179531	186179	178677	206978
Depreciation	5419	7157	8131	9132	10795	11177	12945
Inter-corporate charges	6483	8215	10625	14351	26237	26330	5115
Research and development	7	501	414	471	181	38	65
Government operating and capital grants	—	—	—	—	—	—	—
Net income as % of gross revenues	14.5	15.8	13.6	12.4	10.8	8.9	5.3
Return on net assets employed	31.2	36.9	32.0	33.1	30.3	22.6	12.5

Table 41

Economic inputs — newspapers with more than one million aggregate weekly circulation

	1974	1975	1976	1977	1978	1979	1980	1974	1975	1976	1977	1978	1979	1980
	(thousands of dollars)							(Per cent of total)						
Salaries, wages and benefits	112573	133665	155717	179531	186179	178677	206978	45.2	44.7	45.3	44.8	43.1	41.3	40.4
Goods and services	126301	151331	178796	208819	234459	238438	273794	50.7	50.6	52.0	52.1	54.3	55.1	53.5
Capital expenditures	10095	14157	9452	12326	11400	15686	30965	4.1	4.7	2.7	3.1	2.6	3.6	6.1
Total inputs	248969	299153	343965	400676	432038	432801	511737	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Table 42

Statement of net assets employed — newspapers with more than one million aggregate weekly circulation

	1974	1975	1976	1977	1978	1979	1980	1974	1975	1976	1977	1978	1979	1980
	(thousands of dollars)							(Percentage of net assets employed)						
Fixed assets at cost	7833	7801	7755	9310	9298	9077	11902	5.9	5.2	4.6	5.5	5.4	4.9	5.3
Land	36836	39966	42543	44271	45737	43539	51847	27.8	26.8	25.3	26.1	26.5	23.6	23.2
Buildings	78085	87501	92763	98214	113766	125208	144864	59.0	58.8	55.2	57.8	66.0	67.9	64.9
Machinery and equipment	2395	2625	2777	4173	4705	5547	5794	1.8	1.8	1.7	2.5	2.7	3.0	2.6
Motor vehicles	125149	137893	145837	155967	173505	183371	214406	94.5	92.6	86.7	91.8	100.7	99.5	96.0
Fixed assets—total	—48791	—54407	—60803	—65908	—74588	—81715	—90998	—36.9	—36.5	—36.2	—38.8	—43.3	—44.3	—40.7
Accumulated depreciation	76357	83486	85034	90059	98918	101657	123408	57.7	56.1	50.6	53.0	57.4	55.2	55.3
Fixed assets at net book value	47321	57809	75742	73479	67617	77749	96274	35.7	38.8	45.0	43.3	39.2	42.2	43.1
Current assets	11110	10777	10444	10110	9777	9444	9110	8.4	7.2	6.2	6.0	5.7	5.1	4.1
Other assets														
Total assets	134788	152072	171220	173648	176312	188849	228792	101.8	102.1	101.8	102.2	102.3	102.5	102.4
Deferred revenues and deposits	2416	3185	3076	3801	4005	4535	5468	1.8	2.1	1.8	2.2	2.3	2.5	2.4
Net assets employed	132372	148887	168143	169847	172307	184314	223325	100.0	100.0	100.0	100.0	100.0	100.0	100.0

4

Industry revenues

The revenues of the newspaper industry are made up of two major components — advertising and circulation; other revenues are insignificant.

Advertising is the largest. In 1979-80, it accounted for more than three-quarters of the industry's gross revenues. There has been a slight shift in the composition of revenues since 1973-74; advertising has grown in importance.

Table 43 shows for each of the circulation groups the composition of newspaper revenues in 1973-74 and 1979-80.

While care must be taken not to derive trends from comparison of the first and last of seven years, a number of changes are indicated. These are found within the industry as a whole and, to varying degrees, in each of the four newspaper groups. In summary, the indications are:

- Circulation revenue has decreased in importance;
- Advertising revenue, on the other hand, has increased;
- Non-run-of-press advertising revenues — from inserts, special supplements, and “shoppers” — have provided the greatest increase;
- National advertising, proportionate to total revenues, has decreased;
- Classified advertising revenues have shifted upward;
- Retail advertising revenues have varied only slightly in proportion to the total.

The table shows also that as a newspaper's circulation rises, so do its revenues from national and classified advertising. But as these rise relative to total revenues, retail advertising drops. The smaller a newspaper, the more heavily reliant it usually is on retail advertising.

Table 44 sets out the division of industry revenues among newspaper circulation groups in 1973-74 and 1979-80.

This table highlights the changes that have occurred in the market share of revenues enjoyed by each of the circulation groups over the seven-year period:

- Newspapers with the largest circulation have dropped in their share of overall industry revenues; this drop has occurred in all revenue categories;
- Newspapers with between 250,000 and one million weekly circulation have gained in their portion of industry advertising revenues;
- Newspapers with the smallest circulation have maintained the same level throughout the period.

Table 43

Percentage composition of newspaper revenues by circulation levels, 1973-74 and 1979-80

	Total all newspapers		Under 250,000		Aggregate weekly circulation						Over one million	
	1973-74	1979-80	1973-74	1979-80	250,000 to 500,000		500,000 to one million		1973-74		1979-80	
					1973-74	1979-80	1973-74	1979-80	1973-74	1979-80	1973-74	1979-80
Advertising revenues												
National	14.4%	13.5%	7.9%	7.8%	11.4%	10.6%	12.4%	12.5%	18.1%		17.1%	
Retail	38.6	38.4	48.5	46.1	44.8	45.2	42.6	41.0	32.0		32.1	
Classified	19.8	20.6	14.7	16.1	15.9	17.7	19.1	20.1	22.7		23.3	
Other non run-of-press	1.9	5.6	1.8	5.5	1.3	4.7	1.9	6.5	2.1		5.4	
Total advertising	74.7	78.1	72.9	75.5	73.4	78.2	76.0	80.1	74.9		77.9	
Circulation revenues	23.8	20.2	24.1	21.1	25.1	21.2	23.1	17.4	23.8		21.1	
Other revenues	1.6	1.7	3.1	3.4	1.4	0.5	1.0	2.4	1.4		0.9	

Run-of-press advertising

While the distinctions between the three run-of-press advertising categories — national, retail, and classified — are felt to be generally understood, they are not specifically defined, and individual newspapers are the sole arbiters of whether ads are allocated to one category or another.

It seems generally accepted, however, that national advertisers do not retail their products and usually place the same advertisements in a number of newspapers. National advertisers normally work through advertising agencies which design and place ads. Advertising agencies placing national advertisements earn a set commission which reduces the revenue received by the carrying newspaper. Manufacturers of automobiles, pharmaceuticals and foodstuffs, service organizations such as airlines, and wholesalers operating regionally or nationally are the types of organizations considered to be national advertisers.

Retail advertisers are organizations which operate retail outlets. While advertising agencies may assist a retailer in preparing or placing such an ad, they do not usually receive commissions from newspapers. Many newspapers have art departments which offer retailers the services they might otherwise get from advertising agencies. Many retailers such as large department stores have their own art departments for this and related activities.

Classified advertising varies from national and retail to the extent that the format of these ads and their placement within the newspaper is different from that accorded to other advertisements.

While the distinction between retail and classified advertising appears reasonably clear, there are differences among newspapers in classification. For example, in one small newspaper chain, a change in organization moved responsibility for sales of classified display advertising to the retail department, and its revenue accounting reflected this change.

Non-run-of-press advertising — that found in special supplements such as TV guides, inserts, and “shoppers” — is placed by both retail and national advertisers. While most newspapers account for these revenues separately from their run-of-press national, retail, and classified revenues, others lump them all together.

The following analyses of national, retail, and classified advertising are based on returns completed by 75 newspapers which were able to provide consistent data for each of the seven years on advertising lines and revenues. These 75 accounted for 88.4 and 86.8 per cent of the industry's total run-of-press advertising in 1973-74 and 1979-80 respectively. They represent, with one exception, newspapers which are today, and have been throughout the seven years, going concerns. Only one, the *Winnipeg Tribune*, has ceased publication and this occurred after the period under review.

Because the group is limited — newspapers that reported consistently throughout the period — some of the ratios shown differ from those outlined for the industry as a whole, which include data from, and estimates for, dailies which started or ceased publication during the period or did not report for all years. For example, analyses of the retail advertising revenues of the industry as a whole show that newspapers in circulation groups from the smallest to the largest, shared these revenues in the following proportions in 1979-80: 20.0, 14.8, 27.7 and 37.5 per cent (Table 44). Data for the 75 dailies give the following market shares for retail

Table 44

Percentage share of newspaper revenues by circulation levels, 1973-74 and 1979-80

	Total all newspapers		Aggregate weekly circulation level							
			Under 250,000		250,000 to 500,000		500,000 to one million		Over one million	
	1973-74	1979-80	1973-74	1979-80	1973-74	1979-80	1973-74	1979-80	1973-74	1979-80
Advertising revenues										
National	100.0%	100.0%	9.2%	9.5%	7.9%	9.8%	20.6%	23.9%	62.3%	56.7%
Retail	100.0	100.0	20.9	20.0	11.6	14.8	26.3	27.7	41.2	37.5
Classified	100.0	100.0	12.3	13.0	8.0	10.8	22.9	25.4	56.8	50.8
Non run-of-press	100.0	100.0	15.4	16.3	7.0	10.5	23.3	30.0	54.3	43.2
Total advertising	100.0	100.0	16.2	16.1	9.8	12.6	24.2	26.6	49.8	44.8
Circulation revenues	100.0	100.0	16.8	17.4	10.5	13.2	23.1	22.4	49.6	46.9
Total revenues	100.0	100.0	16.6	16.6	10.0	12.6	23.8	26.0	49.6	44.8

advertising: 19.0, 10.9, 32.5, and 37.6 per cent (Table 46). A major reason for the differences in the percentages for newspapers with from 250,000 to one million weekly circulation is the exclusion of newspapers such as the Calgary *Albertan*, the Edmonton *Sun* and the Ottawa *Journal* from the group of 75 dailies. The performance of the 75 dailies should be taken as being indicative of that of the industry and as showing degrees of magnitude rather than precise measures of industry performance.

National advertising

Table 45 sets out data on national advertising for the 75 newspapers.

The space taken by national advertisers in these newspapers has increased from 130.6 to 147.1 billion lines from 1973-74 to 1979-80. Each circulation group carried more lines in 1979-80 than six years earlier. The number of national advertising lines relative to total run-of-press advertising lines dropped slightly over the seven years by one-half of one percentage point; however, changes in the relationship in each of the four circulation groups were minimal.

The data show that national advertisers use the larger dailies more frequently than the smaller. In both 1973-74 and 1979-80 newspapers with less than 500,000 weekly circulation (57 papers out of a total of 75) carried just more than 40 per cent of the space purchased by national advertisers; the balance went to the 18 papers with more than 500,000. But between the two years there was a shift in the placement of national ads between the two groups that have a weekly circulation exceeding one-half million; dailies from 500,000 to one million increased their share by 2.0 percentage points and the largest dropped a slightly higher amount.

With the reservation, again, that the comparison of the beginning and end of a seven-year period does not necessarily demonstrate a steady trend, it is worth noting that, while the growth rate for the number of national advertising lines carried by these 75 newspapers was 1.9 per cent, newspapers with the largest circulations barely increased the national lines they carried, by 0.1 per cent. All other circulation groups had growth rates which exceeded that for the 75 newspapers in total.

The range of rates per agate line for national advertising has shifted upward for most circulation groups. The maximum and minimum rates for newspapers in the two smaller circulation groupings increased only marginally over inflation, by one cent or less in constant dollars. The minimum national rate offered by newspapers with from 500,000 to one million and more circulation increased significantly, by five and 10 cents in constant dollars, respectively. The maximum rates posted by these newspapers as a group dropped.

The difference between minimum and maximum rates is a result of the discounts that newspapers offer to advertisers. These discounts are based on volume or frequency; the larger an advertisement, or the more frequently ads are placed, the lower the charge per line. Many newspapers have traditionally not offered discounts to national advertisers. The justification is that advertising agencies receive a commission on all national advertisements they place. In the period under review, however, a number of newspapers had introduced discounts for national advertisers.

Table 45 also contains the maximum, minimum, and weighted average revenue (or recovery) per line of national advertising. For all circulation groups, with the exception of dailies with more than one million circulation, the minimum reported

Table 45

National advertising data 1973-74 and 1979-80 (75 newspapers)

	Circulation level									
	Total 75 newspapers		Under 250,000 49 newspapers		250,000 — 500,000 8 newspapers		500,000 — one million 11 newspapers		Over one million 7 newspapers	
	1973-74	1979-80	1973-74	1979-80	1973-74	1979-80	1973-74	1979-80	1973-74	1979-80
National advertising lines (millions of lines)	130.6	147.1	36.9	41.7	16.1	18.7	37.2	44.8	40.4	42.0
Per cent of ROP advertising lines	11.9%	11.4%	9.1%	9.1%	10.3%	10.0%	12.3%	12.4%	17.1%	16.9%
Per cent share of total	100.0	100.0	28.3	28.3	12.3	12.7	28.5	30.5	30.9	28.5
Growth rate	1.9%		2.4%		3.7%		2.3%		0.1%	
National advertising — rates per line (in dollars)										
Maximum			0.38	0.69	0.40	0.72	0.99	1.40	2.70	4.62
Minimum			0.12	0.22	0.18	0.32	0.38	0.77	0.50	1.09
National advertising — revenue per line (in dollars)										
Maximum			0.318	0.564	0.366	0.601	0.672	1.163	1.988	3.708
Minimum			0.083	0.166	0.166	0.309	0.214	0.437	0.612	1.176
Weighted average			0.186	0.281	0.257	0.477	0.458	0.839	1.138	2.012
Growth rate			(1.6%)		1.8%		0.9%		0.6%	
National advertising — total revenues (\$ millions)	\$ 74.1	\$142.6	\$ 6.9	\$11.7	\$ 4.1	\$ 8.9	\$17.1	\$37.6	\$46.0	\$84.4
Per cent of ROP revenues	20.0%	19.5%	11.5%	10.5%	13.9%	13.9%	16.8%	16.9%	25.6%	25.3%
Per cent share of total	100.0	100.0	9.3	8.2	5.6	6.2	23.0	26.4	62.1	59.2
Growth rate	1.6%		0.8%		5.5%		3.3%		0.7%	

revenue per line is less than the minimum reported per-agate-line rate. This is partially attributable to the fact that rates are quoted as a cost to an advertiser and do not reflect commissions offered to the advertising agencies which place the ads. (The commission offered is usually 15 per cent.) In a small number of instances the difference between the minimum quoted rate and the minimum revenue per line is larger than what would be expected to be attributed to agency commissions; in these instances, it would appear that special arrangements have been made between a newspaper (or newspapers) and national advertisers.

In constant dollars the minimum and maximum per-line revenues earned by newspapers in all circulation groups except for those having more than one million weekly circulation have changed little (plus or minus up to three cents) from 1973-74 to 1979-80. Dailies with the largest circulations have increased their maximum per-line recovery by 10 cents and their minimum per-line recovery by five cents.

The change from 1973-74 to 1979-80 in the average recovery per line in constant dollars is reflected in the growth rates shown on Table 45 for average per-line revenue. The small dailies have lost ground in the revenue they derive for each line of national advertising they sell. Newspapers in all other circulation groups have increased the average recovery per line of national advertising — albeit only marginally.

The total national advertising revenues received by these 75 newspapers doubled between 1973-74 and 1979-80. National advertising revenue as a proportion of total run-of-press advertising dropped by one-half of a percentage point; newspapers with less than 250,000 weekly circulation suffered the biggest drop — one percentage point. National advertising revenue growth for the 75 newspapers was 1.6 per cent. Dailies with 250,000 to 500,000 weekly circulation showed the best growth (5.5 per cent) and those with less than 250,000 and more than one million weekly circulation had the least — 0.8 and 0.7 per cent respectively.

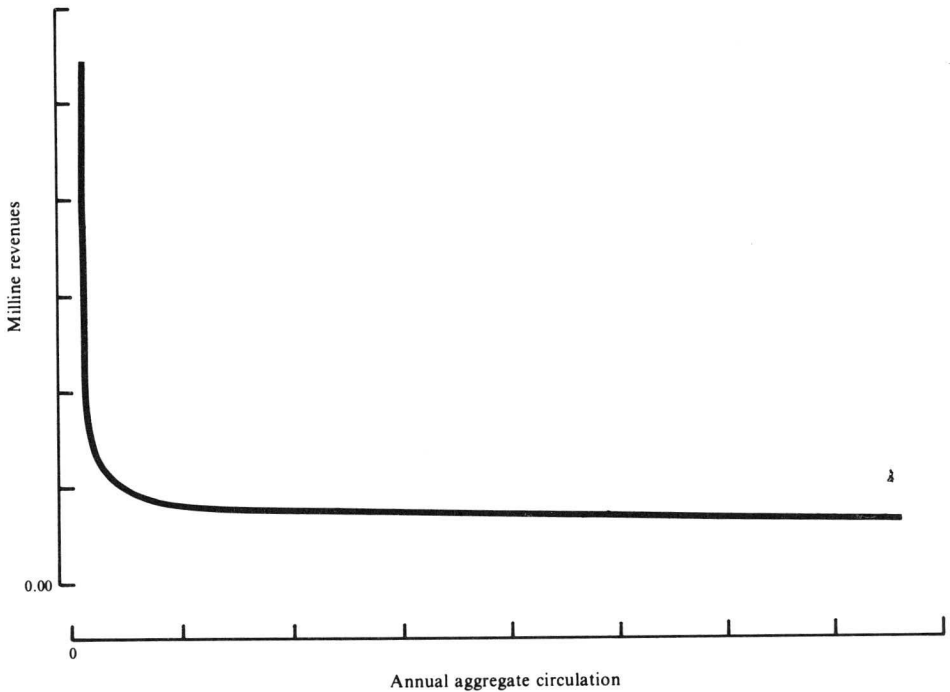
A comparison of the percentage of run-of-press advertising space devoted to national advertising with the percentage of total run-of-press advertising revenues earned by national advertising gives an indication of the premium charged to national advertisers. For the 75 newspapers combined in both 1973-74 and 1979-80 the 11 to 12 per cent of space sold to national advertisers accounted for 19 to 20 per cent of the revenue received from that space. The opposite is true of retail advertising. In 1973-74 the more than 60 per cent of ROP advertising space sold to retailers produced only 52 per cent of ROP advertising revenues; almost the same proportions existed in 1979-80. The premium paid per line by national advertisers is largest in newspapers with the highest circulations.

As a newspaper's circulation rises, so do its advertising rates. Within the advertising industry a standard has developed for measuring costs to advertisers which recognizes both a newspaper's rates per agate line as well as its circulation. The standard measure, called the milline rate, is the cost per agate line of advertising per thousand circulation.

The milline rate has the characteristics associated with the economics of scale. That is, as the circulation of the daily newspaper increases, the advertiser's cost of reaching each reader goes down. The following chart plots 1979-80 milline revenues (i.e. revenue per circulated agate line) for all newspapers which provided relevant data.

Scattergram 1

National advertising revenues per milline (circulated line) 1979-80



(Figures have been removed from Scattergrams to avoid possible disclosure of confidential information.)

Retail advertising

Table 46 sets out retail advertising data for the 75 newspapers.

Space devoted to retail advertising in 1979-80, 763.4 million lines, was 12.6 per cent higher than in 1973-74. The growth rate, 1.9 per cent, was the same as for national advertising space. Retail space, proportionate to total run-of-press advertising space, fell — from 61.6 per cent in 1973-74 to 59.0 per cent in 1979-80. This drop was reflected in all circulation groups. The biggest decreases were experienced by newspapers with weekly circulation between 250,000 and 500,000 and between 500,000 and one million.

Newspapers with the smallest circulations carry the largest amount of retail advertising. In the seven-year period, these newspapers increased their own share of space carried in all 75 by 2.4 percentage points: newspapers with weekly circulation from 500,000 to one million and more than one million dropped in their share.

Dailies with less than 250,000 weekly circulation showed the best growth rate — 2.8 per cent — in the amount of advertising space they carried. This circulation group and the one with from 250,000 to 500,000 weekly circulation both show a growth rate in retail space which was better than that for the combined 75 dailies, which was 1.9 per cent. Newspapers with more than one million weekly circulation showed no movement.

Table 46

Retail advertising data 1973-74 to 1979-80 (75 newspapers)

	Circulation level									
	Total 75 newspapers		Under 250,000 49 newspapers		250,000 — 500,000 8 newspapers		500,000 — one million 11 newspapers		Over one million 7 newspapers	
	1973-74	1979-80	1973-74	1979-80	1973-74	1979-80	1973-74	1979-80	1973-74	1979-80
Retail advertising lines										
millions of lines	677.8	763.4	282.0	335.9	105.5	118.1	173.5	189.6	116.8	119.8
Per cent total ROP lines	61.6%	59.0%	69.8%	67.2%	67.6%	63.5%	57.1%	52.6%	49.4%	48.4%
Per cent share of total	100.0	100.0	41.6	44.0	15.6	15.5	25.6	24.8	17.2	15.7
Growth rate	1.9%		2.8%		2.0%		1.4%		0.0%	
Retail advertising — rates per line (in dollars)										
Maximum			0.19	0.69	0.40	0.69	0.99	1.40	1.91	3.60
Minimum			0.10	0.11	0.10	0.17	0.20	0.43	0.35	0.63
Retail advertising — revenue per line (in dollars)										
Maximum			0.302	0.356	0.271	0.552	0.430	0.799	1.135	1.968
Minimum			0.081	0.104	0.121	0.249	0.175	0.421	0.330	0.665
Weighted average			0.140	0.216	0.186	0.352	0.337	0.653	0.656	1.194
Growth rate			(1.8%)		2.0%		2.1%		1.2%	
Retail advertising — total revenues (\$ millions)	\$194.3	\$380.9	\$ 39.6	\$ 72.4	\$ 19.6	\$ 41.5	\$ 58.4	\$123.9	\$ 76.6	\$143.1
Per cent of ROP revenues	52.4%	52.0%	66.4%	65.0%	66.0%	64.7%	57.5%	55.7%	42.7%	42.8%
Per cent share of total	100.0	100.0	20.4	19.0	10.1	10.9	30.1	32.5	39.4	37.6
Growth rate	2.1%		1.0%		4.0%		3.5%		1.2%	

In constant dollars, maximum retail advertising rates increased in two of the circulation categories (the under-250,000 and the over-one million) and decreased in the two others. The minimum rates quoted by newspapers in the under-250,000 group was some three cents lower (in constant dollars) in 1979-80 than in 1973-74. Newspapers in other circulation categories maintained or bettered their minimum rates in the seven-year period in constant dollars.

The minimum revenue earned per agate line for retail advertising is in some cases lower than the minimum advertising rate. Inasmuch as it is not common in the industry for newspapers to offer commissions to advertising agencies placing retail advertising, the difference likely reflects special arrangements between a newspaper or newspapers and retail advertisers.

The growth rates for average retail revenues per line show a decline for those newspapers with less than 250,000 weekly circulation and small but appreciable increases for the other newspaper groups. The drop experienced by newspapers with less than 250,000 was about two cents per line — a decrease of about 20 per cent. In all other groups, the maximum, minimum, and average constant dollar revenue per line in 1979-80 was equal to or slightly higher than in 1973-74. The average revenue per line was up by two or three cents — some six to 16 per cent of the 1973-74 recovery.

Gross retail advertising revenues for the 75 newspapers almost doubled over the seven years. In the circulation groups with from 250,000 to one million weekly circulation, gross revenues more than doubled.

The analysis of national advertising showed that national advertisers paid a substantial premium — especially in newspapers with the largest circulations. In both 1973-74 and 1979-80, the sale of between 11 and 12 per cent of total run-of-press advertising space produced between 19 and 20 per cent of total ROP advertising revenues. The opposite applies in the case of retail advertising; retail advertisers are getting more space for less revenue. But there are differences between the first and last years of the survey, which indicate that the discount being given to retailers is diminishing. In 1973-74, 61.6 per cent of total run-of-press advertising space sold to retailers produced 52.4 per cent of total ROP advertising revenue; in 1979-80 the retail portion of that ROP advertising space was 59.0 per cent, and this earned 52.0 per cent of total ROP advertising revenues.

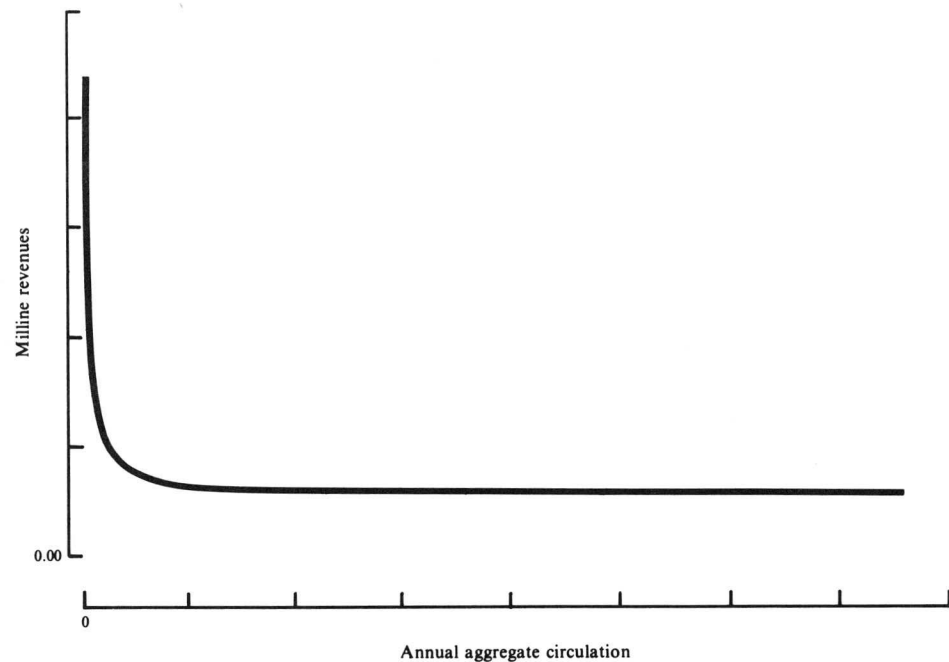
Newspapers with more than one million weekly circulation showed the greatest difference in the relationship between retail advertising space and retail advertising revenue. In both 1973-74 and 1979-80 just less than half of total ROP advertising space was sold to retailers, and this space produced between 42 and 43 per cent of total ROP advertising revenues. This indicates that retailers are getting relatively more space in the largest circulation dailies for their advertising than are those placing national and classified ads.

The shares that each circulation group had of the total retail advertising revenues earned by the 75 newspapers varied little between 1973-74 and 1979-80. Newspapers in the two circulation groups (250,000 to 500,000 and 500,000 to one million weekly circulation) gained slightly, and dailies in the largest and smallest circulation groups lost slightly. Revenue growth for the 75 newspapers was 2.1 per cent; for the circulation groups it ranged between 1.0 per cent for those with less than 250,000 to 4.0 per cent for those with from 250,000 to 500,000.

The following chart plots the 1979-80 retail advertising milline recoveries for all newspapers supplying relevant data; it shows the same characteristics as the chart for national milline recoveries.

Scattergram 2

Retail advertising revenues per milline (circulated line) 1979-80



Classified advertising

Table 47 sets out classified advertising data for the 75 newspapers.

In 1979-80 the space devoted to classified advertising was more than 30 per cent higher than six years earlier. From 292.2 million lines, it jumped to 383.4 million. As a percentage of total ROP advertising space, it was up from 26.5 per cent in 1973-74 to 29.6 per cent in 1979-80. Classified advertising space grew at 4.1 per cent, considerably faster than the growth rate of 1.9 per cent for both national and retail advertising space.

The percentage of space devoted to classified advertising was higher in all circulation groups. Newspapers with the largest circulations registered an increase of 1.1 percentage points in the space devoted to classified advertising; all other circulation categories were up by more than 3.4 percentage points.

The apportionment of classified advertising space in 75 newspapers shifted among the newspaper groups between 1973-74 and 1979-80. All three circulation groups with weekly circulation of less than one million increased their share of the total; the smaller the newspaper group's circulation, the bigger its increase in share

Table 47

Classified advertising data 1973-74 to 1979-80 (75 newspapers)

	Circulation level									
	Total 75 newspapers		Under 250,000 49 newspapers		250,000 — 500,000 8 newspapers		500,000 — one million 11 newspapers		Over one million 7 newspapers	
	1973-74	1979-80	1973-74	1979-80	1973-74	1979-80	1973-74	1979-80	1973-74	1979-80
Classified advertising lines										
millions of lines	292.2	383.4	85.2	122.7	34.5	49.1	93.1	125.8	79.4	85.9
Per cent total ROP lines	26.5%	29.6%	21.1%	24.5%	22.1%	26.4%	30.6%	34.9%	33.6%	34.7%
Per cent share of total	100.0	100.0	29.1	32.0	11.8	12.8	31.9	32.8	27.2	22.4
Growth rate	4.1%		6.1%		5.6%		4.6%			0.4%
Classified advertising — revenue per line (in dollars)										
Maximum			0.280	0.384	0.250	0.371	0.380	0.794	1.152	1.864
Minimum			0.065	0.071	0.070	0.130	0.146	0.197	0.396	0.699
Weighted average			0.155	0.222	0.173	0.281	0.281	0.483	0.715	1.244
Growth rate			(2.9%)		(1.1%)		(0.1%)			0.0%
Classified advertising — total revenues (\$ millions)	\$102.1	\$208.6	\$13.2	\$ 27.2	\$ 6.0	\$13.8	\$26.1	\$ 60.8	\$56.8	\$106.8
Per cent of ROP revenues	27.6%	28.5%	22.1%	24.5%	20.1%	21.5%	25.7%	27.4%	31.7%	32.0%
Per cent share of total	100.0	100.0	12.9	13.1	5.9	6.6	25.6	29.1	55.6	51.2
Growth rate	2.1%		3.1%		4.4%		4.5%			0.4%

of classified space. Newspapers with more than one million weekly circulation dropped 4.8 percentage points in their share. These dailies showed the smallest growth rate, 0.4 per cent, for increases in classified space sales. All other groups had a significant growth.

The maximum, minimum, and average revenue earned per agate line of classified revenue in 1979-80 was either the same as, or lower than, the comparable amount in 1973-74 in constant dollars. This is reflected in the growth rates of the classified revenue earned per agate line. Newspapers with less than 250,000 weekly circulation showed a negative growth rate of 2.9 per cent in their average revenue per classified line; newspapers with 250,000 to 500,000 a negative growth rate of 1.1 per cent. The two other circulation groups stayed about even.

A comparison of the growth rates of classified space sold and of the average revenue per classified line shows that growth in space is in reverse proportion to growth in revenues per line. The newspaper groups with smaller circulations registered the biggest growth in classified advertising space, but also suffered the biggest decrease in the revenues earned per line.

Total classified advertising for the 75 dailies increased from 27.6 to 28.5 per cent of total run-of-press advertising revenues. Newspapers in all of the circulation categories showed an increase in the percentage of total ROP revenues derived from classified advertising.

A comparison of the percentage of ROP advertising space devoted to classified advertising and the percentage of total ROP advertising revenue derived from classified advertising show that newspapers with less than 250,000 weekly circulation neither received a premium nor gave a discount. The same comparison for newspapers in other circulation groups shows that the percentage of revenue in both years was less than the percentage of space; this indicates a lower comparative rate for classified advertisers.

The following chart plots milline revenues for classified advertising on the basis of circulation. It shows the same characteristics seen in comparable charts on national and retail revenues.

Comparison of national, retail, and classified advertising

Two tables making comparisons between the three run-of-press advertising classifications are presented to end this 75-newspaper analysis. The first compares growth rates in advertising; the second outlines, in constant dollars, the revenues earned per agate line.

Table 48 brings together growth rates shown in Tables 45, 46, and 47. It shows the growth rate for advertising lines, average revenue per agate line, and total revenues for retail, national, and classified advertising in each of the four circulation categories.

In the commentary on national, retail, and classified advertising categories, reference was made to changes over the seven years in space, rates, average revenues per line, and gross revenues. From a newspaper's point of view, an increase in revenue per line is more desirable than an increase in space sold. Both increases in revenues per agate line and in space sales likely mean more sales effort. But increased revenues per line mean more revenue per page; increases in space sales mean larger newspapers with higher production and newsprint costs.

Scattergram 3

Classified advertising revenues per milline (circulated line) 1979-80

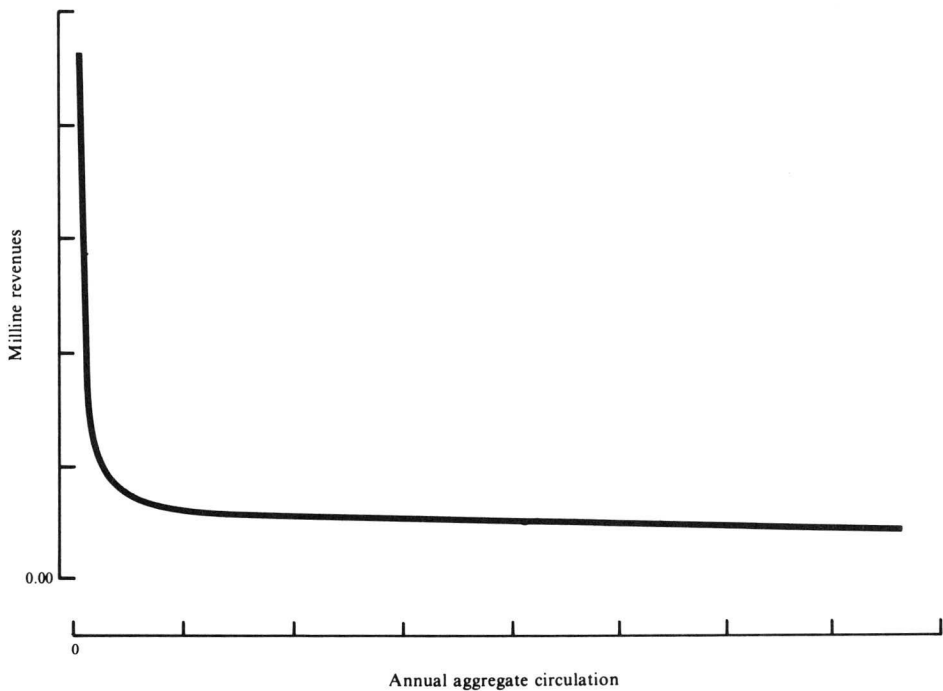


Table 48

Retail, national, and classified advertising growth rates
1973-74 to 1979-80 (75 newspapers—by circulation levels)

	Retail			National			Classified		
	Lines	RPL	Rev	Lines	RPL	Rev	Lines	RPL	Rev
Circulation level									
Under 250,000	2.8%	(1.8)%	1.0%	2.4%	(1.6)%	0.8%	6.1%	(2.9)%	3.1%
250,000 to 500,000	2.0	2.0	4.0	3.7	1.8	5.5	5.6	(1.1)	4.4
500,000 to one million	1.4	2.1	3.5	2.3	0.9	3.3	4.6	(0.1)	4.5
Over one million	0.0	1.2	1.2	0.1	0.6	0.7	0.4	0.0	0.4
All newspapers	1.9		2.1	1.9		1.6	4.1		2.1

RPL — Average revenue per agate line.
() — indicates decline.
Rev — Total revenues

Over the seven years, sales of run-of-press space in the 75 newspapers grew by 2.5 per cent; gross revenues from these advertising sales increased by 2.0 per cent; thus average revenue per line decreased while newspapers grew larger.

The sale of national advertising space increased by 1.9 per cent; gross national advertising revenue rose by only 1.6 per cent; the reduced average revenue per line by newspapers with less than 250,000 weekly circulation more than offset gains registered by newspapers in the other three circulation groups.

Sales of retail advertising space grew by 1.9 per cent, and retail revenues by 2.1 per cent, indicating a general increase in the average revenue per retail line. In this instance the gains in average revenue per line registered by newspapers in the three groups with more than 250,000 weekly circulation more than offset the reduction in revenue per line experienced by the smallest circulation dailies.

The sale of classified advertising space registered the biggest increase, 4.1 per cent, but its growth in gross revenue was only 2.1 per cent. Two groups of newspapers, those with less than 250,000 and with from 250,000 to 500,000 weekly circulation, had a negative growth rate in their average revenue per line. The largest circulation dailies showed unchanged average revenues per line. Only newspapers in the group from 500,000 to one million weekly circulation registered positive growth, but of only 0.2 per cent.

Newspapers with less than 250,000 weekly circulation show a reasonably consistent pattern in their growth rates for lines, average revenue per line, and gross revenues in each of the three run-of-press advertising categories. Their sales of national, retail, and classified space have shown a good growth rate; the growth rate for retail and classified space sales is higher than that of any other circulation group. However, their increase in space sales has been offset to a large extent by the negative growth shown in the average revenue per line. The combination of these factors has led to a positive growth in revenue, but one which is at the low end of the scale when compared with the performance of other circulation groups.

Of the four circulation categories, newspapers with from 250,000 to 500,000 and 500,000 to one million weekly circulation have shown the best performance in revenue growth. They have shown positive growth rates in both space sales and average revenue per line in all three ROP revenue classifications with one exception: newspapers in the smaller group registered a negative growth rate of 1.1 per cent in the average revenue per line of classified advertising. Nonetheless, newspapers with 250,000 to 500,000 weekly circulations had, overall, the highest growth rate in total run-of-press revenues.

Newspapers with more than one million weekly circulation increased their gross advertising revenues primarily through increases in average recoveries per line. This group showed the slowest growth in space sales.

Table 49 sets out the average revenue per agate line in constant dollars for each of the run-of-press advertising classifications for each of these circulation groups. This table is based on data from 77 newspapers in 1973-74 and 88 newspapers in 1979-80; it is consistent with the data on 75 newspapers which was used in the earlier analysis of national, retail, and classified advertising.

This table shows that the greatest recoveries are made from national advertisers. In 1973-74, the per-line advertising revenue recovered from national advertisers was from 28.5 to 79.6 per cent higher than that recovered from retail advertisers. In 1979-80, this premium over retail recoveries dropped to between 24.5 per cent and 67.0 per cent.

Table 49

Advertising recoveries in constant dollars (per agate line) 1974 and 1980

	Retail		National		Classified	
	1974	1980	1974	1980	1974	1980
Circulation level						
Under 250,000	0.123	0.106	0.158	0.132	0.135	0.109
250,000 to 500,000	0.162	0.178	0.224	0.239	0.151	0.150
500,000 to one million	0.293	0.325	0.400	0.417	0.245	0.240
Over one million	0.553	0.587*	0.993	0.980	0.608	0.615

*This appeared incorrectly in the Report of the Commission as .507.

Comparison of retail and classified revenues per line shows that for the largest and smallest circulation groups, classified advertisers pay, on average, more per line than do retailers. In 1973-74, this premium for both circulation groups was about 10 per cent; in 1979-80 it dropped to 2.8 and 4.8 per cent for the smallest and largest circulation groups respectively.

In the other two circulation groups — those with from 250,000 to 500,000 and 500,000 to one million weekly circulation — classified advertisers provide less revenue per line than do retailers. In 1973-74, the average revenue per classified line, compared with the average revenue per retail line, was 6.8 and 16.4 per cent lower for newspapers with 250,000 to 500,000 circulation and for newspapers with 500,000 to one million respectively. In 1979-80, this discount had increased to 15.7 and 26.2 per cent respectively for the two groups.

In all instances, national and classified advertising rates are declining relative to those charged to retailers.

Non-run-of-press advertising

In the seven years under review non-run-of-press advertising has grown significantly. There are three types.

1. *Inserts*: These are distributed as part of a newspaper. They may be printed by the newspaper or may be supplied by the advertiser.
2. *Special supplements*: These include television guides, comics, and other supplements which contain editorial content as well as advertising and which are distributed as part of a newspaper.

3. *Extended controlled distribution publications*: These are distributed free to designated households and are known in the trade as "shoppers". "Shoppers" contain both advertising and editorial copy; the emphasis is generally on advertising. Only those shoppers which were closely tied to a daily editorially (by, for example, containing articles from the daily), by advertising sales (with joint rates with the daily or sold by the same staff), or by production processes (for example, printed on the same presses) were included in this study. In addition, this study excluded those shoppers that were not distributed within the general area served by the daily newspaper.

From 1973-74 to 1979-80, the increase in non-run-of-press advertising revenues has been phenomenal; it has grown more than six times over, and now accounts for 5.6 per cent of all newspaper revenues. Table 50 compares the revenues derived from this form of advertising by circulation levels in 1973-74 and 1979-80 and analyzes the revenue in 1979-80.

Table 50

Other non-ROP advertising revenues (thousands of dollars)

	Total revenues ⁽¹⁾		Percentage of total revenues ⁽²⁾		1980 revenue analysis ⁽¹⁾	
	1973-74	1979-80	1973-74	1979-80	Inserts	"Shoppers" and supplements
Circulation level						
Under 250,000	\$ 1,598	\$10,524	1.8%	5.5%	\$ 7,543	\$ 2,981
250,000 to 500,000	483	4,353	1.3	4.7	3,132	1,221
500,000 to one million	2,544	19,621	1.9	6.5	14,425	5,196
Over one million	5,498	27,506	2.1	5.4	15,564	11,942
Total 1979-80		\$62,004		5.6	\$40,664	\$21,340
Total 1973-74	\$10,123		1.9		\$ 5,396	\$ 4,727

(1) Reporting newspapers only.

(2) Total industry—reporting newspapers and estimates.

Inserts

The number of inserts distributed with all reporting newspapers increased from 2,300 to close to 15,000 in the period from 1973-74 to 1979-80. In 1973-74 the average insert revenue per 1,000 copies sold for newspapers with less than 250,000 weekly circulation was \$35.18; six years later it was \$35.47. For newspapers in all groups with more than 250,000 weekly circulation, the per-1,000 buyer return from inserts was \$23.14 in 1973-74 and \$35.30 in 1979-80. The revenue per 1,000 buyers in all instances was lower in constant dollars in 1979-80 than it was six years earlier.

However, offsetting the drop in per-1,000 buyer revenue was the increase in the number of inserts carried by dailies. In 1973-74, eight newspapers with less than 250,000 weekly circulation reported an average number of 63 inserts per year; in

1979-80, it was 201. For those newspapers with more than 250,000 weekly circulation, the 1973-74 average was 90 and in 1979-80, 322 — for most newspapers, more than one every publishing day.

Supplements and 'shoppers'

In 1979-80 the newspaper industry earned \$17.7 million from advertising in television guides, comics, and other special supplements; in 1973-74 this revenue had amounted to \$4.4 million. The number reporting advertising revenue from supplements was relatively low — the highest number reporting in any one year was 24 — and only 18 dailies reported this type of revenue in all seven years. Of those, 12 were part of the circulation groups with more than 500,000 weekly circulation and they were located in major centres in Alberta, Manitoba, Ontario, and Québec. The remaining six were dailies in Ontario, Québec, and the Atlantic provinces.

The growth rate for advertising revenues from supplements for the largest circulation dailies which reported for all seven years was 11.5 per cent and for those with from 500,000 to one million weekly circulation, 27.0 per cent. Newspapers with less than 500,000 weekly circulation and which reported revenue from supplements throughout the full period had a growth rate of 6.9 per cent. In both 1973-74 and in 1979-80, these smaller-circulation newspapers captured a relatively small portion of the amounts spent by advertisers in special supplements — 6.3 and 6.7 per cent, respectively. The special supplement appears to be a viable advertising revenue source for larger-circulation newspapers in major centres.

While larger-circulation newspapers gain most of the advertising revenue from special supplements, smaller-circulation newspapers — those with less than 250,000 weekly circulation — capture most of the revenue derived from shoppers. In 1973-74, industry revenues from shoppers amounted to \$.3 million, and six years later it had risen to \$3.6 million. Of that amount, 74 per cent went to the smallest-circulation dailies.

Thirty-six dailies reported revenue from shoppers; an additional five newspapers indicated that they issued shoppers but did not have segregated financial data on these operations. The data suggest that shoppers tend to be distributed once a week and that their circulation is about the same or slightly greater than the circulation of the daily newspaper with which they are affiliated.

In 1978-79 and 1979-80, 31 dailies provided complete data on their shopper operations. In 1978-79, 11 shopper operations broke even or made money; in 1979-80, 20 broke even or made money. In 1978-79, these 31 dailies combined lost money on their shopper operations; in 1979-80, they showed a combined net income of about 6.3 per cent on shopper advertising sales. The equivalent per-line revenue for shopper advertising revenue is well below that of retail advertising.

Circulation revenues

Circulation revenues grew from \$136.9 million in 1973-74 to \$234.6 million in 1979-80. Unlike advertising revenues, they have not doubled. In 1973-74, circulation revenues accounted for 23.8 per cent of total industry revenues; six years later, they accounted for 20.2 per cent, a drop of 3.6 percentage points.

The following analysis of circulation revenues is based on returns completed by 78 newspapers which were able to provide consistent data with regard to circulation of the newspaper and circulation revenues and expenses. These 78 newspapers accounted for 88.1 and 91.1 per cent of the industry's total circulation revenues in 1973-74 and 1979-80 respectively. Like the sample selected to analyze run-of-press advertising revenues, these dailies, with the exception of the Winnipeg *Tribune*, are newspapers which are, and which have been throughout the seven years, going concerns.

Because the group is only part of the industry, some of the ratios shown for this group will differ from those outlined for the industry as a whole, which includes not only data from all reporting newspapers but estimates for those newspapers which ceased publication or did not report for all years.

Table 51 sets out circulation data for the 78 newspapers.

The aggregate annual circulation of this group of 78 newspapers increased from 1,301.6 million to 1,508.1 million from 1973-74 to 1979-80. The annual growth rate in circulation was 2.8 per cent.

This share of the total circulation enjoyed by each of the circulation groups did not change appreciably from 1973-74 to 1979-80. Newspapers in the two smaller circulation groups dropped slightly and newspapers in the other circulation groups gained slightly. Newspapers with from 250,000 to 500,000 weekly circulation saw the slowest growth — 1.5 per cent — in their aggregate annual circulation. Those with more than one million weekly circulation had the highest growth rate.

Circulation revenues for this group increased from \$120.6 million in 1973-74 to \$213.8 million in 1979-80. This represented 23.4 and 20.2 per cent of total revenues in 1973-74 and 1979-80 respectively.

Circulation revenues as a per cent of total revenues in 1973-74 ranged from 22.9 to 25.4 per cent; the largest-circulation dailies were at the bottom of this range, and newspapers with from 250,000 to 500,000 weekly circulation were at the top. In 1979-80 the range had dropped and ran from 17.4 to 22.0 per cent; newspapers with from 500,000 to one million weekly circulation were at the low end of the range, and dailies with less than 250,000 weekly circulation were at the high end. While all newspaper groups showed circulation revenues being smaller proportionate to total revenues for the group, newspapers in the 500,000 to one million weekly circulation showed the biggest drop — 5.7 percentage points. The largest circulating dailies showed the smallest drop — 1.8 percentage points.

The growth rate for circulation revenues for these 78 newspapers was nil. Newspapers with 500,000 to one million weekly circulation showed a negative growth rate of 1.5 per cent — the poorest of any circulation group; those with more than one million weekly circulation did the best of the four groups, showing a growth rate of 0.8 per cent.

Circulation revenues reflect the number of copies of a newspaper that are distributed, its cover price, and the discounts given to those purchasing or distributing them. Table 51 presents the circulation revenues per 1,000 purchasers; this is the amount the daily receives for each 1,000 newspapers sold.

There is little pattern in the circulation revenue per 1,000 purchasers by newspapers' circulation revenue. The data suggest that newspapers with the largest circulations (more than one million weekly) get the highest returns; this applied in

Table 51

Circulation data, 78 newspapers — 1973-74 and 1979-80, by circulation levels

	Circulation level									
	Total		Under 250,000		250,000 — 500,000		500,000 —		Over one million	
	78 newspapers		51 newspapers		8 newspapers		11 newspapers		8 newspapers	
	1973-74	1979-80	1973-74	1979-80	1973-74	1979-80	1973-74	1979-80	1973-74	1979-80
Aggregate weekly circulation (millions)	25.9	30.2	5.0	5.4	2.4	2.6	6.7	7.9	11.8	14.3
Aggregate annual circulation (millions)	1,301.6	1,508.1	239.6	270.5	121.8	131.2	339.8	404.6	600.3	701.8
Per cent share of total	100.0%	100.0%	18.4%	17.9%	9.4%	8.7%	26.1%	26.8%	46.1%	46.6%
Growth rate	2.8%		2.2%		1.5%		2.9%		3.2%	
Circulation revenues (\$millions)	\$120.6	\$213.8	\$21.1	\$ 36.0	\$10.5	\$ 18.5	\$31.6	\$ 52.7	\$57.4	\$106.6
Circulation revenues to total revenues	23.4%	20.2%	24.7%	22.0%	25.4%	21.1%	23.1%	17.4%	22.9%	21.1%
Per cent share of total	100.0	100.0	17.5	16.8	8.7	8.7	26.2	24.6	47.6	49.9
Growth rate	0.0%		(0.4%)		0.5%		(1.5%)		0.8%	
Circulation revenues per thousand purchasers	\$ 92.66	\$141.78	\$87.90	\$133.25	\$86.10	\$140.78	\$93.04	\$130.17	\$95.68	\$151.94
Growth rate	(2.7%)		(2.5%)		(1.0%)		(4.3%)		(2.3%)	
Cover price, city zone, Monday-Friday										
Maximum	\$.20	\$.35	\$.20	\$.30	\$.20	\$.35	\$.15	\$.25	\$.15	\$.25
Minimum	.05	.10	.05	.10	.10	.20	.10	.15	.10	.15
Median	.15	.20	.15	.20	.15	.25	.15	.20	.15	.25

both 1973-74 and in 1979-80. However, for the other groups there is no consistent pattern. Newspapers with from 500,000 to one million weekly circulation received the highest circulation revenues per 1,000 purchasers in 1973-74 but the lowest in 1979-80. The reverse was true for newspapers with from 250,000 to 500,000 weekly circulation, which received the lowest circulation revenues per 1,000 purchasers in 1973-74 and the highest in 1979-80.

In all cases, for the full group of 78 newspapers as well as for newspapers grouped by their circulation level, there has been a negative growth rate in the circulation revenue on a per-copy basis. In total these newspapers showed a negative growth rate of 2.7 per cent; newspapers with 500,000 to one million weekly circulation had the poorest performance with a negative growth rate of 4.3 per cent.

Circulation revenue per 1,000 purchasers, when divided by 1,000, gives the average return a newspaper makes on the sale of a single copy. For these 78 dailies the average return per newspaper in 1973-74 was 9.3 cents and in 1979-80, 14.2 cents. In constant dollars, it dropped from 8.1 cents to 7.1 cents. In 1973-74 the range in constant dollars for the average revenue per daily by newspaper circulation levels was from 7.5 to 8.4 cents; in 1979-80, it dropped to 6.5 to 7.6 cents.

Table 51 also sets out the median single copy, city zone cover prices for Monday to Friday editions as well as the range for Monday to Friday. The price range for single newspapers had moved upward; no longer can one buy a daily for five cents. The range of cover prices for Monday to Friday editions of dailies moved from five cents to 20 cents in 1973-74, to from 10 cents to 35 cents in 1979-80. These ranges from minimum to maximum have kept pace with inflation; the equivalent 1979-80 cost of a 1973-74 five-cent newspaper is 8.5 cents, and of a 1973-74 20-cent newspaper, 35.1 cents. A paper that sold for 15 cents in 1973-74 would have to have had a cover price of 26.3 cents in 1979-80 to bring the same return in constant dollars.

Over the seven-year period, newspaper cover prices increased substantially; an increase from 10 cents to 15 cents represents a 50-per-cent price hike; from 25 cents to 30 cents, a 20-per-cent increase. What impact does a cover price increase have on circulation?

The effect is mixed. Small-circulation newspapers in three centres in B.C., Ontario, and the Atlantic provinces increased prices from 15 cents to 20 cents; all suffered losses in reported Monday-to-Friday circulation in the following year. However, another local daily with a circulation of less than 250,000 weekly, this one in Alberta, increased its price three times in the period under examination — from 10 cents to 25 cents. In all cases the reported average Monday-to-Friday circulation continued to rise.

Experience for newspapers with weekly circulation of more than 250,000 is equally varied. An Ontario daily in the 250,000 to 500,000 weekly circulation range increased its price by five cents in 1978-79; circulation remained on the rise. A Québec daily in the same circulation range increased its price by five cents in three succeeding years; in the first two years circulation dropped, but in the third it climbed to exceed its circulation level in the first year. In another instance, two dailies published in one city increased their prices twice in the same years. The circulation of the smaller daily, a tabloid, rose in both years with both price increases; circulation of the other, a broadsheet, dropped after the first increase but

rose after the second. An Ontario paper with more than one million weekly circulation made three price increases over the period. In the year following the first increase, circulation dropped, but for subsequent increases it rose. Finally, a Québec tabloid increased its prices from 15 cents to 20 cents and from 20 cents to 25 cents over a two-year period; the price increases did not slow its circulation growth.

Other revenues

The amounts of "other" revenues — neither advertising nor circulation — reported by the industry were low, \$9 million and \$19.3 million in 1973-74 and 1979-80 respectively. "Other" revenues amounted to 1.6 and 1.7 per cent of total industry revenues in each of the two years. The low level was anticipated; the survey was designed to get financial information on newspaper operations only. Respondents were asked to exclude interest income and expense, income taxes, and revenues and expenses related to other "non-newspaper" activities. An exception to the exclusion of "non-newspaper" activities was permitted only if sundry operations such as contract typesetting and printing were accounted for and not segregated in the newspaper accounts, and if these revenues and expenses were immaterial in amount.

For newspapers with less than 250,000 weekly circulation, other newspaper revenues amounted to 3.1 and 3.4 per cent of total revenues in 1973-74 and 1979-80 respectively. To some of these newspapers, these non-newspaper revenues can have a material effect on profitability. Indeed, for a few small-circulation newspapers they may make the difference between earning a profit or recording a loss.

5

Industry expenses

In 1979-80 newspaper expenses exceeded \$1 billion. Over the six years, they more than doubled.

The composition of expenses shifted in the seven-year period. Table 52 compares the percentage composition of newspaper expenses by circulation groups.

Cost characteristics

The newspaper industry is characterized by economies of scale. The following chart plots cost per circulated page against aggregate annual circulation in 1979-80.

Scattergram 4

Newspaper costs per page by aggregate annual circulation 1980

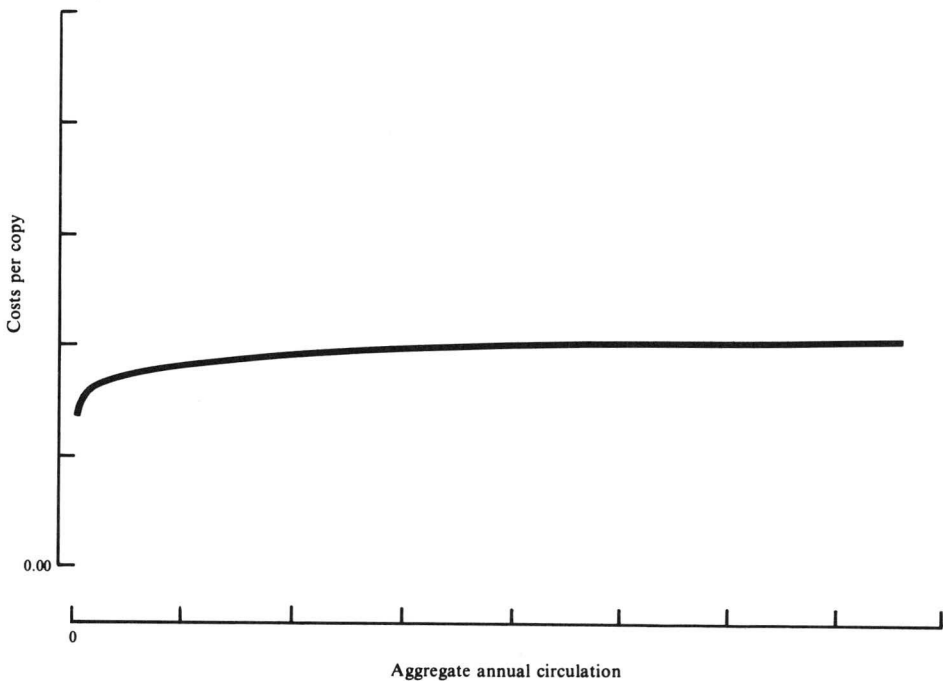


Table 52

Percentage composition of newspaper expenses by circulation levels, 1973-74 and 1979-80

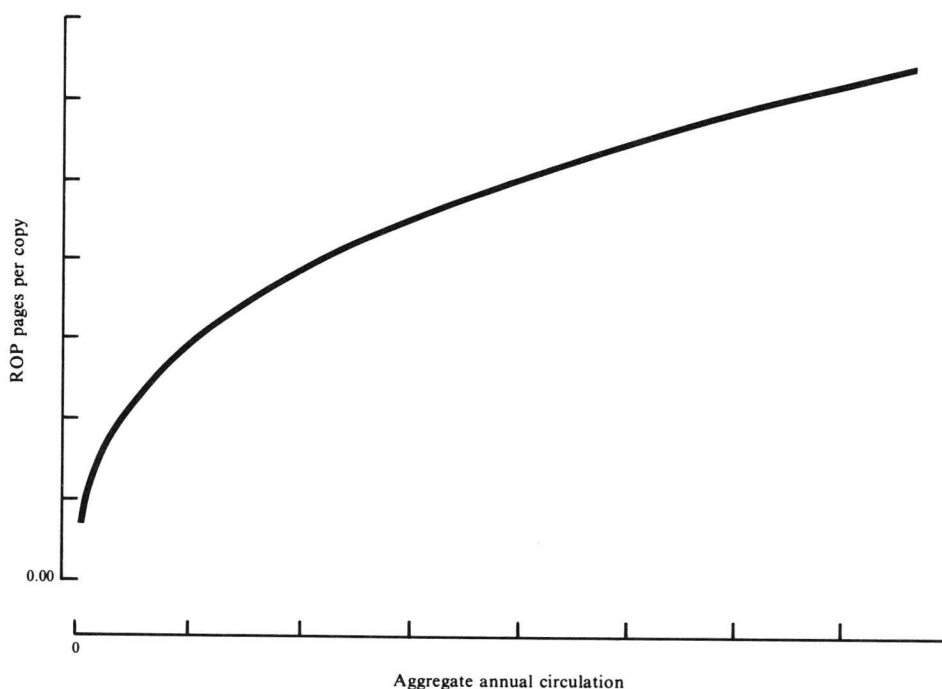
	Circulation level									
	Total all newspapers		Under 250,000		250,000 to 500,000		500,000 to one million		Over one million	
	1974	1980	1974	1980	1974	1980	1974	1980	1974	1980
Production										
Newsprint	19.9%	23.1%	10.4%	14.2%	17.5%	19.5%	20.5%	24.3%	23.0%	26.2%
Printing	26.8	22.7	30.0	26.3	30.5	25.8	27.7	22.3	24.6	21.0
Circulation and distribution	13.4	15.0	9.9	13.1	12.7	12.9	12.8	14.9	14.8	16.2
Advertising and marketing	9.3	9.5	9.2	10.3	7.9	9.3	9.9	10.5	9.4	8.8
Administration and other	14.5	12.3	25.4	19.0	15.3	14.8	11.0	10.4	12.7	10.5
Editorial expenses	16.1	17.4	15.0	17.1	16.2	17.6	18.0	17.6	15.6	17.3
Expenses included above:										
Wages and benefits	48.2	44.0	53.1	48.9	47.8	45.0	50.0	44.4	46.1	41.9
Depreciation	2.7	2.7	2.4	2.7	4.0	2.8	3.2	2.9	2.2	2.6
Total expenses as a percentage of total revenues	84.3	91.0	75.2	79.0	95.0	101.6	83.5	87.4	85.5	94.7

The chart shows economies of scale within the newspaper industry. The cost per circulated page for lower circulation dailies is substantially higher than for larger papers. The curve parallels that for milline advertising recoveries and explains why the larger papers can charge less per circulated line of advertising than the smaller ones.

A critical element in determining newspaper costs, however, is the size of the newspaper — the number of run-of-press pages, not counting inserts and special supplements, included in each issue. The relationship of a newspaper's size to its circulation is demonstrated in the following chart which plots the average run-of-press pages per newspaper against aggregate annual circulation in 1979-80.

Scattergram 5

Newspaper size (in pages) per copy by aggregate annual circulation 1980



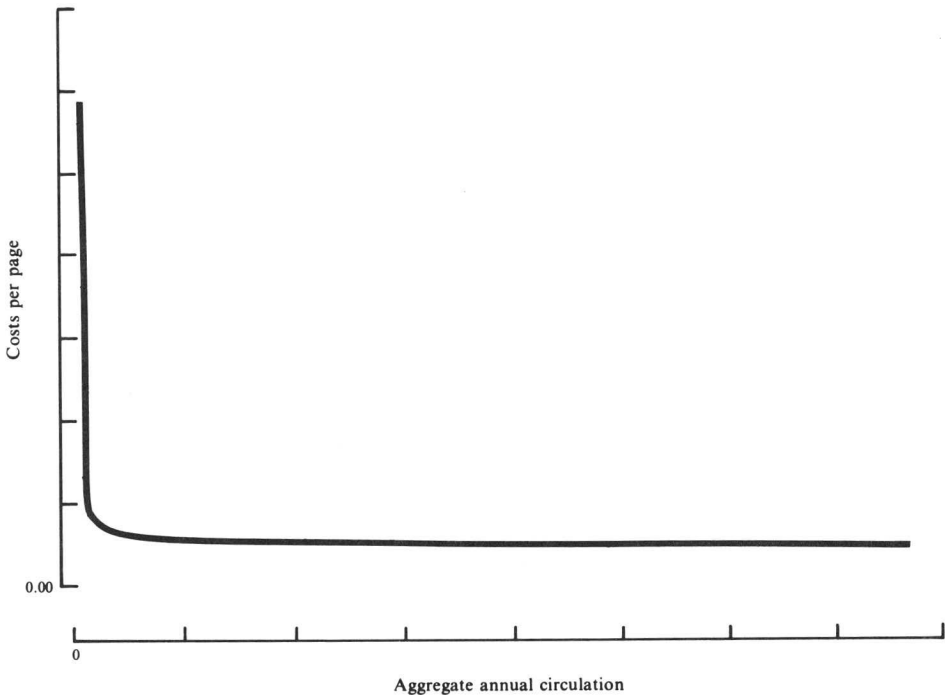
This curve shows that as aggregate annual circulation increases, so does the size of the newspaper.

These two charts are brought together in the following chart which plots total costs per newspaper copy against aggregate annual circulation in 1979-80.

The chart shows that the smallest-circulation newspapers have lower costs per copy. However, only a few enjoy this advantage. As circulation rises, the curve rises steeply and then almost levels off. In fact there is a slight rise to the curve, suggesting that the cost per copy increases marginally as circulation increases. The economies resulting from the lower cost per circulated page in the larger newspaper have been offset by an increase in the number of pages it prints. In other words, economies of scale disappear into making the newspaper larger.

Scattergram 6

Newspaper costs per copy by annual aggregate circulation 1980



This chapter first looks at salaries, wages, and benefits — expenses which are reflected in all departments — and then examines newspaper expenses by five functional areas: production (including newsprint), editorial, advertising sales, circulation and distribution, and administration.

Salaries, wages, benefits, and employment

Employee costs are the largest single expense for the newspaper industry. In 1973-74, they were \$234.1 million or 48.2 per cent of total newspaper expenses; in 1979-80, they had risen to \$465.6 million, but had fallen to 44.0 per cent of total expenses.

There were in 1979-80 nearly 21,000 people employed by Canadian newspapers — up from an estimated 19,500 in 1973-74. Tables 53 and 54 set out employment statistics for 70 consistently reporting newspapers by their circulation levels. Table 53 gives growth rates in numbers of full-time employees by functional area from 1973-74 to 1979-80, and Table 54, the percentage employment by departments in 1973-74 and 1979-80.

These two tables show a number of changes that have occurred in the full-time employment patterns in most newspaper circulation groups. There is a negative growth rate for production employees; their numbers are decreasing. The growth of editorial and marketing and circulation employees is the highest. There has been

Table 53

Growth rates (1973-74 to 1979-80) for full-time employees in major functional areas by circulation levels

Functional area	Circulation levels			
	Under 250,000 47 news- papers	250,000 to 500,000 6 news- papers	500,000 to one million 11 news- papers	Over one million 6 news- papers
Production	(5.7)%	(1.5)%	(0.9)%	(1.4)%
Marketing and circulation	1.4	2.3	3.1	0.9
Administration	(0.2)	0.1	4.1	(0.4)
Editorial	2.2	1.4	2.6	2.9
All functional areas	(1.2)	0.5	1.6	0.5

Table 54

Percentage full-time employees by newspaper departments by circulation levels 1973-74 — 1979-80

Functional area	Circulation levels							
	Under 250,000 47 newspapers		250,000 to 500,000 6 newspapers		500,000 to one million 11 newspapers		Over one million 6 newspapers	
	1973 -74	1979 -80	1973 -74	1979 -80	1973 -74	1979 -80	1973 -74	1979 -80
Production	40.8%	31.4%	40.1%	35.4%	39.6%	33.8%	35.0%	31.5%
Marketing and circulation	25.5	29.5	28.6	32.5	29.0	32.0	34.8	35.7
Administration	12.3	12.9	9.3	9.3	7.3	8.6	11.4	10.9
Editorial	21.5	26.3	22.0	22.8	24.1	25.6	18.8	21.9

little change in the numbers of administrative employees. For all circulation groups employment is up marginally.

There are, however, two exceptions to these changes in employment patterns. The group of newspapers with the smallest circulation has been able to reduce employees; over the seven years, there has been a negative growth rate of 1.2 per cent. In spite of the fact that newspapers with from 500,000 to one million weekly circulation have shown significant growth in their numbers of administrative employees, the ratio of administrative employees to total employees is still smaller than that shown in other groups.

Table 55 shows total full-time and part-time employees in 1979-80 for the industry; in addition it outlines the percentage of full-time employees at the start and end of the study period for a small group of 20 dailies which supplied data for all seven years. The data suggest that the larger the newspaper's circulation, the greater the amount of part-time help it employs.

Table 55

Total employees, full and part-time, 1979-80, and percentage of full-time employment 1973-74 and 1979-80*

	Total employees 1979-80			Percentage* full-time employees		Growth rates*	
	Total	Full time	Part time	1973-74	1979-80	Full time	Part time
Circulation level							
Under 250,000	4,836	4,309	527	90.0%	88.2%	0.2%	3.2%
250,000 to 500,000	2,167	1,960	207	92.7	89.1	0.8	8.8
500,000 to one million	5,613	4,879	734	90.7	85.6	0.4	9.5
Over one million	8,261	7,927	334	N/A	N/A	N/A	N/A
Total	20,877	19,075	1,802	90.9	87.0	0.4	7.8

*Based on reports from 20 newspapers.

Newsprint

Next to salaries, wages and benefits, newsprint constitutes the largest single cost in the production of a newspaper. Newsprint rose from 19.9 per cent of total newspaper costs in 1973-74 to 23.1 per cent in 1979-80; its compound annual growth rate was 5.9 per cent. Table 56 sets out, by circulation categories, newsprint costs as a percentage of total costs and the growth rate in newsprint costs.

Table 56

*Newsprint as a percentage of total expenses
1973-74 to 1979-80*

	1973-74	1979-80	Growth rate
Circulation level			
Under 250,000	10.4%	14.2%	8.4%
250,000 — 500,000	17.5	19.5	9.1
500,000 — one million	20.5	24.3	7.4
Over one million	23.0	26.2	4.3

Newsprint costs for the industry as a whole are growing faster than total industry expenses; no dailies show a growth rate in newsprint costs that is less than the 4.1-per-cent growth rate shown in total industry costs.

Two factors, other than circulation, affect a newspaper's consumption of newsprint — the number of pages in each edition and the number of pages produced from a ton of newsprint. The cost per ton of newsprint affects overall costs only.

Earlier in the chapter it was shown that in 1979-80 newspapers with larger circulations produced larger newspapers. This was also the case in 1973-74. But in the intervening period all newspapers tended to grow in size. The following table shows, by circulation levels, how newspapers have grown in the number of pages in each issue.

Table 57

*Average number of ROP pages per issue
1973-74 to 1979-80*

	Average pages per issue		Growth rate
	1973-74	1979-80	
Circulation level			
Under 250,000	16	31	11.4%
250,000 to 500,000	41	57	5.7
500,000 to one million	63	76	3.2
Over one million	66	85	4.3

The number of pages produced from a ton of newsprint varies within the industry. Some dailies are able to increase the number of pages per ton by adjustments to their page size, by using lighter paper, and by skilful manipulation of paper on the presses so that wastage is reduced. Newspapers with less than 500,000 weekly circulation got, on average, fewer pages per ton in 1979-80 than they did in 1973-74. On the other hand, newspapers with more than 500,000 aggregate weekly circulation have been able to increase the number of pages per ton. The increase was small — 1.5 per cent for newspapers with 500,000 to one million weekly circulation, and 2.7 per cent for the largest dailies. In 1979-80, the largest dailies produced 164,900 pages per ton of newsprint, whereas those with less than 250,000 circulation produced 144,400 pages per ton.

Only 73 newspapers were able to give data for all seven years about their consumption of newsprint. Newspapers in all circulation categories, except the largest, consumed significantly more in 1979-80 than in 1973-74. The increase for the smallest newspapers was 35.6 per cent; for newspapers with 250,000 to 500,000 weekly circulation, 29.8 per cent; and for those with 500,000 to one million weekly circulation, 36.2 per cent. The newsprint consumed by dailies with more than one million weekly circulation dropped by 3.7 per cent. This drop is partially explained by the fact that the Vancouver *Province* and *Sun* did not publish for half of the year, whereas in 1973-74 there were no work stoppages affecting newspapers in this group.

The final factor that adds to overall newsprint costs is the cost per ton. Table 58 sets out costs per ton. The first part of the table sets out the average cost per ton by circulation categories; it covers only those newspapers which reported for all seven years. The second part outlines costs per ton on a geographic basis. The table does not include data relating to Thomson newspapers. In each of the seven years, all Thomson newspapers had newsprint costs that varied by no more than \$1 to \$2 per ton. It would appear from this data that Thomson arranged its purchase of newsprint so that all of its dailies, regardless of their location or of their newsprint consumption, are charged for newsprint at the same laid-down cost. Thomson's per-ton newsprint costs fell within the ranges outlined in Table 58.

Table 58

*Average newsprint cost per ton
1973-74 and 1979-80 (in constant dollars)
(Newspapers reporting for all seven years,
excluding Thomson newspapers)*

	1973-74	1979-80
Circulation level		
Under 250,000	\$168	\$167
250,000 to 500,000	143	160
500,000 to one million	152	162
Over one million	139	168
Region		
B.C.	\$143	\$165
Prairies	165	166
Ontario	140	159
Québec	168	171
Atlantic provinces	178	166

Table 58 shows no consistent pattern by circulation levels. The high cost per ton in 1979-80 for the largest newspapers is explained by the fact that two paid substantially higher prices (some 18 per cent higher) than others.

On the basis of geography, the table shows that the wide variances found in 1973-74 had been somewhat reduced in 1979-80. The largest jump in costs per ton was in British Columbia, where the price went from \$143 (constant) in 1973-74 to \$165 in 1979-80. The compound annual growth rate was 2.4 per cent in B.C. — less than that attributable to the industry's national newsprint costs, which ran at 5.9 per cent.

Thus total newsprint costs for the industry are affected by five factors: the three factors relating to newsprint consumption — circulation, number of ROP pages, and pages per ton; the price per ton (in constant dollars); and inflationary price increases reflecting the Canadian economy as a whole. Table 59 presents examples of how these factors affected the 1973-74 newsprint costs of five individual newspapers. Newspaper "A" had the smallest circulation in 1979-80 and newspaper "E", the largest; the range of aggregate weekly circulation of these dailies was from 100,000 to one million.

The percentage represents the increase of 1979-80 costs from 1973-74 costs. Thus, if newspaper "A" had newsprint costs of \$100,000 in 1973-74, they would be \$419,100 in 1979-80 (a base cost of \$100 and a 319.1-per-cent increase); of the \$319,100 increase, \$53,100 would be attributable to changes in newsprint consumption, \$44,200 to changes in the constant dollar price per ton for newsprint, and \$221,800 to the cumulative impact of inflation on both the base cost (\$100,000) and on the costs of increased consumption (\$53,100). The percentage assigned to inflation is, therefore, cumulative, reflecting both base-year costs and costs of the increased consumption.

Table 59*Factors affecting total newsprint costs**The impact of inflation and of changes in consumption and price on total newsprint costs for five newspapers, 1973-74 to 1979-80*

		Newspaper A	Newspaper B	Newspaper C	Newspaper D	Newspaper E
Newsprint consumption						
Hypothetical consumption						
1973-74 — tons	(A)	100.0	100.0	100.0	100.0	100.0
Increases (decreases)						
1979-80 over 1973-74						
Circulation		27.4	(0.2)	1.5	2.5	1.3
ROP pages per issue		34.7	7.6	8.3	35.5	(1.1)
Pages per ton		(8.6)	(3.1)	11.8	(4.9)	(4.7)
Allowance for uneven variations		4.5	(0.1)	3.1	(0.8)	—
Consumption 1979-80	(B)	157.9	104.2	124.7	132.3	95.5
Newsprint price						
Hypothetical price per ton 1973-74	(C)	\$100.0	\$100.0	\$100.0	\$100.0	\$100.0
Real price increase		28.5	10.0	10.0	15.3	16.7
Price per ton 1979-80 (in 1973-74 dollars)	(D)	\$128.5	\$110.0	\$110.0	\$115.3	\$116.7
Total newsprint costs						
1973-74 — (A) × (C)		\$10,000.0	\$10,000.0	\$10,000.0	\$10,000.0	\$10,000.0
1979-80 (in 1973-74 dollars) — (B) × (D)	(E)	\$20,290.2	\$11,462.0	\$13,717.0	\$15,254.2	\$11,144.9
1979-80 (in current dollars) after inflation*		\$35,609.2	\$20,115.8	\$24,073.3	\$26,771.1	\$19,559.2

*(E) × % change in gross national expenditure implicit price index

The table shows that four of the five newspapers had increases in circulation; four of the five papers increased the number of run-of-press pages; four of the five papers were able to produce more pages per ton of newsprint. Only one newspaper showed an overall decrease in consumption.

Production costs — pre-press and printing

In 1979-80 production costs other than newsprint were 22.7 per cent of all newspaper costs — down from 26.8 per cent in 1973-74. The annual growth rate of these expenses for the industry was 2.5 per cent.

Production costs are made up of three main elements: pre-press costs, which are incurred to transform editorial and advertising copy into newspaper format ready to go on the presses; printing costs, to print the required number of copies of any edition; and building and depreciation costs, which are the costs of the physical plant

and machinery. Table 60 sets out production costs as a percentage of total newspaper costs and analyzes the major elements for a group of 68 newspapers.

The table shows the major drop that has occurred in total production expenses for all circulation groups within the industry. All circulation groups with the exception of the largest saw a drop of more than five percentage points in their total production expenses as a percentage of total expenses. The growth rate of total production expenses showed a slight increase over the seven-year period — 1.7 per cent. Newspapers with the smallest circulation had a negative growth rate of 0.3 per cent.

Pre-press expenses include cost of composing, photo-engraving, and platemaking. In this group of 68 newspapers, they accounted for 47.4 per cent of total production costs in 1979-80, down 6.8 percentage points from their 1973-74 level.

For small-circulation dailies and those with 500,000 to one million weekly circulation, pre-press expenses decreased by 10 percentage points in relationship to total production costs; the largest dailies had a drop of just more than four percentage points. However, newspapers with 250,000 to 500,000 weekly circulation experienced a drop of only 0.1 percentage points.

Pre-press costs do not reflect economies of scale; as shown in Table 60, pre-press costs per run-of-press page increase as circulation rises. In constant dollars, all circulation groups recorded a decrease in the pre-press costs per ROP page, the largest drop being recorded by newspapers with less than 250,000 weekly circulation, and the smallest by those with 250,000 to 500,000.

Printing costs include pressroom expenses, other production expenses (mechanical, electrical, etc.), inks, and other production supplies. Printing costs relative to total production costs increased slightly. Inks and other supplies accounted for an increasing share; for most circulation groups they have nearly doubled as a percentage of total production expenses.

Printing costs per million circulated pages are set out in Table 60. Per-page printing costs in constant dollars in 1979-80 were generally at the same level or lower than comparable costs in 1973-74. They show, with one important exception, that the printing costs per page tend to decrease as the number of pages increases. The exception is for the group of newspapers with more than one million weekly circulation; its cost per page is higher than that of newspapers with 500,000 to one million weekly circulation. The highest-circulation dailies also produce the largest number of run-of-press pages. The data suggest that the optimum economies in printing ROP pages may be achieved at a level lower than that at which the largest newspapers are operating.

Depreciation on buildings, machinery and equipment and building expenses constituted 22.0 per cent of total production costs in 1973-74 and 23.7 per cent in 1979-80. Depreciation charges account for about half of that.

Charges for depreciation of buildings are reasonably consistent throughout the industry. With one exception they run between two and three per cent of the cost of buildings throughout the full seven years. The exception is found in the case of newspapers with 250,000 to 500,000 weekly circulation, where the charges run in the three-per-cent range and rise to 4.5 per cent in 1979-80. Thomson and Southam published notes on their fixed-asset depreciation policies in their annual financial statements. Both write off their buildings over an anticipated useful life of 40 years

Table 60

Production expenses data, 1973-74 to 1979-80

	Total		Under 250,000		250,000-500,000		500,000 one million		Over one million	
	68 newspapers	1973-74	1979-80	44 newspapers	1973-74	1979-80	11 newspapers	1973-74	7 newspapers	1979-80
Production expenses										
As percentage of expenses	27.2%	22.2%		31.7%	25.1%		27.7%	22.3%	24.7%	20.8%
Growth rate	1.7%			(0.3)%			2.5%		1.9%	
Per cent of total production expenses										
Pre-press	54.2	47.4		66.5	56.2		57.2	47.0	46.6	42.5
Printing	20.4	22.6		19.0	21.3		15.5	19.1	25.3	26.5
Inks and other production supplies	3.5	6.4		1.7	3.7		3.9	6.3	4.2	7.8
Building and depreciation (bldg. and machinery expenses)	22.0	23.7		12.8	18.9		23.3	27.6	23.9	23.2
Pre-press costs per ROP page	(65 newspapers)			(42 newspapers)			(11 newspapers)		(6 newspapers)	
Printing and inks per million circulated ROP pages	\$ 73	\$ 95		\$ 40	\$ 45		\$ 86	\$ 109	\$ 126	\$ 179
Total production costs per thousand circulated newspapers	318	545		634	953		278	476	300	531
	86	134		79	115		93	145	83	130

or at a rate of 2.5 per cent per annum. It appears that this policy is followed generally throughout the industry.

There is less consistency in the charges for depreciation of machinery and equipment. Based on the recorded cost of these assets, depreciation charges ranged in 1973-74 from 2.5 to 8.0 per cent of cost, and in 1979-80 from 4.8 to 8.2 per cent. In the mid-years of the study, newspapers with circulation from 250,000 to 500,000 weekly had depreciation charges between 9.1 and 11.1 per cent. Published annual reports for companies owning newspapers show variations in depreciation rates for machinery and equipment. Thomson writes off its machinery and equipment over periods from 10 to 25 years at rates from four to 10 per cent. Southam depreciates its equipment in equal annual instalments over 10 years. Torstar's depreciation range is from 6.7 to 8 per cent per annum. A comparison by newspapers' circulation levels indicates that the smaller dailies depreciated machinery and equipment at lower rates than larger dailies.

Table 60 also sets out total production costs per thousand circulated newspapers. It shows that the total production cost of a single newspaper in 1973-74 was \$.086 and in 1979-80 was \$.134. In constant dollars the production cost for each newspaper in 1979-80 was lower than it was in 1973-74. Comparison of the average cost of producing a newspaper and the median cover price (Table 51) shows that the net recovery ranged from \$.058 to \$.067 at the start of the period and from \$.055 to \$.120 at the end; in both current and constant dollars, there was a drop at the lower end of the range and in constant dollars, little change at the upper end.

Both the costs and savings in most capital spending are reflected in the production area. The costs are reflected in annual charges for depreciation; the savings resulting from capital expenditures in new technology are reflected in lower per-unit pre-press and production costs. Table 61 sets out the capital expenditures made over the six years between 1973-74 and 1979-80 for the industry as a whole and by each of the circulation groups.

The groups of newspapers with less than 250,000 and with 500,000 to one million weekly circulation spent proportionately more on fixed assets than newspapers in the other two circulation groups. Their respective shares of industry

Table 61

Capital expenditures 1973-74 to 1979-80

	Total industry 1974-80	Under 250,000 1974-80	Circulation levels		Over one million 1974-80
			250,000 to 500,000 1974-80	500,000 to one million 1974-80	
Capital expenditures					
Total	\$250.2	\$ 53.5	\$ 20.3	\$ 72.3	\$104.1
Per cent of industry	100.0%	21.4%	8.1%	29.0%	41.5%
Machinery and equipment	\$163.2	\$ 32.6	\$ 15.0	\$ 46.0	\$ 69.6
Per cent of industry	100.0%	20.0%	9.2%	28.2%	42.6%
Percentage of total capital expenditure	65.2	60.9	73.9	63.4	66.9

revenues in 1973-74 and 1979-80 were, for the smallest circulation group, 16.6 and 16.6 per cent, and for those with 500,000 to one million weekly circulation, 23.8 and 26.0 per cent; the share of total industry capital expenditures for the full seven years was 21.4 and 29.0 per cent.

For the industry, 65.2 per cent of all capital expenditures went into machinery and equipment. Those newspapers with less than 250,000 circulation invested 60.9 per cent of their capital expenditures on machinery and equipment; this group was at the low end of the range. At the other end were newspapers with from 250,000 to 500,000 weekly circulation; 73.9 per cent of their capital expenditure went into machinery and equipment.

Editorial costs

For the purposes of this study, editorial costs have been separated into three items: first, a newspaper's internal costs, made up of editorial salaries and wages and other editorial office expenses, such as library, photography, travel, and telephone; second, the news and syndicated services from Canadian and foreign sources; and third, the amounts paid for purchase of editorial sections or supplements (television guides, color comics, weekend supplements) and for non-staff correspondents and stringers.

Table 62 analyzes editorial expenses of 72 newspapers by circulation groups. The changes that have occurred in editorial costs over the seven years for these newspapers are representative of the industry.

The funds devoted to editorial expenses increased slightly, from 16.4 to 17.0 per cent of total industry costs. Only one circulation group, dailies with 500,000 to one million circulation, had a drop. In 1973-74 this group spent considerably more for editorial expenses than the industry as a whole; in 1979-80 its editorial expenses had dropped by 1.4 percentage points from their 1973-74 level, and they were in line with total industry spending on editorial material. Editorial costs have grown at an annual rate of 4.4 per cent — slightly higher than total newspaper expenses.

Table 62 shows a significant shift in the three items making up total editorial costs. For the 72 newspapers examined, internal costs in relation to total editorial costs decreased by 6.9 percentage points; amounts spent on purchased news increased by 7.7 percentage points. This shift occurred in all newspaper circulation groups. The smallest change took place in newspapers with less than 250,000 weekly circulation, where the increase was 3.6 percentage points. The largest change was in newspapers with more than one million weekly circulation, where the increase was 9.3 percentage points. In effect, the increased spending on editorial activity was used to purchase editorial material in the form of special supplements, television guides, and so on.

Analysis of total industry expenditures confirms that the increased spending on purchased news by this group of 72 dailies is indicative of a change within the total industry. In 1973-74, 2.1 per cent of total industry expenses were for purchased editorial content; in 1979-80, this rose to 3.9 per cent. Expenses on internal editorial costs dropped from 12.3 to 11.9 per cent in 1973-74 and 1979-80 respectively. News service costs remained unchanged.

In both 1973-74 and 1979-80, news services and syndicated materials accounted for about 10 per cent of the total cost of the editorial package. Canadian news and syndicated services garnered the biggest portion of amounts paid; foreign news services took less than two per cent.

Table 62

Editorial expenses data 1973-74 to 1979-80

	Circulation level									
	Total		Under 250,000		250,000 — 500,000		500,000 — one million		Over one million	
	72 newspapers		47 newspapers		8 newspapers		10 newspapers		7 newspapers	
	1973-74	1979-80	1973-74	1979-80	1973-74	1979-80	1973-74	1979-80	1973-74	1979-80
Editorial expenses to total expenses	16.4%	17.0%	16.1%	17.6%	16.3%	17.4%	17.9%	17.5%	15.4%	16.5%
Growth rate	4.4%		4.0%		6.9%		3.8%		4.5%	
Per cent of editorial expenses										
Internal costs	75.8	68.9	75.8	73.3	81.5	76.5	79.2	72.3	72.4	63.8
News services	10.8	10.0	19.2	18.1	11.1	9.4	17.3	10.8	7.8	7.1
Purchased news	13.4	21.1	5.0	8.6	7.4	14.1	9.4	16.9	19.8	29.1
Total editorial costs per thousand circulated newspapers										
Current dollars	\$ 53	\$108	\$ 42	\$ 84	\$ 48	\$108	\$ 60	\$117	\$ 55	\$113
Constant dollars										
Internal and news services	40	42	35	38	39	46	48	49	38	40
Purchased news	6	11	2	4	3	8	5	10	10	16
Total	46	54	37	42	42	54	53	59	48	56
Total editorial costs per ROP page	\$ 83	\$159	\$ 31	\$ 54	\$ 52	\$108	\$103	\$192	\$184	\$388
ROP editorial page	197	343	65	108	124	246	285	474	455	834

Inter-corporate and intra-corporate charges for editorial expenses were relatively low, running at about one per cent of total editorial costs throughout the seven years. Southam disclosed in its 1980 annual report that the costs of operating its news service were \$1.9 million. (This rose to \$2,306,000 for 1981.)

Editorial costs are incurred before the first newspaper of any edition is printed. They are a variable cost that relates directly to run-of-press pages or to ROP editorial pages. Table 62 sets out editorial costs per ROP page and per ROP editorial page.

This table indicates that as newspaper circulations increase, so do their editorial costs per page — whether on the basis of general run-of-press pages or ROP editorial pages. The relationships between editorial costs per page and the circulation groups is such that each group has approximately double the costs of the group immediately below it in circulation level.

An analysis of the editorial costs per page shows little change in constant dollars. On an ROP editorial page basis, newspapers in groups with from 250,000 to 500,000 and with more than one million weekly circulation had higher costs per page in 1979-80 than they did in 1973-74; for the other two circulation groups the reverse was true.

The editorial costs per thousand circulated newspapers — or per thousand daily purchasers — are set out in current and constant dollars in Table 62; the constant dollar analysis segregates the costs of purchased news and other costs. This analysis confirms the earlier observation that most increases in editorial costs have been to purchase editorial material rather than to generate it within a newspaper.

The analysis of editorial costs per 1,000 circulated newspapers shows that as circulation grows, so do editorial costs per newspaper for the three circulation groups with less than one million weekly circulation. However, newspapers in the larger group have recorded costs that are less than those of newspapers with from 500,000 to one million weekly circulation.

Advertising sales expenses

Advertising sales expenses include all costs of selling advertising (retail, national, classified, inserts), as well as those of market support (promotion, creative services, market research), and bad debts and other discounts and allowances.

As a percentage of total expenses, the cost of advertising sales remained in a fairly tight range over the seven-year period — from 9.0 to 9.5 per cent. In 1973-74 they were 9.3 per cent of total expenses; they fell in 1974-75 to 9.0 per cent, and gradually rose over the following five years to 9.5 per cent.

Another measure of advertising sales expenses is their relationship to total advertising revenues. In 1973-74, they were 10.5 per cent of total advertising revenues and in 1979-80, 11.1 per cent. They dropped in 1974-75 to 9.9 per cent and gradually rose through the remainder of the period. This proportionate drop in advertising sales expenses was reflected in all circulation categories with the exception of those with less than 250,000 weekly circulation. Table 63 sets out the relationship between advertising sales expenses and total advertising revenues in the first and last years of the seven-year survey.

Table 63

*Advertising sales expenses
as a percentage of total advertising revenues
1973-74 and 1979-80*

	1973-74	1979-80
Circulation level		
Under 250,000	9.5%	10.8%
250,000 to 500,000	10.3	12.1
500,000 to one million	10.9	11.5
Over one million	10.7	10.7

The growth rates for marketing expenses relate directly to those for total advertising revenues: newspapers in circulation groupings which had the largest increases in advertising sales expense also experienced the greatest increase in advertising revenue growth. For the industry as a whole, the advertising sales expenses increased at an annual growth rate of 4.8 per cent and the advertising revenues at 3.4 per cent. Newspapers with 250,000 to 500,000 weekly circulation had a growth rate in advertising sales expense of 8.7 per cent and in advertising revenues of 5.1 per cent; both were the highest of any circulation grouping. Newspapers with 500,000 to one million had a 5.8-per-cent increase in expenses and a 4.8-per-cent increase in revenues. The highest-circulation newspapers had an increase in advertising sales expenses of 4.1 per cent and of total advertising revenues of 2.7 per cent. Lowest in terms of increases in both expenses and revenues were those newspapers with less than 250,000 weekly circulation; their advertising sales expenses increased by 3.2 per cent and their advertising revenues by 2.5 per cent.

Bad debts make up a part of advertising sales expenses. In 1973-74, bad debts accounted for 1.0 per cent of total advertising revenues, and in 1979-80 for 1.2 per cent. At the start of the survey period the smallest and largest-circulation newspapers had the highest ratio of bad debts to total advertising sales — 1.1 per cent. However, in 1979-80 only the smallest-circulation newspapers varied from the overall industry average of 1.2 per cent; this newspaper grouping had 1.3 per cent of total advertising sales in bad debts.

Advertising sales expenses for each run-of-press advertising page rise as the circulation of a newspaper increases. In 1979-80, based on the analysis of a group of 77 newspapers, the average of advertising sales expense per run-of-press advertising page was \$138; newspapers with small circulations had a cost of \$56 per million run-of-press advertising pages, whereas the largest circulation dailies had comparable costs of \$275. Over the seven years, dailies with less than 250,000 weekly circulation reduced, in constant dollars, their sales costs per advertising page while the costs for all other circulation groups remained steady or increased.

Forty-seven newspapers reported inter-corporate or intra-corporate charges for marketing expenses. These charges represent non-arm's length costs from other parts of the proprietorship owning a newspaper. Inter-corporate and intra-corporate charges for marketing accounted for 4.0 per cent of total advertising sales expenses for these 47 newspapers in 1979-80.

Circulation and distribution expenses

Circulation expenses (which include costs of subscription handling, mailroom, distribution, and depreciation of motor vehicles) rose from 13.4 per cent to 15.0 per cent for the industry as a whole in the seven-year period. In 1973-74, circulation expenses, as a percentage of total newspaper expenses, were lowest for the low-circulation papers and rose progressively to be highest for the high-circulation papers; the percentages of circulation and distribution costs to total expenses for the four circulation categories from smallest to largest were 9.9, 12.7, 12.8, and 14.8 per cent. This relationship was almost repeated in 1979-80, the only difference being that the smaller-circulation papers had a higher percentage cost (by 0.2 percentage points) than those with weekly circulation from 250,000 to 500,000. In 1979-80, the circulation and distribution costs as a percentage of total newspaper costs for the four circulation categories were 13.1, 12.9, 14.9, and 16.2 per cent for each of the categories from smallest to highest circulation.

Another comparison is that between circulation and distribution costs and total circulation revenues. For the industry as a whole, circulation and distribution costs were 47.4 per cent of circulation revenues in 1973-74 and rose to 67.5 per cent in 1979-80. Table 64 compares 1973-74 with 1979-80 and sets out circulation and distribution costs as a per cent of circulation revenues.

Table 64

Circulation and distribution costs as a percentage of circulation revenues — 1973-74 and 1979-80

	1973-74	1979-80
Circulation level		
Under 250,000	31.0%	49.1%
250,000 to 500,000	47.9	61.6
500,000 to one million	46.2	74.6
Over one million	53.3	72.7

Circulation revenues for the industry have shown a negative growth in the seven years under review. Related costs, however, have grown at 5.8 per cent, some 1.7 percentage points above the growth rate for total industry expenses. Only the largest-circulation newspapers have a growth rate for circulation and distribution expenses below this rate; dailies with more than one million circulation had a growth rate of 3.9 per cent; however, their circulation and distribution costs were at the highest level in 1973-74 compared with the other circulation groups.

Table 65 sets out, for a group of 77 consistently reporting dailies, circulation and distribution costs in current dollars per 1,000 newspapers for the start and end of the period under review.

A factor leading to higher circulation and distribution costs for the large newspapers is their high circulation outside their city of publication. Only two of eight newspapers with circulation of more than one million reported that less than 10

Table 65

*Distribution costs per thousand circulated
newspapers in constant dollars —
1973-74 and 1979-80*

	1973-74	1979-80
Circulation level		
Under 250,000	\$25	\$32
250,000 to 500,000	31	37
500,000 to one million	38	48
Over one million	48	63

per cent of their circulation was in areas other than the city zone and retail trading zone. Of the 11 newspapers with weekly circulation between 500,000 and one million, a majority (seven) had less than 10 per cent circulation outside the city and retail trading zone.

Administration

Administrative costs represented 12.3 per cent of total industry costs in 1979-80, down from 14.5 per cent in 1973-74. The 1979-80 percentage varies by circulation category. For newspapers with the smallest circulation, administrative costs represented 19.0 per cent of total costs; for other circulation groups, in ascending order of size, administrative costs were 14.8, 10.4, and 10.5 per cent. There was a slight shift downward in these costs in all newspaper groups in the seven years included in the study.

Analysis shows that administrative costs are a function of size; as a newspaper becomes large, its proportionate administrative expenses drop. This also applies partially to administrative employees. Smaller newspapers have, proportionate to total employees, the largest numbers of administrative employees. As newspaper size increases, the proportion of administrative employees drops. However, there is an upward shift in this percentage for the largest circulation newspapers.

Newspapers were asked to report research and development expenses, and these were grouped with administrative costs. Few reported any expenditures in this area. At their maximum level midway through the survey period, they amounted to less than one-half of one per cent of total newspaper expenses.

For many smaller circulation newspapers, a significant part of their administrative costs is made up of inter-corporate and intra-corporate expenses or non-arm's length management fees or charges for administrative services from other parts of the proprietorship owning the newspaper. These inter-corporate and intra-corporate charges accounted for more than 25 per cent of total administrative costs in the case of some 45 newspapers.

6

Industry profitability, assets employed, and special analyses

From 1973-74 to 1979-80, both gross revenues and expenses of daily newspapers more than doubled. Both now exceed the billion-dollar mark. Over the seven years as a whole, industry expenses grew at a faster rate than industry revenues — 4.1 and 2.2 per cent respectively. Consequently, industry profits dropped when measured in real terms, with the impact of inflation removed. This was the effect of developments in the latter part of the seven-year period, and should not be interpreted as necessarily constituting a continuing trend.

Tables 66, 67, and 68, however, set out relationships between newspaper revenues, expenses and net income for 1973-74 and 1979-80. Table 66 presents total expenses and income as a percentage of gross revenues for each of the circulation groups. Table 67 sets out the share of each of the circulation groups of the industry's revenues, expenses, and net income. Table 68 compares, for each of the circulation groups, growth rates from the first to last of the seven years, for total revenues and expenses.

Table 66 shows the broad relationships between revenue, expenses, and income within each of the circulation groups. Gross expenses in relationship to gross revenues were higher for all groups in 1979-80 than they were six years earlier. The corollary of this is that net income for each of the groups and for the industry as a whole was lower in 1979-80 than in 1973-74.

Table 66

Expenses and net income as a percentage of revenues by circulation levels, 1973-74 and 1979-80

	Gross revenues		Gross expenses		Net income	
	1973-74	1979-80	1973-74	1979-80	1973-74	1979-80
Circulation level						
Under 250,000	100.0%	100.0%	75.2%	79.0%	24.8%	21.0%
250,000 to 500,000	100.0	100.0	95.0	101.6	5.0	(1.6)
500,000 to one million	100.0	100.0	83.5	87.4	16.5	12.6
Over one million	100.0	100.0	85.5	94.7	14.5	5.3
All newspapers	100.0	100.0	84.3	91.0	15.7	9.0

Table 67

Percentage share of total industry revenues, expenses, and net income by newspaper circulation level 1973-74 and 1979-80

	Gross revenues		Gross expenses		Net income	
	1973-74	1979-80	1973-74	1979-80	1973-74	1979-80
Circulation level						
Under 250,000	16.6%	16.6%	14.8%	14.5%	26.1%	39.0%
250,000 to 500,000	10.0	12.6	11.2	14.0	3.2	(2.1)
500,000 to one million	23.8	26.0	23.6	24.9	25.1	36.4
Over one million	49.6	44.8	50.4	46.6	45.6	26.7

Table 68

*Compound annual growth rates
gross revenues and expenses
1973-74 to 1979-80*

	Gross revenue	Gross expenses
Circulation level		
Under 250,000	2.6%	3.8%
250,000 to 500,000	6.4	8.5
500,000 to one million	3.7	4.9
Over one million	0.4	2.6
All newspapers	2.2	4.1

Newspapers comprising the smallest circulation groups are unique to the extent that their profits, expressed as a percentage of gross revenues, were substantially higher than the dailies in the other groups. The group with 250,000 to 500,000 weekly circulation was consistently at the bottom of the industry in profitability measured as a percentage of gross revenues.

The groups with both the smallest and largest circulations, which were the highest in profitability expressed as a percentage of gross revenue, showed a consistent pattern; their profits, expressed as a percentage of gross revenues, moved downward in a fairly gradual and steady manner over the seven years. The performance of those newspapers in the group with circulation between 250,000 and 500,000 per week was more erratic. The net income earned by this group moved from 5.0 per cent of gross revenues in 1973-74 to 12.0 per cent in the following year; over the next five years, it declined fairly steadily to reach a loss position in 1979-80. Newspapers from 500,000 to one million weekly circulation recorded profits which declined from 16.5 to 10.7 per cent of gross revenues from 1973-74 to 1978-79, and then increased in 1979-80 to 12.6 per cent.

Table 67 sets out the percentage share of gross revenues and expenses and of net income enjoyed by each of the circulation groups. The table shows that in 1979-80, the smallest dailies earned 16.6 per cent of the industry's total revenues, spent 14.5 per cent of the industry's total expenditures and captured 39.0 per cent of the industry's net income, or profit. This group's performance in 1973-74 differed little, but its share of the industry's net income was less — 26.1 per cent. These newspapers showed a consistent pattern over the seven years in garnering each year the largest share of industry profits. Newspapers with 250,000 to 500,000 weekly circulation achieved their high mark in percentage take of industry profit in 1974-75, when they took 7.8 per cent; after that they experienced a steady decline. In that same year and in the following year, newspapers with the highest circulation levels hit their high points in share of industry profits — taking 48.9 per cent in both years; after that their share of industry profits declined at an accelerating rate.

Not all newspapers are profitable. Of the 103 reporting, 25 reported losses in one or more years. In three years (1975-76, 1978-79 and 1979-80), 11 dailies reported losses; in 1974-75, 10 reported losses. In other years, losses were recorded by from three to eight newspapers. In total, 60 loss years were recorded by individual newspapers in the seven-year survey. There were 10 newspapers that had losses in more than three years and they accounted for 42 of the total 60 loss years. The losses recorded in the industry were incurred by newspapers at all circulation levels and by both newly-established dailies and those that had been in business for many years.

Return on net assets employed

A critical measure of profitability is return on net assets employed.

The net assets employed in the industry totalled \$482.2 million in 1979-80, up from \$274.8 million in 1973-74. Table 69 summarizes data relative to the industry's newspaper assets and liabilities by the circulation levels of newspapers.

Comparison of 1973-74 and 1979-80 data shows that the share of the industry's assets employed by each of the circulation groups varied only slightly over the seven years. The shares of newspapers with 250,000 to 500,000 weekly circulation and those with more than one million diminished; the shares of the other two circulation groups (less than 250,000, and 500,000 to one million) increased, as they had, in 1979-80, a relatively higher net book value for their fixed assets than they had in 1973-74. In 1979-80, it amounted to about 64 per cent of their net assets. For the other circulation groups, the net book value of their fixed assets amounted to less than 60 per cent.

The distribution of net assets among the circulation groups is roughly the same as the distribution of industry revenues. There are variations of one or two percentage points. The group of newspapers with from 500,000 to one million weekly circulation showed a consistent relationship between their percentage share of net industry assets and industry revenues; in both 1973-74 and in 1979-80, they received slightly more (less than one percentage point) of industry's revenues than they had invested in industry assets. Other circulation groups were ahead in one year and behind in the other. The group of dailies with from 250,000 to 500,000 weekly circulation showed the widest variance. In 1973-74, their take of industry revenues was 10.0 per cent, and their share of industry assets 12.0 per cent; in 1979-80 the

Table 69

Net assets employed, 1973-74 and 1979-80, by circulation levels

	Total		Circulation levels							
			Under 250,000		250,000 to 500,000		500,000 to one million		Over one million	
	1973-74	1979-80	1973-74	1979-80	1973-74	1979-80	1973-74	1979-80	1973-74	1979-80
Fixed assets										
At cost	\$305.7	\$497.2	\$57.4	\$95.6	\$40.7	\$57.6	\$82.5	\$129.5	\$125.1	\$214.4
Net book value	172.8	286.9	29.4	57.4	22.6	28.2	44.5	78.0	76.4	123.4
Per cent of industry										
At cost	100.0%	100.0%	18.8%	19.2%	13.3%	11.6%	27.0%	26.0%	40.9%	43.2%
Net book value	100.0	100.0	17.0	20.0	13.1	9.8	25.8	27.2	44.1	43.0
Current assets	\$ 93.3	\$196.4	\$15.1	\$33.8	\$10.2	\$19.5	\$20.7	\$ 46.8	\$ 47.3	\$ 96.3
Per cent of industry	100.0%	100.0%	16.2%	17.2%	10.9%	9.9%	22.2%	23.8%	50.7%	49.1%
Net assets employed	\$274.8	\$482.2	\$44.8	\$90.4	\$33.0	\$47.4	\$64.5	\$121.1	\$132.4	\$223.3
Per cent of industry	100.0%	100.0%	16.3%	18.8%	12.0%	9.8%	23.5%	25.1%	48.2%	46.3%

situation reversed, with newspapers in this group taking 12.6 per cent of industry revenues with an investment of only 9.8 per cent of the total industry net assets.

The concept of return on net capital employed (RONAE) has been discussed earlier. In summary, it looks at the relationship between earnings (net income or profit) and the net assets employed (the net investment made) to earn that money. Table 70 sets out return on net assets — or capital — employed by the various circulation categories.

Table 70
Return on net assets employed — 1974 and 1980

	1974	1980
Circulation level		
Under 250,000	53.0%	45.0%
250,000 to 500,000	8.7	(4.8)
500,000 to one million	35.0	31.4
Over one million	31.2	12.5
All newspapers	32.9	21.6

The levels of return in Table 70 are generally indicative of the performance of each newspaper group throughout the seven-year period. Dailies with less than 250,000 weekly circulation out-performed all other groups. In four years, the RONAE of this group exceeded 50 per cent; in the last three years it dropped to between 45 and 50 per cent. The group of newspapers with from 250,000 to 500,000 weekly circulation did poorest. In three years, its RONAE was less than 10 per cent, and in the final year it suffered a loss. In the other years its return was between 17.6 and 24.4 per cent. The RONAE of the other two circulation groups was in the same general range with one exception. Newspapers with from 500,000 to one million weekly circulation earned a RONAE of from 22.2 to 35.0 per cent over the seven years. Newspapers with more than one million weekly circulation earned a return in the range of 22.6 to 36.9 per cent in the first six years of the study; in the last year, it dropped to 12.5 per cent.

English and French newspapers

The operations of 10 French-language newspapers were compared with a sample of 10 English-language newspapers. Both groups shared the same circulation levels — three newspapers with less than 250,000 weekly circulation, three newspapers with 250,000 to 500,000, two with 500,000 to one million, and two with more than one million. The English-language group included three independents and one tabloid; the French group included two independents and two tabloids.

It is important to keep in mind that there is some inter-relationship between the categories English/French and broadsheet/tabloid. Most English-language circulation is accounted for by broadsheets; a much larger proportion of French-language circulation is accounted for by tabloids. In the following comparison of

English and French-language papers, the circulation of tabloids in the respective samples was 13.9 per cent and 26.1 per cent in 1974. These proportions grew over the period so that tabloid circulation was respectively 24.2 per cent and 46.3 per cent of the English and French-language samples in 1980. The comparison is nevertheless meaningful, since, as will be seen, the directions of change in many areas are contrary; comparison of English and French-language papers yields different results than that between broadsheets and tabloids.

The composition of revenues in the two groups showed significant differences. For the French-language dailies, retail advertising revenues expressed as a percentage of total revenues dropped from 38.7 per cent in 1973-74 to 35.0 per cent in 1979-80. In English-language newspapers retail advertising revenues rose from 33.9 per cent at the start of the study period to 35.8 per cent in 1979-80. National advertising, as a percentage of total revenues, was higher in the English-language dailies, but it dropped gradually over the seven-year period. National advertising in the French press remained stable and in 1979-80 was 3.9 percentage points under the English-language group. French-language newspapers did not get the same classified advertising revenues as their English counterparts; classified advertising revenues in English-language newspapers were some 50 per cent higher than those of the French-language dailies, and this was reflected in the composition of their revenues.

The biggest difference in revenue composition is in the proportion of circulation revenues earned by the two groups. The French-language press derived 30.3 and 28.6 per cent of gross revenues from circulation in 1973-74 and 1979-80, respectively. The comparable figures for the English group were 23.0 and 20.3 per cent.

The growth rate in total revenues of the English-language group exceeded that of the French-language group. The French-language newspaper group had a growth rate in total revenues of 4.6 per cent, compared with 5.1 per cent for the English-language group.

There were also some differences in the expenses. In 1973-74, total production costs including newsprint accounted for 44.7 per cent of all newspaper expenses in French-language dailies; this grew to 48.4 per cent in 1979-80. In 1973-74, 42.2 per cent of total expenses of English-language dailies went into newsprint and production costs; this increased to 46.9 per cent in 1979-80. Circulation and distribution expenses and advertising and marketing expenses were proportionately lower for French-language dailies in all years. In the first two years of the study, administrative costs for English-language dailies were comparable with those of the French-language group, but during the remainder of the period, administrative costs of the English group dropped and were considerably lower than those of the French group. French-language dailies invested slightly more in editorial activity than did those in the English group. The French-language newspapers devoted proportionately more of their run-of-press pages to editorial copy than did the English-language newspapers.

Salaries, wages and benefits also follow differing patterns. Total employee costs for the French-language newspapers moved upward from 47.3 to 49.4 per cent in the seven years. The costs in English-language dailies moved from the same starting point of 47.0 per cent and steadily decreased over the seven years to 40.8 per cent in 1979-80.

Overall expenses in the French-language dailies rose at a compound annual rate of 5.8 per cent, compared with revenue growth of 4.6 per cent. The compound annual growth rate in expenses for English-language dailies was 7.9 per cent, compared with revenue growth of 5.1 per cent.

Income, expressed as a percentage of total revenues, for the English-language group declined steadily from 18.6 per cent in 1973-74 to 8.5 per cent in 1979-80. Net income of French-language dailies dropped from 8.6 per cent in 1973-74 to a low of 1.4 per cent in 1978-79. In 1979-80, the French-language newspapers earned a net income of 6.8 per cent of revenues.

The English-language dailies did better than the French-language group in terms of return on net assets employed (RONAE) in all years except one. In 1973-74, the RONAE for the English-language group was 45.7 per cent and in 1979-80, it was 22.7 per cent. These two percentages were the upper and lower limits of the range of RONAE for the English-language group except for 1977-78, when it dipped to 18.1 per cent. On the other hand, the RONAE for the French-language newspapers was 18.7 and 18.8 per cent in 1973-74 and 1979-80 respectively. The range of RONAE for the French-language newspaper group was from 3.6 to 23.3 per cent. Only in 1977-78 did the French-language newspaper group show a higher RONAE than the English-language group — 23.3 and 18.1 per cent respectively.

Tabloid and broadsheet newspapers

In 1979-80, there were four major tabloids being published in Canada. The two French-language tabloids were established in the 1960s and the two English-language tabloids in the 1970s. These tabloids, in 1979-80, had substantial aggregate weekly circulation — one in the group of 250,000 to 500,000, another in the group 500,000 to one million, and two in the group with more than one million. During the 1970s, these tabloids were in a period of significant growth; from 1973-74 to 1979-80, their revenues grew more than five times over, whereas industry revenues only doubled.

The tabloids show different characteristics from broadsheets in the composition of both revenues and expenses. Although over the seven-year period, both tabloids and the broadsheets saw a drop in proportion of total revenues derived from circulation, their circulation revenues differed significantly. In 1973-74, tabloids received 43.2 per cent of gross revenues from circulation, and this declined steadily to 31.8 per cent at the end of the period. Broadsheets dropped from 23.0 to 18.7 per cent.

Circulation expenses for the tabloids are about half of what they are for the broadsheets. As a percentage of total expenses, circulation and distribution costs for the tabloids ranged from 5.9 to 8.1 per cent, and for the broadsheets from 13.8 to 15.9 per cent.

The amounts derived from retail advertising by both tabloid and broadsheet newspapers were about the same in 1979-80 — 37.6 per cent for the tabloids and 38.2 per cent for the broadsheets. The percentage of revenue derived from retail advertising by the tabloids gradually increased over the seven years, whereas it remained relatively stable for the broadsheets. The tabloids ran behind the broadsheets in the percentage of revenues they derived from national, classified, and non-ROP advertising.

In 1979-80, production costs — including newsprint, typesetting, and printing — accounted for 60.4 per cent of the tabloids' total expenses; for the broadsheets they were 44.1 per cent. The tabloids' total production costs went up gradually; four years earlier they were 56.5 per cent. On the other hand, the total production costs for broadsheets declined; their high point was four years earlier when they were 47.5 per cent. Newsprint accounted for 34.4 per cent of the total expenses of tabloids, whereas for the broadsheets it was only 22.0 per cent in 1979-80.

Both employee costs and administrative costs for the tabloids ran less than those of the broadsheets. In 1979-80 total employee costs for the tabloids were 41.1 per cent of total expenses, and for the broadsheets 44.3 per cent. Administrative expenses for the tabloids were 5.1 per cent of total expenses in 1979-80, whereas for the broadsheets they were 12.9 per cent.

Net newspaper income as a percentage of gross revenues for the tabloids rose gradually over the period; for the broadsheets, it declined. In the final three years of the study the net income of tabloids, expressed as a percentage of gross revenues, was from 1.8 to 6.0 percentage points higher than that earned by the broadsheets. In the earlier years of the study the opposite was true. In the final two years of the study, both tabloids and broadsheets earned a comparable return on net assets employed; the difference was less than two percentage points in both years. However, in the earlier years of the study with one exception, the broadsheets had a much better RONA. The exception occurred in 1977-78, when the tabloids did considerably better than the broadsheets in RONA.

Profitability of newspapers and broadcasters

Earlier in this study, comparisons were made of the changes that have occurred in audiences and advertising revenues of daily and weekly newspapers, radio, and television. This section compares, on the basis of RONA, the profitability of the daily newspaper industry with that of broadcast media (radio and television) over the years 1973-74 to 1979-80; data are not available on the profitability of weekly newspapers.

Although RONA serves as a common basis for comparing inter-media profitability, there are limitations to the utility of this measure. For example, a number of broadcast facilities are multi-media in nature; commonly, AM and FM radio signals as well as TV signals originate from the same plant in which power sources, technical equipment, and staff are shared. Different broadcast signals may produce a differentiated range of broadcast channels for public consumption, although a common headquarters accommodates a single sales force and a shared administration and multi-purpose plant. In dealing with an owner involved in more than one medium, fine distinctions in terms of RONA are sometimes not possible because certain costs are shared, and others are arbitrarily allocated.

Comparisons made in this section are based on an examination of all the net income (before income taxes and interest), net assets employed, and RONA of individual newspapers and broadcast outlets in nine cities. Where there was more than one daily, the largest newspaper was used. The broadcast medium selected for comparison was the radio or television station whose RONA fell at the mid-point (i.e., was the median) for all broadcasters with a reach of more than 20 per cent in that city.

The data show that the net assets employed were much higher for daily newspapers than for broadcasters; the range of net assets employed for dailies was from \$33.9 million to \$45.3 million, and for the broadcast media from \$.3 million to \$6.1 million. The median net assets employed for the newspaper industry was \$13.1 million and for broadcasters, \$1.5 million.

In this study, the range of RONA E for daily newspapers ran from a negative 10.4 per cent to a high of 79.3; for the broadcasters the range was from 12 per cent to 70. In four cases, the RONA E of the largest newspaper in a city was higher than that of the median broadcaster in the same location; in three cases the reverse was true; and in two centres there was little difference between the RONA E of the newspaper and that of the median broadcaster. However, the median RONA E for the broadcasters was higher than that of the daily newspapers; the mid-point RONA E for broadcasters was 43 per cent, and for newspapers 28.1.

This comparison of RONA E was extended to two earlier years — 1973-74 and 1976-77 — and included the largest daily and median broadcaster in seven of the nine cities examined in 1979-80. The findings are comparable. In both years, daily newspapers had a broader range of RONA E — in 1973-74 from 7.1 per cent to 144.9 and in 1976-77, from 8.1 per cent to 133.4. There was a smaller range for the median broadcaster in the same two years — 17 per cent to 86, and 19 per cent to 66 respectively. In 1973-74, the dailies had a higher median RONA E (40.5 per cent) than did the broadcasters (37 per cent), whereas in 1976-77, the mid-point for the broadcasters was 48.5 per cent (compared with 37.5 per cent for the daily newspapers). In 1973-74, five daily newspapers had higher RONA E than the median broadcaster in the same city; in 1976-77 the case was reversed.

This limited analysis shows that dailies and broadcasters receive comparable returns. The conclusion is confirmed in another analysis — a comparison of the relative ranking, by RONA E, of all media in 13 cities or regions over the seven-year period. In the 91 cases examined, 14 daily newspapers ranged first in terms of RONA E; four newspapers scored first in more than one year and two newspapers achieved the number one position only once. In the same 91 instances, 10 daily newspapers did the poorest in terms of RONA E: three came in last position in more than one year and two others in one year only.

Newspaper owners

Five of Canada's newspaper chains and the leading "independent" (the *Toronto Star*) are owned or controlled by public corporations. They are: Gesca Ltée (controlled by Power Corporation of Canada), Quebecor Inc., Southam Inc., Thomson Newspapers Limited, The Toronto Sun Publishing Corporation, and Torstar Corporation. Private companies or individuals owning newspaper chains are Armadale Co. Limited, Bowes Publishers Limited, the Irving family, Northumberland Publishers Limited, Sterling Newspapers, and UniMédia Inc.

Public corporations are required by law to provide shareholders with audited financial statements each year. Recently, many public companies have published limited segmented financial information on distinguishable components of their enterprises which provide a single product or service (or group of related products or services) to the public. Some financial information is segmented on the basis of geography. A company's financial statements are usually incorporated into an

annual report which provides shareholders not only with financial data on the corporation but also written reports on its activities. These published annual reports are generally available to the public.

Private corporations are also required to send audited financial statements to their shareholders each year, but these documents are rarely available to the public. Thus, certain financial data on the operations of public corporations are available to the public, but little if any financial data is available on the operations of private corporations. All data that has been submitted to the Commission and used as the basis of much of this study is confidential.

The published annual reports of public corporations owning newspaper chains give some limited information as to the size and profitability of their daily newspaper operations.

Quebecor, Southam, and Torstar publish segmented financial information on their operations. Quebecor divides its operations into five segments, one of which is publishing. Its publishing operations include its three dailies (in Montréal, Québec City, and Philadelphia), its weekly newspapers, magazines, books, and directories. One of the Southam segments is newspapers; this includes the operations of its weekly, *Financial Times of Canada*. Torstar also segregates its newspaper operations; they include the weeklies Torstar publishes in the Metro Toronto area. The Toronto *Sun* does not publish segmented data, but does divide its revenue between newspaper operations and other activities.

Comparison of newspaper revenues of Southam, Toronto *Sun*, and Torstar with those of the total industry gives a rough measure of their share of the industry's gross revenues. In 1977-78, the "newspaper" revenues of these three public corporations amounted to about 37 per cent of gross industry revenues. In the succeeding two years their share increased to about 41 and 43 per cent respectively.

Thomson Newspapers reported that for the year ended December 31, 1980, revenues from its Canadian operations were \$274.4 million, and income before interest, income taxes, and general corporate expenses was \$62.5 million. Thomson's 1980 fiscal year did not fall within the period covered by this study. However, total industry revenues and net income for 1979-80 — the year earlier than Thomson's 1980 figures — were \$1,163.2 million and \$104.3 million, respectively.

The published financial data therefore make it reasonable to think that the owners of Canada's newspaper chains and largest circulating dailies comprise the largest portion of industry revenues and profits.

The owners of the daily newspaper chains are not exclusively in the business of running newspapers. For example, Thomson Newspapers Limited, which is controlled by the Thomson family, is a part of that family's mixed conglomerate which has interests in wholesaling, retailing, real estate, oil and gas, insurance, and financial and management services. Both Southam and Torstar are in the communications/information industry; Southam publishes a wide range of business publications, directories, and newsletters, and runs trade shows, while Torstar publishes weekly newspapers, consumer magazines, and romantic fiction novels. And so the list goes on. Over the period from 1973-74 to 1979-80, these companies both grew and diversified their operations and holdings. A major source of the funds required for their growth and diversification was internally generated.

Therefore in considering the position of the owners of Canada's newspapers, a few main factors stand out. First, the newspaper industry is more profitable than most. Second, the corporations owning newspaper chains or controlling a large amount of circulation appear to capture the largest share of newspaper industry profits. Third, newspaper chains have been getting larger; there is growing concentration in the industry. Fourth, internally-generated profits help further corporate growth and diversification.

The danger inherent in these factors is that the owners of newspapers can pay less attention to the public responsibilities of the daily press than to other interests within their corporate enterprises.

The authors wish to acknowledge the substantial assistance of DMR & Associates, computing specialists, and Prof. Yves Rabeau of the department of economics of the University of Montréal in completing this study.

Appendices

APPENDIX I

Data sources and bibliography

Public sources of newspaper and related industry data

Public data on the finances, operations, ownership and control of the newspaper industry and of weekly newspapers and the broadcast media are limited and vary in their reliability. This section outlines the various public data sources used in this study.

Audit Bureau of Circulations

Circulation data are the most readily available and probably the most reliable. Most Canadian newspapers and a wide variety of periodicals and publications belong to the Audit Bureau of Circulations (ABC). A few dailies and a large number of weeklies do not choose to be audited by ABC. For a fee, ABC audits and attests to circulation information prepared by management. This audited information is made available to the public in a number of publications such as *ABC Factbook*.

BBM Bureau of Measurement

BBM performs the same functions as ABC for its members. Its *BBM Radio Reach/Portée* and *Télévision BBM Television Reach/Portée* survey results appear annually. They give a geographic analysis of the audience for each station and re-arrange this data to show the extent to which stations are being viewed or listened to in a region.

Maclean Hunter Limited

Both circulation and national advertising rate data appear in *Canadian Advertising Rates and Data* (CARD), a monthly publication of Maclean Hunter Limited. CARD includes information on nearly all periodicals in Canada — daily and weekly newspapers and consumer, business, specialty, and general magazines and journals. CARD publishes circulation data on the basis of publishers' sworn statements, ABC audits, or other certification.

While CARD cannot be depended on to be exhaustive in its listings or entirely up-to-date, it is a useful reference and the most comprehensive census of media in Canada.

All advertising data collected by Statistics Canada — on newspapers, radio, television, periodicals, and other media — are usefully analyzed and summarized in a report issued annually by the Maclean Hunter Research Bureau, *A Study of Advertising Expenditures in Canada*. This report incorporates estimates of advertising revenue data not yet collected or processed by Statistics Canada.

Published annual reports

Financial data on the operation of specific daily newspapers are generally not publicly available. The annual financial statements of private corporations are usually distributed only to their shareholders. Public corporations send their shareholders annual audited financial statements; these become public documents. In 1980, six public corporations owning daily

newspapers did so: Power Corporation of Canada (Gesca), Quebecor Inc., Southam Inc., Thomson Newspapers Ltd., The Toronto Sun Publishing Corporation, and Torstar Corporation. Southam, Torstar, and Quebecor showed separately the consolidated results of their daily and weekly newspaper operations. All of these published annual reports may meet or exceed the statutory requirements of financial disclosure both of applicable legislation and of the Canadian Institute of Chartered Accountants, but they provide no more than an overview of their company's total activities.

Statistics Canada

A source of financial data on the daily newspaper industry is Statistics Canada's *Printing, Publishing and Allied Industries*.¹ Data collected by Statistics Canada are published on the basis of Standard Industrial Classifications (SIC). Daily newspaper operations can be classified as SIC 288 (publishing only) or 289 (printing and publishing), depending on the nature of a company's operations. Statistics Canada publications analyze industry revenues, although there can be some problems segregating the revenues of dailies and weeklies. Expense analyses tend to be broad and general. Statistics Canada data are published for the industry as a whole; no analyses are given on the basis of, for example, a newspaper's size or ownership.

Statistics Canada also provides analyses of inter-corporate ownership. Statistics Canada presents its interpretation of data derived from the annual Canadian Labor Union Reporting Act returns to the federal Government. It attempts to identify the individual or entity that has effective control of each corporation in Canada that has sales or assets in excess of \$500,000 or \$250,000 respectively. Control may not be synonymous with majority shareholding.

Trade associations

A public source of data on the daily newspaper industry is the Canadian Daily Newspaper Publishers Association (CDNPA). Its database is narrow, however, because not all daily newspapers hold CDNPA membership.

The weekly newspaper trade group, the Canadian Community Newspaper Association (CCNA), also provides public data. Only about half of the community newspapers in Canada, and only a handful of French-language community newspapers, belong to this organization.

There are also several provincial and regional organizations of community newspapers with information on local member publications. There are three such organizations in Québec. Again, because not all newspapers hold memberships in these trade groups, their database is limited.

Other services and bibliography

In addition to the sources outlined above, many public libraries have limited and piecemeal data on the newspaper industry and other media in the form of books, studies, and clippings.

A detailed bibliography which follows lists primary sources consulted in this study.

Private sources of newspaper and related industry data

The Special Senate Committee on the Mass Media (the Davey Committee) opted to have its financial and economic consultants seek information from newspapers on a voluntary basis. Only 18 dailies² provided financial data.

To ensure an adequate database for studies on the financial and economic structure of the daily newspaper industry in Canada, the Commission used its powers under the Inquiries Act (Canada) and had its financial consultants conduct a survey of the newspaper industry in Canada.

Three questionnaires were prepared for this purpose: a proprietor questionnaire covering the operations of the entity owning a newspaper, a newspaper questionnaire covering the operations of each daily newspaper, and a news service questionnaire covering the operations of these agencies. They appear at the end of these appendices.

Questionnaire design, transmittal, and response

Two criteria governed the design of the questionnaires: that they should provide all the information that was essential to understanding the nature of the industry and of the competitive forces at work within it, and that they should be as simple to complete as was consistent with that goal. Four newspaper proprietors (representing two independents and two chains) and two news services acted as advisers in order to help achieve these objectives in the questionnaires.

Proprietor questionnaire

The proprietor questionnaire sought details of ownership and control of the entity owning a daily newspaper. It also asked newspaper proprietors to list other media they owned in each of the following categories: daily newspapers; community newspapers; magazines and journals; radio; television; and cable systems. Finally, it sought segmented financial information, one purpose of which was to provide a basis for checking the reliability of data provided on daily newspapers within the proprietorship and for clarifying the nature of media operations within the whole entity. Proprietors submitted financial statements, audited if available, for the fiscal years ending within the period from September 1, 1973, to August 31, 1980. The purpose of providing these dates was to develop a seven-year history for the industry with March 31 as the central point in each of the years.

Newspaper questionnaire

The bulk of the newspaper questionnaire was devoted to a seven-year review of financial and operational data on each individual newspaper. It requested data on revenues, costs and assets, as well as statistics on circulation, content, advertising rates, employment, newsprint consumption, and the like. Considerable detail was requested with regard to a newspaper's revenues and expenses so that specific types of expenses could be accumulated on a consistent basis.

News service questionnaire

The news service questionnaire concentrated on ownership data and on the rather simple cost accounts associated with a labor-intensive activity.

Questionnaire transmittal and response

Early in November, 1980, one proprietor questionnaire and an appropriate number of newspaper questionnaires were sent to the proprietors of the 117 newspapers listed in the September, 1980, issue of CARD as well as to the proprietors of five major newspapers which had ceased publication in 1979 and 1980. The questionnaires to news services were sent out later in the month. Newspaper owners were asked to return completed newspaper and proprietor questionnaires by mid-December; news service owners by the end of December.

The closed newspapers asked to complete questionnaires were:

Calgary, the *Albertan* (ceased publication as the *Albertan* in July, 1980, and reappeared as the *Calgary Sun*)

Winnipeg *Tribune* (ceased publication in August, 1980)

Ottawa *Journal* (ceased publication in August, 1980)

Montréal-*Matin* (ceased publication in December, 1978)

Montréal *Star* (ceased publication in September, 1979)

The following newspapers which published only for a part of the seven years were not requested to complete questionnaires:

Whitehorse *Northern Times* (published July, 1978, to August, 1979)

Vancouver *Courier* (published as a daily, July to October, 1979)

Ottawa *Today* (published September, 1977, to April, 1978)

Montréal *Le Jour* (published February, 1974, to August, 1976)

Montréal *Metro-Matin* (published December, 1978, to August, 1979)

The Montréal *Record* (published September, 1978, to February, 1979)

Québec *A Propos* (published in 1974)

Rouyn *Journal du Nord-Ouest* (published October, 1974, to May, 1975)

One hundred and three completed questionnaires formed the database in this study; they covered the operations of 111 newspaper titles. Two newspapers were treated as one if their proprietors did not report separate income statements and statements of assets employed for each. Only in this way was it possible to avoid making arbitrary allocations of revenue, cost, or asset data.

The pairs of newspapers which were treated as single units for the financial analyses made in this study are:

Cranbrook, the *Daily Townsman*, and Kimberley, the *Daily Bulletin*

Vancouver, the *Province* and the *Vancouver Sun*

Victoria, *Daily Colonist* and *Daily Times*

Thunder Bay, the *Times-News* and the *Chronicle-Journal*

The Moncton *Times* and the Moncton *Transcript*

Saint John, the *Telegraph-Journal* and the *Evening Times-Globe*

Halifax, the *Chronicle-Herald* and the *Mail-Star*

Charlottetown, the *Guardian* and the *Evening Patriot*

The database includes financial results on *Montréal-Matin*, which ceased publication in December, 1978, and the Winnipeg *Tribune*, which ceased publication in August, 1980. Ten newspapers did not comply with the Commission's request for completed questionnaires. Those submitting partial data were:

New Westminster, the *Columbian*

Calgary, the *Albertan*

Swan River, *Swan Valley Report*

Thompson *Citizen*

Ottawa *Journal*

Montréal *Star*

Moncton, *L'Evangéline*

Newspapers which did not reply to the questionnaire were:

Lloydminster *Times*

Sioux Lookout *Daily Bulletin*

Amherst *News*

One newspaper, the *News* in Roblin, Manitoba, was found to be a weekly rather than a daily.

Questionnaire confidentiality

During this study the identity of data was known only to the principal consultants. On receipt, they assigned a number to each of the questionnaires. The data were separated from the questionnaire's body, so that no identification of content was possible. They were then sent to the data-processing consultant who assigned a second number to each and forwarded them without the first number to the data entry contractor. The data were then loaded into the computer at I.P. Sharp Limited.

These measures were taken to maximize the probability that confidentiality would be maintained during the course of the study. In addition, a number of physical security measures were in place to protect the files from unauthorized access. On completion of the work, the computer files and hard copy were turned over to the Commission for archival storage in accordance with the confidentiality rules.

Newspaper database

The quality of returned newspaper questionnaires varied greatly. A number of respondents could not derive the requested data from their records without a great deal of difficulty, if at all. Others found no trouble in completing it fully.

	1974	1975	1976	1977	1978	1979	1980
Questionnaires							
fully completed	70	74	77	77	78	79	79
partially completed	13	11	11	13	22	23	23
No data available	13	11	9	9	1	—	—
Not a daily	7	7	6	4	2	1	1
	103	103	103	103	103	103	103

Newspapers with smaller circulation have not adopted the record-keeping systems used by larger dailies; therefore, some were not able to provide all requested data. However, their small circulation implied a low level of revenues and expenses whose omission does not significantly distort any of the results shown in this study. Most newspapers supplying partial data were newspapers with an aggregate weekly circulation of less than 250,000.

The major areas in which those submitting partial data were not able to supply the requested statistics were: newsprint costs and/or tons used; run-of-press pages published; advertising linage; employees; and circulation. Despite the variations in the comprehensiveness of the questionnaires returned, the quality of the data submitted was reasonably good.

Other confidential databases

To analyze the competition between the media for advertising revenues, it was necessary to obtain data on the financial structure of the broadcasting industry. This was made available on a confidential basis for the private stations from the Canadian Radio-television and Telecommunications Commission (CRTC) and for public networks from the Canadian Broadcasting Corporation (CBC). Since radio and television facilities often use the same personnel and much of the same equipment, CRTC data on assets employed were limited to identifying them with the owner of the station, rather than with the individual radio and television components of the station's operations. The CRTC provided data on revenue, profit, and net assets employed for the seven-year period ending in 1980. The CBC does not keep similarly complete profit centre accounts, particularly for assets employed; its data therefore covered only advertising sales for a six-year review.

These data were supplied only on the understanding that care would be taken to maintain their confidentiality as to the operations of particular stations and owners. As a result, this report shows only aggregates of data for a sufficient number of respondents to maintain their anonymity.

Guide to interpretation of data

Rounding

Some tables and charts may not add exactly owing to rounding.

Interest and income taxes

To ensure that financial newspaper data for all newspapers would be on a comparable basis, two cost elements were specifically excluded from the newspaper questionnaire and from the newspaper industry analyses:

- 1. Interest — which is primarily dependent not upon the format, content or circulation of a newspaper, but on the way in which the corporation owning the newspaper is financed; and
- 2. Income taxes — which again are not primarily dependent on the newspaper's operating policies, but on the structure and size of the corporation owning the newspaper.

Growth rates

Throughout this study the average annual compound growth rate, often referred to simply as the growth rate, is given for many revenues, expenses, and operating statistics. A growth rate applies over a number of years; it is the percentage increase (or decrease) which when applied each year to the then-accumulated balance would result in the amount at the start of the period equalling the amount at the end of the period. For example, \$100 growing at an annual compound growth rate of 10 per cent would be \$177 at the end of seven years.

Growth rates can be calculated by using the starting and ending figures; the growth rate so calculated gives a rough measure in that it does not necessarily reflect the highs and lows of the intervening periods. Alternatively, growth rates can be calculated considering all amounts from the starting to the ending figures and thus reflect more accurately the trend. With few exceptions, this latter method has been used throughout the study.

In addition, growth rates applying to income and expense amounts in this study have been calculated in terms of constant dollars. Growth rates have been calculated from the responses only of those who provided data for all seven reporting periods.

Constant dollars

In this study, the expression "constant dollars" refers to the restatement of current or historical revenues and costs to reflect changes in the purchasing power of money or, more simply stated, to remove the impact of inflation.

The gross national expenditure implicit price index (also known as the gross national expenditure deflator) is recognized by economists and accountants to be an appropriate index for the purpose of making general price-level restatements. Its use is advocated in an *Accounting Guideline*, issued in December, 1974, by the Canadian Institute of Chartered Accountants. Use of the gross national expenditure implicit price index for this purpose reflects changes in the general purchasing power of money and does not reflect the effect of specific price changes experienced by a particular enterprise. Accordingly the gross national expenditure implicit price index has been used throughout the report for restating monetary amounts before calculation of growth rates. The index for the seven years is noted below.

Gross national expenditure implicit price index

Calendar year	Index	Calendar year	Index
1973	114.6	1977	171.4
1974	132.1	1978	182.3
1975	146.3	1979	201.1
1976	160.2		

With one exception, accounting for the effect of changes in the purchasing power of money as it affects the income statement of an entity or industry is relatively straightforward. An appropriate index, in this case the gross national expenditure implicit price index, is

applied to revenues and expenditures and the impact of inflation is removed. The exception to this simple application of an index to expenses occurs in the case of depreciation, a charge against income calculated not on the basis of current expenditures, but on the basis of capital costs incurred in earlier periods. Determination of charges to be made for depreciation in inflation accounting comes from a detailed analysis of the age of all fixed assets. When accounting for the effects of the changing value of money in a period of inflation, the older an asset which has not been fully depreciated, the higher the annual charge for depreciation on that asset.

Data collected for this study were not sufficient to allow a detailed calculation of appropriate depreciation charges in terms of constant dollars. Applying an inflation index to gross depreciation charges is not appropriate. An alternative approach, the one that is used in this study, is to use the current charges for depreciation without adjustment. This approach provides no more than a rough approximation of the depreciation charges that would apply in inflation accounts.

Year-ends and fiscal periods

Questionnaire respondents submitted financial and statistical data for all fiscal periods which ended between September 1, 1973, and August 31, 1980. For financial purposes, March 31 is the mid-point between September 1 and August 31. Therefore, certain statistical data, such as circulation totals, newspaper format, size, and cover price were requested at March 31 for the seven years from 1974 to 1980. Thus, March 31 became the anchor point for all data.

This is significant in interpreting the chapters dealing with the newspaper industry's financial structure. Data in the charts and tables appearing in these chapters have been labelled on the basis of this mid-point, representing a September 1 to August 31 fiscal year. The single columnar heading, "1974", for instance, refers to fiscal year 1973-74 because the majority of months between September, 1973, and August, 1974, fall into the latter calendar year. Regardless of a newspaper's actual fiscal year-end during this period, data about its revenues and expenses will appear under the columnar heading 1973-74 or 1974.

In effect, this means that data about a newspaper whose fiscal year spans October 1, 1972, to September 30, 1973 (1972-73) will appear in this study under the heading 1973-74. Similarly, a newspaper whose fiscal year ends December 31, 1973, though identical to calendar year 1973, will appear in this study under fiscal year 1973-74 or 1974.

Within the seven-year period, two newspapers had 15-month fiscal periods; data for the three months of the extended fiscal period have been excluded from tables and charts in this study.

A relatively small number of newspapers had fiscal periods of less than 12 months. In tables and charts dealing with the financial operations of the total newspaper industry, estimates have been made to compensate for these shortened fiscal periods.

Estimates

A major deficiency in the study data occurs because three newspapers, the *Albertan*, *Ottawa Journal* and *Montréal Star* did not submit completed questionnaires. Revenues from these three newspapers were in the millions of dollars and were material in relationship to total industry revenues. Analysis of the annual audited financial statements of FP Publications Limited and comparisons of these with completed questionnaires for existing FP papers yielded estimates of total revenues and expenses for these newspapers. These have been allocated to revenue and expense categories on the basis of the performance of other newspapers having the same circulation levels.

In addition, it has been noted above that some newspapers supplied data for the latter years of the survey but were not able to supply any information with regard to earlier years. All had circulation levels of less than 250,000 weekly. To eliminate distortion of overall industry trends from the higher level of questionnaire completion in later years, the performance of other newspapers with similar circulation levels was used to estimate earlier years' data for these dailies. These estimates have been used in analyses of the industry's operations as a whole. Detailed analyses of specific items are based exclusively on responses.

Comparison of data from questionnaires and other sources

Total industry advertising revenues including estimates as outlined above have been compared with the Maclean Hunter Research Bureau's annual *A Report on Advertising Revenues in Canada*. This report, issued each November, deals mainly with the net advertising revenues received by the various advertising media. Its chief source of data is Statistics Canada. Other sources are used as appropriate; in certain instances the bureau makes its own estimates.

The Maclean Hunter report is drawn up on the basis of calendar years, not the implicit March 31 year-end used in this study. The questionnaire data were therefore "backdated" to make them correspond with the Maclean Hunter data. This was justifiable, because most reporting daily newspapers had December 31 year-ends.

Table 71 compares the newspaper industry's total advertising revenues as determined for this study and as reported by the Maclean Hunter Research Bureau.

Table 71

	Questionnaire responses and estimates	Maclean Hunter estimates	Difference as a percentage of Maclean Hunter	
			actual	adjusted ⁽¹⁾
1975-76	\$595,532	\$564,638	5.8%	5.0%
1976-77	696,921	661,422	5.4	4.3
1977-78	757,457	703,605	7.7	4.0
1978-79	795,604	762,571	4.3	3.8
1979-80	909,334	855,000	6.3	3.8

(1) see commentary below.

This comparison shows consistently higher advertising revenues reported by daily newspapers responding to the Commission's questionnaire than included in the Maclean Hunter report. The percentage differences run from a low of 4.3 per cent in 1978-79 to a high of 7.7 per cent in 1977-78.

Part of this difference can be explained in year-ends used in the two reports. Four major newspapers have fiscal year-ends which do not coincide with the calendar year; these inflate study figures when they are compared with calendar-year figures. An adjustment of this timing difference eliminates fluctuations in the percentage of difference between the two sets of figures, as shown in the above chart in the adjusted column. With this adjustment, the percentage differences range from 5.0 per cent in 1975-76 to 3.8 per cent in 1979-80.

This comparison suggests that the database resulting from the questionnaire responses and estimates is a valid one for the purpose of this study.

References

1. Catalogue 36-203. Annual.
2. *Report of the Special Senate Committee on Mass Media*, Volume II, 1970, Ottawa, Queen's Printer, appendix IV, page 555.

Bibliography: Primary sources

Abel, Derek. *Competitive Market Strategies: Some Generalizations and Hypotheses*. Cambridge, Mass.: Marketing Science Institute, April, 1975.

ABC Factbook. Chicago: Audit Bureau of Circulations. Published annually.

A valuable reference work with analyses of Canadian daily newspaper circulations by newspaper, county and major market. Includes circulation totals and “% of coverage” — ratio of circulation to households — figures. Only dailies belonging to the Audit Bureau appear in listings — 95 per cent of Canadian titles in 1971, 91 per cent in 1980. Recent editions also list weekly newspapers — 27 per cent of all Canadian titles in 1980. Published in March; first Canadian edition 1971-72.

BBM Radio Reach. Bilingual. Toronto: BBM Bureau of Measurement. Published quarterly.

Compilation of survey results on radio listeners over seven years of age, by station and by market. Circulation statements appear in the form of “reach” figures: the number of actual listeners (determined by sampling procedures) divided by the number of potential listeners.

BBM Television Reach. Bilingual. Toronto: BBM Bureau of Measurement. Published quarterly.

Data on television watchers over two years of age, by station and by market.

BBM Television and Radio Data. Bilingual. Toronto: BBM Bureau of Measurement. Published annually.

A handy pamphlet which presents the highlights of BBM’s audience surveys in the form of easy-to-read graphs. It summarizes the size and viewing patterns of audiences, the age and sex of viewers, the reach of major networks and the distribution of cable converters.

Canada, Special Senate Committee on Mass Media. *Report*. 3 vols. Ottawa: Queen’s Printer, 1970.

This committee reported on the ownership and control of Canadian mass media and on the extent and nature of their influence on the Canadian public. Data found in appendices are historically important.

Canadian Advertising Rates and Data. Toronto: Maclean Hunter Ltd. and Standard Rate & Data Service Inc. Published monthly.

A “media authority” whose lists of Canadian media, compiled at no charge to the publisher/broadcaster, are aimed at national advertisers. Comprehensive listings include title/call letters, addresses, circulation figures, advertising specifications and, in some cases, proprietors.

Community Markets Canada. Toronto: The Canadian Community Newspaper Association. Published annually.

First published in 1980, this guide to the demographics and economics of community newspaper markets is aimed at potential advertisers. It includes an index of member publications — 54 per cent of Canadian weekly newspaper titles in 1981.

Directory of Directors. Toronto: The *Financial Post*, a division of Maclean Hunter Ltd. Published annually.

Contains an alphabetical list of Canadian businessmen and women with their executive positions and directorships, and a list of Canadian companies which have at least three directors and \$5 million in assets or revenues. A useful but neither complete nor authoritative resource book.

Editor and Publisher International. 2 vols. New York: Editor and Publisher Company Inc. Published annually.

An extensive yearbook and market guide for the publishing industry containing lists, by country and category of publications, their addresses and their editors.

Henderson, Bruce. "Pricing and Market Share." *Bruce Henderson on Corporate Strategy*. Cambridge, Mass.: Alt Books, 1979.

Maclean Hunter Research Bureau. *A Report on Advertising Revenues in Canada*. Foreword by A.A. Duane. Toronto: Maclean Hunter Ltd., 1980.

A report on Canadian advertising revenues, 1970-80, containing comparisons of gross national product and gross advertising revenue, of expenditures in the U.S. and Canada; specifications of revenues by medium and of the components of such revenues; annual statements of changes since 1970, and statistical profiles of advertising agencies.

National Atlas of Canada. Toronto: Macmillan Company of Canada, 1974.

Contains economic profiles of Canada's regions.

Noble, Winnifred. "Media ownership: Giants sharing bigger piece of the pie." *The Financial Post*, October 4, 1980.

A comprehensive profile of holdings of media conglomerates.

Statistics Canada. *Annual Estimates of Population for the Census Metropolitan Areas of Canada as of June 1, 1979*. (91-207). Bilingual. Ottawa: Minister of Supply and Services, 1979.

Includes 1978 and 1979 population estimates for all Canadian CMAs.

Statistics Canada. "Enterprise Tiered Listing Program." A selected update of *Intercorporate ownership* dated December, 1980. Computer print-out.

Contains lists of intercorporate holdings of media corporations.

Statistics Canada. *Intercorporate ownership*. Ottawa: Minister of Supply and Services. Published occasionally.

A reliable index of who controls and/or owns whom in Canada. Three editions have been published since 1970 — 1972 (61-513), 1975 (61-517), and 1978-79 (61-517). Published under the authority of the President of the Treasury Board.

Statistics Canada. *Population: Demographic Characteristics, Five-year Age Groups*. (92-823). Ottawa: Minister of Supply and Services, 1978.

1976 census data on the size and location of various age groups.

Statistics Canada. *Population: Demographic Characteristics, Mother Tongue*. (92-821). Ottawa: Minister of Supply and Services, 1978.

1976 census data on the size and location of various language groups.

Statistics Canada. *Population: Geographic Distributions, Census Divisions and Subdivisions*. (92-802, 803, 804, 805). 4 vols. Ottawa: Minister of Supply and Services, 1977.

1976 census data on population distribution with comparable 1971 totals. Includes lists and appropriate subtotals for all incorporated communities within each division and subdivision. Separate volumes for Atlantic provinces, Québec, Ontario and Western provinces and the Yukon and Northwest Territories.

Statistics Canada. *Population: Geographic Distributions, Municipalities, Census Metropolitan Areas and Census Agglomerations*. (92-806). Ottawa: Minister of Supply and Services, 1977.

1976 census data (with comparable 1971 totals) on the population in Canada's urban centres.

Statistics Canada. *Printing, Publishing and Allied Industries*. (36-203). Ottawa: Minister of Supply and Services. Published annually.

This booklet publishes financial statistics garnered from the annual census of manufacturers. It includes an alphabetical list of surveyed establishments (excluding small businesses).

Statistics Canada. *System of National Accounts, National Income and Expenditure Accounts*. (13-001). Ottawa: Minister of Supply and Services. Published quarterly.

Contains consumer price and gross national product indices, broken down by year and by industry.

Statistics Canada. *System of National Accounts, National Income and Expenditure Accounts, 1926-1974*. (13-531). Ottawa: Information Canada, 1976.

Presents revised figures and summaries based on quarterly reports.

Statistics Canada. *System of National Accounts, National Income and Expenditure Accounts, 1965-1979*. (13-201). Ottawa: Minister of Supply and Services, 1980.

Contains the most recent revisions of post-1965 indices.

Transmittal Document

10:

Commission royale
sur les
quotidiens



Royal Commission
on
Newspapers

Tom Kent, Chairman
Laurent Picard, Commissioner
Borden Spears, Commissioner
Nicholas Gwyn, Secretary

In order to meet the requirements of its terms of reference, the Royal Commission on Newspapers needs data on the newspaper industry and on related media activities. The Commission must rely on the companies in these industries to provide this information.

The information supplied will be kept in the strictest confidence. Care will be taken in preparing the Commission's report to maintain this confidentiality.

The enclosed documents are being forwarded by the Commission in accordance with its powers under the Inquiries Act (Canada). Please complete them fully and return them to the Commission as soon as possible but no later than 5 December 1980. Acknowledgement of their receipt (as provided below) is required immediately.

In addition to this Transmittal Document, two questionnaires are enclosed:

1. Proprietor's Questionnaire, to be completed for each organization owning a daily newspaper.
2. Newspaper Questionnaire, to be completed for each daily newspaper owned by a proprietor. The newspapers listed to the right are those of which, according to available information, you are proprietor.

Enough copies of each questionnaire are enclosed to provide a working and final copy for the proprietorship and for each of its daily newspapers. Additional copies are available on request.

Please return a copy of this Transmittal Document immediately to the Commission to acknowledge receipt of these questionnaires and your undertaking to forward the completed questionnaires to the Commission as

as soon as possible but no later than 5 December 1980.

If you are not proprietor of any of the listed daily newspapers, please so indicate when returning the Transmittal Document; also, please provide any information you may have to assist us in locating the daily's present proprietor.

When returning completed questionnaires and attachments, enclose a list of the contents of the parcel. The Commission will acknowledge receipt of the parcel.

Name of newspaper

The address of the Commission is:
Royal Commission on Newspapers
P.O. Box 528, Postal Station F, Toronto, Ont. M4Y 2L8.

Yours sincerely
 Royal Commission on Newspapers

per: Nicholas Gwyn,
Secretary

7 November 1980

Office or position

Name _____

Signature _____

Date _____

I acknowledge receipt of these questionnaires and undertake to forward the completed questionnaires to the Commission no later than 5 December 1980.



Royal Commission
on
Newspapers

Commission royale
sur les
quotidiens

Tom Kent, Chairman
Laurent Picard, Commissioner
Borden Spears, Commissioner
Nicholas Gwyn, Secretary

Proprietor Questionnaire (Strictly confidential)

COMPLETION AND RETURN INSTRUCTIONS

1. This questionnaire deals only with data relevant to the analysis of daily newspaper proprietorships; it does not cover the detailed operations of the daily newspaper(s). These are covered in a specific questionnaire included in the same package. The proprietor will wish to ensure that data reported at the lower level agrees with the relevant figures in this questionnaire.
2. Data is requested for fiscal periods from 1 September 1973 to 31 August 1980. The pages for segmented financial and operating data are to be completed for each of the fiscal years being reported. A supply of the forms is included for this purpose; please indicate the year to which each applies in the space provided on the form.
3. The questionnaire has been designed for handwriting; please be legible.
4. Data should be rounded as indicated in the questionnaire.
5. This questionnaire seeks financial data normally available from a proprietor's accounting system. If data requested is not readily available *and if it is known to be insignificant in amount*, separate disclosure need not be made.
6. Financial information required in this questionnaire must agree with the audited financial statements of the proprietorship. The description, "Other", and the "Other business" column in sections dealing with segmented data have been included to facilitate balancing.
7. To maintain the confidentiality of information provided in this questionnaire, the questionnaire has been designed to facilitate separation of data for computer input from data descriptions and identifiers. Therefore,

nothing should be written on the right of the heavy broken line on each page which would identify the source or nature of data on that page. On receipt of the completed questionnaire, a code identifying the sender will be assigned to the data documents, which will then be detached for computer entry.

8. Questions about this questionnaire may be discussed

with either of Messrs. Stephen Thompson or Robert White at (416) 363-2811.

9. The completed questionnaire is to be returned as soon as possible and no later than 5 December 1980 to:
Royal Commission on Newspapers
P.O. Box 528 Postal Station F
Toronto, Ontario
M4Y 2L8

office use only

Proprietor covered by questionnaire

Name _____ City _____
Address _____
Mailing address (if different) _____

Certification

I certify that the information contained herein and attached hereto is complete and correct to the best of my knowledge and belief.

Authorized signature _____ Name _____
Date _____
Office or position _____

Enquiries by the Commission on the completed questionnaire will be answered by:

Name _____ Title _____
Address _____
City _____ Telephone _____ Telex _____

Attachments

Please attach the following and return with the completed questionnaire:

MEDIA OWNED — Attach a list, under the headings noted below, of all media owned as of 1 September 1973 showing the dates (day, month and year) of additions and deletions in the ownership of such media to the date of completion of this questionnaire. Use the following headings:

Daily newspapers including extended controlled distribution publications (e.g.,

"Shoppers")

Weekly and community newspapers

Magazines and journals

Radio stations

Television stations

Cable distribution systems

News services

OWNERSHIP — Attach a list, as of 31 March for each of the years from 1974 to 1980 inclusive, of the ten (10) largest shareholders in the proprietorship, showing for each the portion of shareholdings to the total outstanding voting shares and indicating, if known, any inter-relationships among such shareholders or, if known, for whom the shares are beneficially held and setting out any provisions respecting shareholders' rights or options, whether by way of shareholder agreement or otherwise.

CONTROL — Attach a list, as of 31 March for each of the years from 1974 to 1980 inclusive, of the name of the controlling shareholder (a shareholder with *de facto* or legal control) or, if restrictive lending covenants were operative, the controlling lender.

DIRECTORS — Attach a list, as of 31 March for each of the years from 1974 to 1980 inclusive, of the names of the directors of the proprietor corporation and their principal occupations and cities of residence.

OPTIONS TO BUY OR SELL DAILY NEWSPAPERS — Attach a list, as of the date of completion of this questionnaire, of the following:

1. Any options the proprietor held to buy assets or shares in part or in total of a daily newspaper, giving

- (a) the name of the newspaper
- (b) the proprietor of the newspaper
- (c) the date the agreement was signed and
- (d) the date the agreement expires;

2. Any options the proprietor has granted to sell assets or shares in part or in total of a daily newspaper, giving

- (a) the name of the newspaper
- (b) the name of the individual or corporation to whom the option was granted
- (c) the date the agreement was signed and
- (d) the date the agreement expires.

ANNUAL REPORTS AND AUDITED FINANCIAL STATEMENTS — Enclose three (3) copies each of the proprietor's published annual report to shareholders, if any, and of the proprietor's audited financial statements for each of the fiscal periods ending between 1 September 1973 and 31 August 1980. (If the financial statements were not audited in any fiscal period, attach unaudited financial statements for that unaudited period or periods.)

1 September 1973 to 31 August 1980

Number of months in fiscal period

Complete the following sections on financial information to the nearest thousand dollars; DO NOT enter the last three digits. Example: enter \$213,975 as 214.

Summary income (operating) statement

TOTAL SEGMENTED OPERATING INCOME (from page 5, line 125, by year)

OTHER INCOME

Interest
Equity income from other media investments
Extraordinary items
Prior period adjustments
Other

TOTAL OTHER INCOME

OTHER EXPENSES

Interest
Income taxes
Equity losses from other media investments
Extraordinary items
Prior period items
Other

TOTAL OTHER EXPENSES

NET INCOME

Changes in shareholders' equity — Enter outlays in brackets

equity — Enter outlays in brackets

Opening balance, shareholders' equity
Share capital issued and redeemed, net
Net income
Dividends paid
Other items (if material, attach details)

CLOSING BALANCE, SHAREHOLDERS' EQUITY

nearest thousand dollars: \$000

Royal Commission on Newspapers

page 5 of 7

	Daily newspapers		Community newspapers	Magazines & journals	Radio	Television	Cable systems	Other business	TOTAL
	day	mo.	year	office use only	year	year	year	year	year
Date of end of fiscal period	070								
Complete one set of these forms for each of the fiscal periods ended between 1 September 1973 and 31 August 1980 and carry appropriate balances forward to the summary sections of the questionnaire.									
<div> <div>Segmented income (operating) statement</div> <div>REVENUES</div> <div>Net advertising revenues from arm's-length advertisers</div> <div> <div>National</div> <div>Local</div> <div>Retail</div> <div>Classified</div> <div>Other</div> </div> <div>Circulation revenues</div> <div>Inter- and intra-corporate revenues — non-arm's-length revenues from other parts of the proprietorship</div> <div>Advertising</div> <div>News service fees</div> <div>Management fees received</div> <div>Other operating revenues</div> <div>All other operating revenues</div> </div>									
	080								
	081								
	082								
	083								
	084								
	085								
	086								
	087								
	088								
	089								
	090								
TOTAL REVENUES									
	100								
EXPENSES									
Salaries, wages and benefits									
Research and development									
Internal									
Joint (shared with others)									
External (fees paid to others)									
Depreciation									
Inter- and intra-corporate expenses — non-arm's-length costs or charges from other parts of the proprietorship									
News services									
Management fees paid									
Other									
All other operating expenses									
TOTAL EXPENSES									
	109								
OPERATING INCOME BY SEGMENT									
TOTAL SEGMENTED OPERATING INCOME (to page 3, line 010, by year)									
	125								

nearest thousand dollars: \$000

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Date of end of fiscal period

Other financial information

GOVERNMENT ASSISTANCE AND GRANTS —

Enter only if material
Operating grants
Capital grants

CAPITAL EXPENDITURES

Land
Buildings
Machinery and equipment
Motor vehicles

FIXED ASSET VALUATION

Basis of balance sheet valuation of fixed assets if other than cost (check as appropriate)
Appraised value (attach dates of appraisal)
Other (attach details)

FIXED ASSET COST — if other valuation used on balance sheet

Other operating information

EMPLOYMENT —

Average number of full-time employees
Full-time employees
Part-time employees — Give full-time equivalents. Example: enter ten half-time employees as 5

Daily newspapers		Community newspapers	Magazines & journals	Radio	Television	Cable systems	Other business	TOTAL
170	171	172	173	174	175	176	177	178
nearest thousand dollars: \$000								
180								
181								
182								
183								
184								
185								
186								
187								
188								
number of employees								
195								
196								

Royal Commission
on
Newspapers

Commission royale
sur les
quotidiens



CANADA

Tom Kent, Chairman
Laurent Picard, Commissioner
Boris Stepanov, Treasurer
Nicholas Gwyn, Secretary

Newspaper Questionnaire (Strictly confidential)

COMPLETION AND RETURN INSTRUCTIONS

1. This questionnaire is to deal exclusively with the operations of daily newspapers and those "extended controlled distribution newspapers" (e.g., "Shoppers'") which are closely tied editorially, through advertising sales, or by production processes to the daily newspaper itself, and are distributed within the general area served by the daily newspaper. Only financial data relating to these activities are to be included in this questionnaire. Financial data relating to other "non-newspaper" activities are to be reported in the Proprietor's Questionnaire. An exception is permitted only if, first, sundry operations, such as contract typesetting and printing, are accounted for in the newspaper accounts and if, second, these revenues and expenses are immaterial in amount. The total of financial data in this questionnaire and that in questionnaires for other newspapers owned by the same proprietor is to equal the figure in the Proprietor's Questionnaire that represents segmented data on newspapers.
2. Data is requested for daily newspapers for fiscal periods ending from 1 September 1973 to 31 August 1980.
3. The questionnaire has been designed for handwriting; please be legible.
4. Data should be rounded as indicated in the questionnaire.
5. This questionnaire seeks financial data normally available from a newspaper's accounting system. If data requested is not readily available *and if it is known to be insignificant in amount*, separate disclosure need not be made.
6. To maintain the confidentiality of information provided in this questionnaire, the questionnaire has been designed to facilitate separation of data for computer

input from data descriptions and identifiers. Therefore, nothing should be written on the right of the heavy broken line on each page which would identify the source or nature of data on that page. On receipt of the completed questionnaire, a code identifying the sender will be assigned to the data documents, which will then be detached for computer entry.

with either of Messrs. Stephen Thompson or Robert White at (416) 363-2811.

8. The completed questionnaire is to be returned as soon as possible and no later than 5 December 1980 to:
Royal Commission on Newspapers
P.O. Box 528 Postal Station F
Toronto, Ontario
M4Y 2L8

office use only

Daily newspaper covered by questionnaire

Note: Use a separate questionnaire for each daily newspaper

Name _____ City _____

Address _____

Mailing address (if different) _____

Proprietor of newspaper

Name _____ Mailing address _____

Certification

I certify that the information contained herein and attached hereto is complete and correct to the best of my knowledge and belief.

Authorized signature _____ Name _____

Office or position _____ Date _____

Enquiries by the Commission on the completed questionnaire will be answered by:

Name _____ Title _____

Address _____ Telephone _____ Telex _____

City _____

Please attach the following and return with the completed questionnaire:

NEWSPAPERS — Attach three (3) copies each of three recent editions of the newspaper representative of each of the following circulation periods (if appropriate):

Monday to Friday; Saturday; and Sunday.

UNIONS — Attach a list, as at 31 March 1974 to 1980 inclusive, of the unions representing any newspaper employee, the number of employees represented by each union and the number of bargaining units.

September 1973 to 31 August 1980

Number of months in fiscal period

Complete the following sections on financial information
to the nearest thousand dollars; DO NOT enter last
three digits. Example: enter \$213,975 as 214

— newspaper operations only

Net advertising revenues

**National
Retail
Classified**
Other (television guides, comics, special
supplements, etc.)

Inserts

Extended controlled distribution publications

(e.g., "Shoppers")

Circulation revenues

Other newspaper revenues (syndicated material, supplement distribution, internal typesetting, printing, etc., but NOT including interest and investment income or other material revenues not directly related to the newspaper business)

TOTAL NEWSPAPER REVENUES

[illegible]

Royal Commission on Newspapers		office use only		page 3 of 9															
000		day	mo	year	day	mo	year	day	mo	year	day	mo	year	day	mo	year	day	mo	year
Income statement — newspaper operations only Date of end of fiscal period <i>(continued)</i>																			
021																			
022																			
025																			
026																			
027																			
028																			
029																			
030																			
031																			
032																			
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044																			
045																			
046																			
047																			
048																			
049																			
050																			
051																			
052																			
NEWSPAPER EXPENSES Pre-press (composing, photo-engraving, stereo, plate-making, etc.) Press room Mail room Other production expenses (mechanical, electrical, etc.) Newsprint at laid down cost Inks and other production supplies Editorial salaries and wages (full- and part-time and bureaux) Other editorial office expenses (library, photography, travel, telephone, etc.) Correspondents and stringers (non-staff) News and syndicated services — Canadian From related or affiliated company Other News and syndicated services — foreign Purchased editorial sections or supplements (television guides, colour comics, weekend supplements, etc.) Circulation and distribution (including mail) Advertising sales Marketing support (promotion, creative services, market research, etc.) Administration (business office, data processing, accounting, personnel, etc.) Bad debts, "make-goods" and other discounts and allowances Building expenses Depreciation Buildings Machinery and equipment Motor vehicles Research and development expenses Internal Joint (shared with others) External (fees paid to others) Other expenses																			
TOTAL NEWSPAPER EXPENSES																			
NEWSPAPER OPERATING INCOME																			

nearest thousand dollars: \$000

Royal Commission on Newspapers		page 4 of 9	
060		office use only	
Date of end of fiscal period		day mo year day mo year day mo year day mo year day mo year day mo year day mo year day mo year day mo year	
061			
062			
Newspaper assets & liabilities		nearest thousand dollars: \$000	
ASSETS employed in newspaper (NOT including cash, investments, etc.)			
Current assets (receivables, inventories, prepaids, etc.)			
Fixed assets and leasehold improvements			
Land			
Buildings			
Machinery and equipment			
Motor vehicles			
Less: Accumulated depreciation and amortization of leasehold improvements			
Buildings			
Machinery and equipment			
Motor vehicles			
Unamortized research and development costs			
Goodwill, net			
Other assets (if material, attach details)			
070			
071			
072			
073			
074			
075			
076			
TOTAL NEWSPAPER ASSETS			
LIABILITIES related to newspaper (NOT including payables, bank and other indebtedness, etc.)			
Deferred revenues			
Other liabilities (if material, attach details)			
080			
081			
082			
TOTAL NEWSPAPER LIABILITIES			
Details of financial information			
ADVERTISING REVENUES			
Run of press (ROP) advertising			
All other advertising			
085			
086			
087			
TOTAL ADVERTISING			
SALARIES, WAGES AND BENEFITS			
Full-time			
Part-time			
Benefits			
090			
091			
092			
093			
TOTAL SALARIES, WAGES AND BENEFITS			

Royal Commission on Newspapers		Office use only												page 5 of 9	
095															
Details of financial information <i>(continued)</i>															
Date of end of fiscal period															
096															
097															
100															
EXTENDED CONTROLLED DISTRIBUTION PUBLICATIONS (e.g., "Shoppers")															
Total related production costs — if available															
INTER- AND INTRA-CORPORATE EXPENSES — non-arm's-length costs or charges from other parts of the proprietorship owning the newspaper															
Production															
Newsprint and inks															
Editorial															
News services															
Other															
Marketing															
Administration															
Management fees															
Other															
Research and development															
Other (if material, attach details)															
TOTAL INTER- AND INTRA-CORPORATE EXPENSES															
GOVERNMENT ASSISTANCE AND GRANTS — Enter only if material															
Operating grants															
Capital grants															
CAPITAL EXPENDITURES															
Land															
Buildings															
Machinery and equipment															
Motor vehicles															
FIXED ASSET VALUATION															
Basis of balance sheet valuation of fixed assets if other than cost (check as appropriate)															
Appraised value (attach dates of appraisal)															
Other (attach details)															
FIXED ASSET COST — if other valuation used on balance sheet															

41	Date of end of fiscal period		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day		year		month		day	
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office use only

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220	Date of end of fiscal period	day	mo	year	day	mo	year	day	mo	year	day	mo	year	day	mo	year	day	mo	year
221	Other operating information																		
222	(continued)																		
223	NEWSPAPER CIRCULATION —																		
224	Average net paid circulation as at 31 March																		
225	Monday to Friday																		
226	City zone																		
227	Retail trading zone																		
228	All other																		
229	Saturday																		
230	City zone																		
231	Retail trading zone																		
232	All other																		
233	Sunday																		
234	City zone																		
235	Retail trading zone																		
236	All other																		
237	EXTENDED CONTROLLED DISTRIBUTION																		
238	PUBLICATIONS (e.g. "Shoppers'") — fiscal period																		
239	Publication days (number of days)																		
240	Circulation (number of copies)																		
241	NEWSPAPER COVER PRICE OR																		
242	CIRCULATION RATES — as at 31 March																		
243	Home delivery — as appropriate																		
244	Weekly rate																		
245	City zone																		
246	Other																		
247	Monthly rate																		
248	City zone																		
249	Other																		
250	Single copy price																		
251	City zone																		
252	Monday to Friday																		
253	Saturday																		
254	Sunday																		
255	Other																		
256	Monday to Friday																		
257	Saturday																		
258	Sunday																		
259	Other																		

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ADVERTISING RATES, PER LINE —

as at 31 March

Run of press (ROP) advertising rates for national and retail advertising (dollars and cents) and number of lines required (thousands of lines)

NATIONAL

M-F

Sat

Sun

RETAIL

M-F

Sat

Sun

NATIONAL

M-F

Sat

Sun

RETAIL

M-F

Sat

Sun

NATIONAL

M-F

Sat

Sun

RETAIL

M-F

Sat

Sun

1974

1975

1976

Casual, flat, open or transient

Rate, 5,000 lines

Rate, 50,000 lines

First discount rate

Number of lines required

Rate, per line

Maximum discount rate

Number of lines required

Rate per line

260

261

262

263

264

265

266

Casual, flat, open or transient

Rate, 5,000 lines

Rate, 50,000 lines

First discount rate

Number of lines required

Rate, per line

Maximum discount rate

Number of lines required

Rate per line

270

271

272

273

274

275

276

Casual, flat, open or transient

Rate, 5,000 lines

Rate, 50,000 lines

First discount rate

Number of lines required

Rate, per line

Maximum discount rate

Number of lines required

Rate per line

280

281

282

283

284

285

286

1977

1978

1979

1980

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Royal Commission
on
Newspapers

Commission royale
sur les
quotidiens

Tom Kent, Chairman
Laurent Picard, Commissioner
Borden Spears, Commissioner
Nicholas Gwyn, Secretary

News Service Questionnaire

(Strictly confidential)

COMPLETION AND RETURN INSTRUCTIONS

1. Data is requested for fiscal periods ended between 1 September 1973 and 31 August 1980.
2. The questionnaire has been designed for handwriting; please be legible.
3. Data should be rounded as indicated in the questionnaire.
4. This questionnaire seeks financial data normally available from a news service's accounting system. If data requested is not readily available *and if it is known to be insignificant in amount*, separate disclosure need not be made.
5. To maintain the confidentiality of information provided in this questionnaire, the questionnaire has been designed to facilitate separation of data for computer input from data descriptions and identifiers. Therefore, nothing should be written on the right of the heavy broken line on each page which would identify the source or nature of data on that page. On receipt of the completed questionnaire, a code identifying the sender will be assigned to the data documents, which will then be detached for computer entry.

6. Questions about this questionnaire may be discussed with either of Messrs. Stephen Thompson or Robert White at (416) 363-2811.
7. The completed questionnaire is to be returned as soon as possible and no later than 31 December 1980 to:
Financial Analysis Group
Royal Commission on Newspapers
P.O. Box 528, Postal Station F
Toronto, Ontario, M4Y 2L8

office use only

News service covered by questionnaire

Name _____ City _____
Address _____
Mailing address (if different) _____

Certification

I certify that the information contained herein and attached hereto is complete and correct to the best of my knowledge and belief.

Authorized signature _____ Name _____
_____ Office or position _____
_____ Date _____

Enquiries by the Commission on the completed questionnaire will be answered by:

Name _____ Title _____
Address _____
City _____
Telephone _____ Telex _____



Tom Kent, Chairman
Laurent Picard, Commissioner
Borden Spears, Commissioner
Nicholas GAYTH, SECRETARY

Attachments

Please attach the following and return with the completed questionnaire:

OWNERSHIP — Attach a list, as of 31 March for each of the years from 1974 to 1980 inclusive, of the ten (10) largest shareholders in the news service, showing for each the portion of shareholdings to the total outstanding voting shares and indicating, if known, any inter-relationships among such shareholders or, if known, for whom the shares are beneficially held and setting out any provisions respecting shareholders' rights or options, whether by way of shareholder agreement or otherwise.

CONTROL — Attach a list, as of 31 March for each of the years from 1974 to 1980 inclusive, of the name of the controlling shareholder (a shareholder with *de facto* or legal control) or, if restrictive lending covenants were operative, the controlling lender.

DIRECTORS — Attach a list, as of 31 March for each of the years from 1974 to 1980 inclusive, of the names of the directors of the news services and their principal occupations and cities of residence.

ANNUAL REPORTS AND AUDITED FINANCIAL STATEMENTS — Enclose three (3) copies each of the news service's published annual report to shareholders, if any, and of the news service's audited financial statements for each of the fiscal periods ending between 1 September 1973 and 31 August 1980. (If the financial statements were not audited in any fiscal period, attach unaudited financial statements for that unaudited period or periods.)

UNIONS — Attach a list, as at 31 March 1974 to 1980 inclusive, of the unions representing any news service employee, the number of employees represented by each union and the number of bargaining units.

BASIS OF REVENUE DETERMINATION — Describe the basis of charging clients for news services, preferably with illustrations using relevant paragraphs from service contracts.

	1 September 1973 to 31 August 1980	Number of months in fiscal period
1		

1 September 1973
to 31 August 1980

Complete the following sections on financial information to the nearest thousand dollars; DO NOT enter last three digits. Example: enter \$213,975 as 214.

Details of financial information

SALARIES, WAGES AND BENEFITS

Full-time

Part-time

Benefits

TOTAL SALARIES, WAGES AND BENEFITS

GOVERNMENT ASSISTANCE AND

GRANTS — Enter only if material

Operating grants

Capital grants

supra ligaments

CAPITAL EXPENDITURES

Land

Buildings

Buildings
Machinery and equipment

Motor vehicles
Machinery and equipment

Motor Vehicles

Other operating information

EMPLOYMENT August 1941-42

EMPLOYMENT — Average numbers of full-time employees

time employees

Full-time employees

Production

Editorial

Administration

Other

TOTAL FULL-TIME EMPLOYEES

Part-time employees — Full-time equivalents.

Example: enter ten half-time employees as 5

Production

Editorial

Editorial Administration

Other

**TOTAL FULL-TIME EQUIVALENT OF
PART-TIME EMPLOYEES**

Royal Commission
on
Newspapers



Commission royale
sur les
quotidiens

Tom Kent, Chairman
Laurent Picard, Commissioner
Borden Spears, Commissioner
Nicholas Gwyn, Secretary

Newspaper Questionnaire ERRATUM

Due to a printer's error on the Newspaper Questionnaire's Page 2 of 9, the requirement for editions of newspapers to be attached is incorrect. The paragraph reading "NEWSPAPERS — Attach three (3) copies each of three recent editions of the newspaper representative of each of the following circulation periods (if appropriate): Monday to Friday; Saturday; and Sunday" should read as follows:

NEWSPAPERS — Attach two (2) copies of all editions of the newspaper, including inserts, as distributed on each of 5, 6, 8 and 9 November 1980.

III

Management

Introduction

The Royal Commission's management study¹ was conducted by Jackson-Smith Ltd., Toronto, consultants in organizational psychology. The project was conducted under the direction of Dr. David Jackson and Dr. Marti Smye. Janinne Braband was responsible for managing field work and for drafting the final report. Designed for the specialist rather than the general reader, the full report is available in the Public Archives. Here, we present a précis and excerpts, prepared by Commission staff and approved by the authors, in order to make the main findings available to a broader audience. But first a word about how the study was done.

The researchers started with a feasibility study, interviewing some 30 managers and non-managers in newspapers throughout the country. This phase was designed to determine outside influences on management and internal leadership patterns in daily newspapers. The results were used to design in-depth studies of nine dailies selected to represent corporate and independent ownership, monopoly and competitive situations, in both French and English market areas. Eight of the nine newspapers agreed to some measure of participation, but in one paper management refused to have the study completed, and in two others only a portion of the study could be undertaken.

The individual studies, each conducted by two researchers, were designed to last from two to four days, depending on the size of the newspaper. The methodology included both specially-designed and standard inquiry procedures. In the first category were: structured interviews of an hour and a half with senior managers and some middle managers; responsibility charting to examine the decision-making structure; group interviews with middle-managers and non-managers; and a newspaper questionnaire with 17 main questions designed to obtain a comparison between the views of individuals and their perceptions of management views. Standardized techniques were: a questionnaire (Job Diagnostic Survey) on job design; a questionnaire (Lead Self/Lead Other) on leader effectiveness and adaptability; and a questionnaire (Personal Job Attitude Index) to determine whether the individual believes results are due to his or her personal efforts or to something outside the individual's control. The names of the newspapers and the individuals participating were kept confidential, as guaranteed by the Commission.

The thoroughness of the study made it of value to the Commission, but the smallness of the sample meant that the results had to be seen as indicative rather than conclusive. The Commission was able to consider them in relation both to testimony at its public hearings and to the findings of other research projects,

particularly those set out in Volume 2, *The Journalists*; Volume 5, *Labor Relations in the Newspaper Industry*; Volume 8, *Newspapers and Computers: An Industry in Transition*; and in other sections of the present volume.

The following précis of the study deals, first, with general findings; second, with some of the detailed findings; and, third, with differences between various categories of newspapers. Where the exact language of the original report is used, the passage is indented.

General findings

The management of newspapers

The type of ownership of a newspaper — that is, whether it is independent or is part of a larger corporation — does not in itself determine how effective it will be as an organization. In both corporate and independent papers some owners are more willing than others to put resources into key areas and to place authority in senior managers.

The two main problem areas in newspaper management are the editorial department and the production department. It was found that managers in these two departments need more objective measures of performance to enable them to monitor and improve it. At the same time, it was found that the people working in these departments would in many cases benefit from redesign of their jobs or, at the very least, from performance appraisal systems that would enable them to tell how well they are doing. Where staff do not find the work itself rewarding, increasing emphasis will be placed on such extrinsic rewards as salary and hours of work. In the case of production staff, it can be expected that where rapid change is occurring and staff feel isolated, considerable internal unrest will result.

In addition to management information systems, a second area requiring investment by owners is the training of staff, particularly management skill building. Most newspapers find themselves in the position of providing the fewest management tools to those managers who are most in need of them.

Production and editorial managers generally have less background in the area of management. They must manage people in poorly designed jobs and with little objective management information. Yet only in a few of the newspapers studied did there appear to be training provided for these managers. What there was, was often very general and unlikely to address the specific and unique needs of managers in each department. In the absence of specialized training, and/or job redesign, it is likely that morale and work output in these departments will suffer.

Specialized and intensive management training should be provided to managers in the production and editorial departments.

Corporate and senior management influence

Where leadership in a local paper belonging to a corporation is not perceived as strong, increased head office influence may occur.

Local staff may cease to make decisions, assuming they will come from head office. Thus, in an unconscious fashion, senior managers and owners may collude in giving the owner more control.

Where the owner appoints strong local managers, he must depend on the selection process for the degree of influence he wishes to exert.

The owners must rely on the style and skills of the senior managers and must be prepared for those managers to take decision-making initiative and responsibility. In these settings, one might expect that senior managers within the newspaper will make stronger efforts to pull control away from the owner.

...In assessing corporate influence, the Royal Commission on Newspapers should consider the leadership strength and skills of senior managers typically selected by a corporation. Where leaders are not perceived to be strong, and perhaps particularly where those leaders do not take an active interest in developing all departments equally, it is likely that more head office control is allowed to flourish. While head office control may not be inherently negative, at least in some cases it appears to diminish organizational growth at the local level. In those cases where corporate control is greater, one might expect that the demands necessitated by span of control, coupled with reduced local initiative, will dampen organizational vitality in the long run.

Possible perceptual biases

The intent of this study was to gain a better understanding of *perceived* influences on management processes within newspapers.

To the extent that actions are determined by perceptions, such an approach has strong validity. In fact, for example, these findings suggest that for a leader to be effective, he or she must be *perceived* to be effective. A strong leader who is not perceived as such will be less effective. Conversely, even a weak leader, if he or she is perceived to be strong, will have greater impact.

To the extent that perceptions determine actions and that perceptions need not always be based on fact, the reader should be aware of apparent perceptual biases encountered in this study.

Generally, staff of corporately-owned newspapers believe their owners to be more concerned with financial aspects and with running the newspaper as a business. In fact, they perceive the owners' views to be quite extreme in this regard.

Managers within newspapers see greater similarity between their own views and those of the owners. Non-managers, on the other hand, see greater discrepancy between their own views and those of the owners.

Compared to other departments, editorial staff appear to be more extreme in their views and to see far greater discrepancy between their own views and those of owners. As a result, editorial staff generally appear quite cynical and are unlikely to believe that they and the owners of the newspaper share common ground.

Summary

Findings from this study suggest that organizational effectiveness can be maximized when:

- The investment of autonomous local control is coupled with both perceived and actual strong senior management leadership.
- Senior managers actively seek responsibility and take an integrative approach to decision-making where the needs of all departments are weighed equally.
- Middle managers are delegated significant responsibility and encouraged to take part in the decision-making process.
- Objective performance criteria are available for the organization, departments, groups, and individuals.
- Long-term inter-departmental planning occurs.
- Managers, particularly those in editorial and production, are provided with training in management skills.
- A flexible approach is taken to the management of individual departments, so that, for example, rapid and extensive changes do not occur in the production department, or if they do, special needs of production staff are considered.
- Innovative attempts are made to assist staff in gaining intrinsic satisfaction from their work.

Detailed findings

Interviews with senior and middle managers

Many aspects of management were covered in these interviews, such as contact between the owner and local management, interaction between departments in the various newspapers, methods of communication between managers, and so on.

One clear result emerging from questioning about the selection of senior staff was general agreement at all corporately-owned newspapers that the publishers are selected by head office.

Below the level of publisher, however, across all papers there appeared to be some confusion about how senior staff were selected. While most people interviewed felt that the publisher played a major role in the selection of senior staff, many were unclear as to the involvement of other people, whether within the immediate organization or in head office. . . . Most newspapers did not appear to have a clearly-defined selection process and/or set of criteria.

In one corporately-owned newspaper, psychological assessment was mentioned as an aspect in the selection process. Responsibility charting at two other corporately-owned papers indicated that head office approval is required for selection of senior staff.

In another phase of the interviews, managers were asked what system existed to monitor and control output.

Beyond the controls built into the newsroom structure, and information concerning circulation and advertising sales, there appeared to be little in the way of sophisticated management information systems that would allow newspaper managers to modify and control performance.

In addition to interviews with managers, there were group interviews with mostly non-managerial staff. Looking across all the newspapers, it would appear that people at this level are often confused about the management process and the manner in which decisions are made. They often feel subject to conflicting and unclear demands.

In several of the editorial departments, staff seemed concerned about limited career opportunities. Later evidence suggests that there is considerable room to enrich editorial positions.

Responsibility charting

Questioning of managers about decision-making produced a picture of approval patterns within the newspaper, indications of who had responsibility for particular types of decisions, and the extent of participation in decision-making.

In the two independently-owned papers there was no real consistency in the ways in which the publishers delegated responsibility. For the corporately-owned papers, some generalizations can be made.

While the head office of corporately-owned newspapers maintains varying types and degrees of authority it does appear to be the case that at least in the area of major financial decisions there is some head office involvement in all corporately-owned newspapers. Even head office financial control, however, seems to vary from newspaper to newspaper, with some newspapers apparently requiring little more than approval of the annual budget, while other newspapers reported the necessity for approval of any unplanned expenditures through the year.

Publishers' views

Publishers at one independently-owned newspaper and four corporately-owned newspapers filled out most of the two questionnaires submitted to them. As a group, the publishers reported almost total congruence between their own beliefs and what they believed to be the opinions of the owners.

Comparisons of publisher and staff data

Because of the limited sample size, answers provided by publishers could not be statistically compared with answers provided by their staff. But a number of comments can be made in those areas where differences appear to be quite marked.

For example, staff believe they are keener on competition between dailies in large markets than are their publishers. In fact, publishers believe that both themselves and the owners are even less in favor of competition than staff perceive them to be.

Staff tend to believe unions are helpful and they don't think owners would agree with them. Publishers, on the other hand, perceive owners as more likely to regard unions as helpful, while they themselves are more likely to see unions as unhelpful.

While staff see papers operating more effectively if many people are involved in decision-making, they see owners as more favorable to having one or two key people making most of the main decisions. Publishers, however, see both themselves and the owners as being more in tune with staff views about participation.

Publishers and staff agree that meeting the needs of readers is a first priority, while employees are the second most important. Publishers perceive investors as third most important, and advertisers fourth. Staff, however, see advertisers as somewhat more important than investors. Perceptions of owners' views differ widely between publishers and staff. Publishers believe they see eye to eye with the owner. Staff perceive the owners' ranking of priorities to be: investors, advertisers, readers, employees, in that order.

Both publishers and staff were asked to rank nine different influences on the newspaper in order of importance. They agreed that reader demands have the most significant impact, politicians the least, on decisions made within the paper. But staff ranked advertisers' demands second, while publishers ranked them eighth. Staff ranked practices and policies dictated by the owner third, while publishers ranked them seventh. Publishers felt their own paper was influenced more by other dailies than did staff. Publishers also saw journalistic norms as being more influential than did staff.

In general, staff believe that the newspaper's mission is fairly equally business and public service.

They believe owners lean much more heavily toward seeing the mission of a newspaper as being a business organization. In fact, publishers' own beliefs and their perceptions of the owners' beliefs correspond with staff beliefs about owners' values: publishers believe that the mission of a newspaper is more heavily weighted toward a business organization.

On the question of news coverage in the paper, publishers believe — and perceive owners to believe — that a larger proportion of the newshole should be devoted to local news than the staff believes. Correspondingly, publishers would give less space than staff to national and international coverage.

Publishers and staff are in agreement that about 60 per cent of the newshole should be developed in-house, while the remaining 40 per cent should be purchased from outside sources. Publishers think owners would like to develop a larger proportion of in-house coverage; but staff holds the reverse view of what the owner would like.

Publishers and staff agree that the first objective of the newspaper is to provide complete, impartial, and balanced news coverage. Staff then see objectives in the following order: increasing circulation, meeting reader needs, increasing advertising revenue, maximizing profits, and influencing decision-making in the community.

Publishers see circulation, profit, and revenue objectives as secondary and perceive owners to share a similar ordering of objectives. Staff, however, perceive the primary objective of the owners to be maximizing profit, followed closely by increasing circulation. They figure the owner puts complete, impartial, and balanced news coverage third — after increasing advertising revenue.

Both publishers and staff perceive that the owner has considerably less impact on decisions affecting content of the paper than he does on major business decisions.

Views of managers and staff

In a series of questions, managers and staff were asked to give their own views, and their perceptions of the owner's views, on a wide range of issues. The opening question dealt with whether the goal of profitability should be sought by conserving and holding down costs or by developing new market opportunities. Respondents indicated their response at either extreme or somewhere in between.

From Table 72² it can be seen that for the most part people see owners as leaning more toward conserving and holding down costs than they do themselves. But the managers tended to be more sympathetic to this perceived view of the owner than are staff.

In making a newspaper profitable, more emphasis should be placed on:

N.B. M — My opinion
O — My perception of the owner's opinion
2 — M and O have the same value

Papers 1 and 7 are "independents", the others are "corporates".

Managers are somewhat more likely than are non-managers to believe that owners are interested in developing market opportunities. Non-managers in editorial are particularly likely to believe that owners feel that, in making a newspaper more profitable, more emphasis should be placed on conserving and holding costs down.

Should a newspaper be more concerned with what the reader *wants* to read about, or what the reader *needs* to read about?

For the most part, the views of managers lean more heavily in the direction of providing readers with what they want to read about, while the views of non-managers lean in the direction of providing readers with information they need to read about.

Managers, in fact, with the exception of editorial, perceive themselves to be more strongly in favor of providing readers with what they want to read about than are owners. Non-managers, on the other hand, particularly in the editorial department, believe themselves to lean more heavily than owners in the direction of providing readers with what they need to read about.

Staff in the editorial department are far more likely than staff in other departments to believe that readers are primarily interested in being entertained. Editorial department staff also believe owners share their perceptions.

On the question of whether differences of opinion should be encouraged within the paper, owners are perceived by staff to be less in favor than they themselves are. This is particularly true in the editorial department, where staff feel very strongly that differences of opinion should be encouraged.

Across all the papers, people see themselves as being more in favor than the owners of involving many people in decision-making. In general, managers are more likely than non-managers to believe that many people should be involved in decision-making — and more likely to think the owner agrees with them.

Should a newspaper be run as a business or as a public service organization? The responses are charted in Tables 73³ and 74⁴. Compared to all other groups, the non-managerial staff in the editorial department hold most strongly to the idea that papers should be run as public service organizations. Consequently, they see a wider gap between their own views and those of the owner than do other staff.

In all but one of the newspapers in the study, the influencing of decision-making in the community was not seen as a primary objective of a newspaper. Editorial staff place more emphasis on this objective than do other staff, and see themselves according it more importance than the owner does.

Job design

In general, newspaper jobs are as well designed as those in other industries but, as mentioned earlier, they are less well designed in the production and editorial departments than in others. The rating of job design is based on answers to a questionnaire which measures the capacity of various jobs to motivate staff: that is, the extent to which they satisfy those with a strong need to grow and develop within their jobs.

A newspaper should be run as a business organization

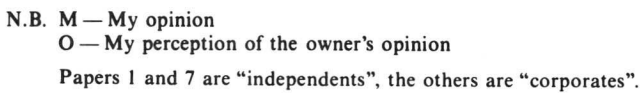
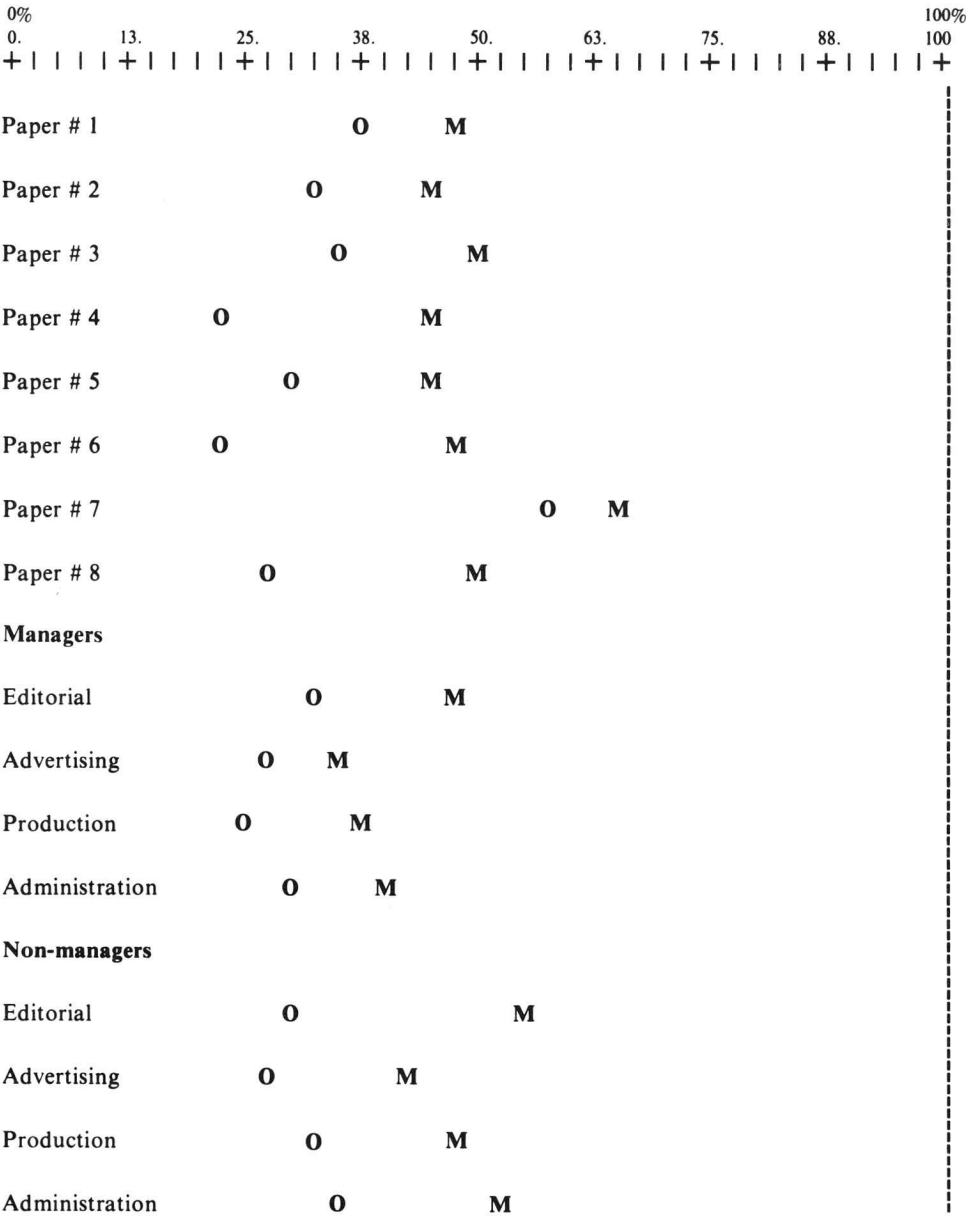


Table 74

A newspaper should be run as a public service organization



N.B. M — My opinion
O — My perception of the owner's opinion
Papers 1 and 7 are "independents", the others are "corporates".

An impasse appeared in the area of production jobs, since staff gave their jobs poor ratings but, at the same time, proved less likely than staff in other departments to feel the necessity for an enriched job. Here is how production staff characterized their jobs by comparison with others in the newspaper:

There is less variety in the type of work they do.

They less frequently are able to carry a task through from beginning to end.

The work they do is not making a significant contribution.

They receive less feedback and are less able to take personal responsibility for their work.

They deal with others less frequently.

While the poor design of production jobs carries the corresponding problem of poor ability to motivate staff, the absence of desire for an enriched job means that radical redesign of jobs would have negative consequence. This contrasts with the possibility for change in the newsroom.

The other area within the newspaper where jobs are relatively poorly designed is the editorial department, particularly at the non-manager level. In this case, the need of staff . . . for enriched jobs is far greater than for staff in other departments. As a result, one would predict that staff in editorial departments are more unhappy with their jobs, and would respond more favorably than would staff in other departments to an enriched job design.

Areas where editorial staff report weaknesses in their job design are:

- The perception that their job does not contribute much of significance to the organization, or to others outside the organization.
- An inability to assess from the work itself how well they are doing.
- Dissatisfaction with pay.
- Reduced feedback from other people; an inability generally to assess the results of their efforts.
- Dissatisfaction with the type of supervision received.

Differences between categories of newspapers

Similarities and differences between newspapers in this study could not be explained simply by the type of ownership (independent or corporate), the language of the newspaper, or the degree of competition or monopoly in the market. Although patterns of differences based on these major variables did not emerge, there were differences on specific aspects of management.

Independent and corporate

Generally speaking, staff in newspapers belonging to corporations saw a greater discrepancy between their own views and those of the owners than did staff on independently-owned papers.

Staff at the independent papers were more likely to share what they perceived to be the owners' views.

These two differences are illustrated in Table 755. Looking across the personal views of staff in corporately-owned papers on the issue of importance of investors' needs, and comparing these responses to the average for the independently-owned newspapers, it is clear that staff on the corporate papers attach more importance to the needs of investors than do staff on the independent papers. As well, a wider gap between staff views and their perception of the owners' views is seen on the corporate than on the independent papers.

In general, more of a public service orientation showed up on the independent papers, more of a business orientation on the corporately-owned papers. Staff of corporately-owned papers also believe that owners are less likely to value a team approach, and more likely to value the placing of authority with one or two key people.

Monopoly and non-monopoly markets

Very few of the differences between newspapers seem to be a consequence of degree of monopoly held by that newspaper in the market area. English-language newspapers in smaller markets were somewhat more likely to believe that competition in small markets is unnecessary.

Newer newspapers, in large non-monopoly markets, were somewhat more likely to believe that readers are primarily interested in being entertained, and that owners believe in providing readers with what they want to read about.

Table 75

How important are investors?

Most important										Least important									
0.										60.									
+										+									
Paper # 1																			
Paper # 2																			
Paper # 3																			
Paper # 4																			
Paper # 5																			
Paper # 6																			
Paper # 7																			
Paper # 8																			
Managers																			
Editorial																			
Advertising																			
Production																			
Administration																			
Non-managers																			
Editorial																			
Advertising																			
Production																			
Administration																			

N.B. M — My opinion
O — My perception of the owner's opinion
Papers 1 and 7 are "independents", the others are "corporates".

Owners of newspapers in non-monopoly markets are perceived to be more likely to believe that newspapers are a business organization. Those in smaller monopoly markets believe that there should be more regional news coverage and less international news coverage, than do those in larger markets.

French and English

Staff of French-language dailies are more likely than staff of English-language dailies to believe the following:

- Readers are interested in being informed.
- Competition in small markets is important.
- Newspapers operate more effectively when several people are involved in the decision-making process.
- A newspaper is a public service organization.
- More regional news should be provided and less international coverage.
- Less news should be purchased from other sources.
- Profit is less important.
- Differences of opinion should be discouraged.

Staff at French-language dailies, more so than staff at English-language dailies, seem to value a competitive, regionally-focused approach to the news, with heavier emphasis placed on the needs of the readership.

Another contrast is in the area of training. Respondents were asked to report on courses or training during the previous two years. In general, staff at English-language dailies were more likely than those on French dailies to have had some kind of training or educational course during that period.

References

1. Jackson-Smith Ltd. *Perceived Leadership Patterns and Management Processes in a Selected Sample of Canadian Daily Newspapers*. Public Archives.
2. Jackson-Smith. Table B-VII-1.
3. Ibid. Table B-VII-13
4. Ibid. Table B-VII-14
5. Ibid. Table B-VII-9.

IV

Advertisers' choice

by Leonard Kubas

Advertisers' choice

Objectives of the study

The purpose of this study is to provide information on how advertisers evaluate mass media in Canada. It includes trends in media usage and perceived efficiencies, and expected developments that can affect advertising in mass media, and newspapers in particular, in the 1980s and beyond.

Senior executives representing the Retail Council of Canada, the Institute of Canadian Advertising, the Canadian Media Directors' Council, the Newspaper Marketing Bureau, and the Canadian Daily Newspaper Publishers Association were interviewed to obtain their comments and recommendations. From these meetings a list of approximately 50 key executives was prepared. These executives were asked personally to participate in this study.

Forty-one interviews were conducted with senior executives representing a cross-section of individuals involved in making media and advertising decisions across Canada. Two intensive telephone interviews were conducted with experts in areas difficult to visit. Those interviewed included agency presidents and vice-presidents, advertising directors of retail and national marketing companies, and recognized media and marketing consultants. As well, several informal interviews with senior media and marketing communications people were undertaken to supplement the formal interviews. In total, more than 50 individuals or organizations were interviewed.

The interviews were conducted in British Columbia, Saskatchewan, Manitoba, Ontario, Québec, and Nova Scotia from late March to early May, 1981.

Increasing professionalism

With inflationary cost pressures on media and production, advertisers are seeking to maximize their return on investment. There is interest in finding out how advertising works, and how to use limited advertising dollars most efficiently.

Professionalism in advertising goes beyond the national advertiser, national marketer or advertising agency. Large and small retail organizations are emphasizing more planning, budgeting, and the establishing of objectives as part of their advertising and marketing communications programs.

Marketers, merchandisers and media decision-makers are becoming aware that advertising is only one element of the total marketing mix. Other factors, such as

display, point of purchase material, store design and layout, merchandise selection and sales training, can have an effect on achieving the marketing communications goals.

Segmentation of target audience

The increased sophistication of advertisers and marketers is demonstrated in how they select their target audiences. Broad audience generalizations — “women 18+” — are being replaced by increasingly detailed descriptions of the primary target audience for a particular product or service.

Larger retail organizations such as department stores have defined several different target audiences, based on specific merchandise or service categories. Those media which offer segmented audiences against well-defined prime customer groups stand to benefit from increased advertising investment in the future, even though the cost per thousand (CPM) of reaching these consumers may be higher than in a broad-based mass medium. The interest in direct mail marketing is one indication of the desire to reach specialized target groups.

Coupled in the advertiser's mind with specificity of the target audience is the credibility and congruity of the medium selected to reach it. The medium not only has to deliver the target audience; it also has to be believable, one in which the advertising will be well received.

New media/service organizations

Several service groups have emerged which affect the way media are selected, purchased, and evaluated.

The “media buying organization” is a group of specialists who plan and purchase all advertising media to meet specified needs of particular clients. The range of clients encompasses local retail advertisers, national retail chains, and national, or international marketers and governments. These professionals are equipped with the latest in computer hardware and software to assist in evaluating media.

These organizations bring a level of sophistication to media planning and buying that was not commonplace five or so years ago. It is expected that this trend to the professional or dedicated media buying organization will continue, with the result that media buying will become even more objective, quantifiable, and reliant on research and other “hard data”.

Another phenomenon has been the growth of retail advertising agencies. These are full service agencies with special competence in retail marketing communications. They bring to the retail marketplace the expertise of the national advertising agency, coupled with the capacity to meet retailers' immediate and short-term creative needs. A growing number of retail companies, large and small, chain or independent, are relying on these specialists.

These agencies are equipped to develop a wide range of creative approaches using different production solutions for specific marketing communications problems. They can produce creative and effective television and radio commercials,

with the flair and the hard-sell approach that merchants believe they need. Most of them also do superlative work in print.

The retail advertising agency's role goes beyond just creating and placing advertising in various media. It is likely to recommend a media mix, or the use of more than one medium, to produce effects on the advertising campaign as a whole.

Most newspapers do not provide a commission for retail advertising. Many, but not all, radio stations and television stations do. This can be a potential detriment to newspapers. Several agency executives have admitted that "all other things being equal", the advertising would probably be placed in those media where the agency receives the highest reward without costing the client more.

Factors affecting media decisions

More and more, media selection and evaluation are based on achieving established results that may or may not be measured directly by the advertiser.

Often these results are stated in broadcast-oriented terms such as gross rating points (GRPs), where advertising programs are designed to achieve an objective, stated in terms of number of GRPs.

Other advertising programs are established against factors like awareness, pre-test and post-test measurements, and other indirect terms. Many national advertisers use these surrogate measures as objective benchmarks. However, retailers can use fairly precise measurements in terms of sales results to measure the effectiveness of their advertising programs.

One factor that has been difficult to isolate in determining the effectiveness of specific media is the differential impact of the creativity used in the advertising, or the particular price and promotion appeals used. The same medium, say a large daily newspaper, can produce excellent results in terms of sales for a retailer on one campaign, and mediocre response on another. The difference may have been the creative approaches used, the merchandise featured, and the pricing or promotional appeals.

Marketers often select the medium used by their main competitors to try to match advertising strategies. The selling practices of the major television networks require commitments for network television to be made well in advance, in some cases as much as a year ahead. The fact that these commitments are non-cancellable contracts for a specified amount of television time has an impact on media selection procedures.

Centralized decision-making

The increasing dominance of national or regional retail chains is altering the balance of marketing power across Canada. The small, local independent merchant is becoming less significant as more national retail outlets are installed in shopping centres and downtown areas. There is an increasing centralization of marketing and merchandising decisions, often involving specific media selection and the allocation of advertising budgets and expenditures from head offices in Montréal, Toronto, or elsewhere.

The growth of the national chains is paralleled by the increasing number of voluntary buying groups, mainly in the province of Québec. Among these groups,

buying, merchandising and advertising decision-making are also becoming centralized.

The increase in the number and size of retail chains means that national or regional retail organizations tend to wield more power in the marketplace, primarily through their relationships with suppliers. The larger chains, assisted by their agencies, are able to exercise substantial clout with manufacturers to obtain favorable co-op advertising programs. These co-op programs are as likely to be administered in the electronic media as in print media, because the national or regional chains have a large number of outlets against which they can amortize the cost of better-quality commercials and other "corporate" advertisements.

At the same time, many national retail chains are developing strongly franchised "brand names", which can be advertised to the same extent as nationally manufactured brands.

High rates of inflation and a relative reduction in consumers' buying power are making consumers more conscious of value. As a result, many retailers are turning toward sales, off-price clearances and special discounts as a major marketing strategy. This means more emphasis on "price and item" advertising, in which newspapers have always been recognized as strong.

However, there could be a diminishing reliance on newspapers to carry non-promotion advertising — that is, advertising geared to selling the store overall, or selling merchandise at regular prices. Newspapers may become so dependent on sale advertising that readers may react only to this type of advertising.

The growth of national retail chains is paralleled by the growing power of real estate organizations across the country, and of personnel recruitment agencies that function in more than one city. Again, in these industries, there is a move toward centralized control and planning of the marketing communications process.

Television's influence

Television continues to occupy a prominent position with media decision-makers involved with national advertising. When these individuals think about advertising, they instinctively think about television. The exceptions are those industries with restrictions on broadcast advertising, such as alcoholic beverages and cigarettes.

At the same time, some retail advertisers are using, or experimenting with, television to accomplish specific objectives. Many retailers have larger advertising budgets than national advertisers, and the fact that these retailers are also national advertisers in the true sense of the word is encouraging them to explore alternative media vehicles. Retail advertising agencies may recommend television for some clients, particularly those with store "brand" name products or those requiring a heavy "image" program.

Television has a certain mystique, especially for retail advertisers just starting to use it. The mystique comes about through increased recognition, and a "halo" effect, that seems to influence many of the employees, as well as management, of retail organizations where television is used.

Because some advertisers are influenced by what others are doing, the shift of some advertising dollars to television by one retailer may prompt others to do the same.

Television has a certain glamor associated with the production of commercials, both from the agency's and from the advertiser's point of view. It can mean trips to the sunny south to film on location in the middle of the Canadian winter. It also offers the possibility of adding markups to the production side of commercials which can provide an additional source of revenue to the agency.

The relatively high cost of producing television commercials, averaging \$20,000 to \$50,000 for one 30-second spot, requires that a major commitment be made to the television medium to help amortize the cost of these commercials. As well, it involves a need to plan far in advance how and where the television spots will be programmed.

Frequency a major factor

Many advertisers have become aware that the effectiveness of marketing communications is a function of both the reach or coverage a particular commercial message attains against a specified target group, and the frequency with which that message is delivered to the target audience.

The concept of "reach times frequency" has been codified, particularly for broadcast media, into the development of gross rating points (GRPs), a standardized method for assessing advertising delivery. GRPs are a shortcut to enable advertisers to determine relative cost efficiencies across a range of markets.

Up to now, newspapers have not provided advertisers with the same basis for determining GRPs, or "cost per point". Newspapers have traditionally relied on one measurement — that of coverage, or reach — as the primary criterion for establishing the success of a given advertisement. In many cases, this coverage is based on circulation, not on audience data.

Advertisers, however, are becoming aware that one advertisement in one newspaper, no matter what its reach, may not be satisfactory. Frequency also contributes to the success of an advertising program. Many newspapers do not appear to understand the concept of frequency. When the same advertisement appears in two competing newspapers, one often refers to the insertion in the other as duplication. In broadcast, that duplication adds to gross rating points and is considered a plus.

This is an opportunity for newspapers to exploit. However, it will take a better understanding of how the newspaper medium works. Newspaper salespeople will have to translate this information about their medium's reach and frequency to advertisers effectively.

Research and marketing

The increasing sophistication of marketers and retailers is placing a premium on reliable audience data to support advertising decisions. The magazine industry has recognized this by developing, on a tripartite basis (advertiser, agency, and individual magazines), the Print Measurement Bureau (PMB) studies. The recently released PMB III study sets a standard for media research in Canada.

The electronic industry, through BBM, or Nielsen in television, has developed an acceptable method of measuring audiences. The outdoor industry has also moved ahead in terms of providing reliable estimates of traffic counts on a computerized basis.

The newspaper industry has not exploited fully the potential of the Newspaper Audience Databank study that is available for most of the major markets in Canada. There is a major opportunity for the Newspaper Marketing Bureau, and the industry at large, to educate users, both at the retail and national levels, on the use of the NADBank facility.

Many national retail advertisers are only vaguely aware of these studies and how they can be used to help them optimize their advertising decisions.

More and better qualitative research is also necessary to complement hard numbers dealing with audience levels and basic readership characteristics. Many respondents mentioned the "New Dimensions" research program conducted by the Canadian Daily Newspaper Publishers Association (CDNPA) a dozen years ago. This research broke new ground in terms of demonstrating how newspapers work, and how people read newspapers and newspaper advertising.

There is an entire generation of media professionals who do not have the same understanding of the newspaper medium as may have existed in advertising agencies 10 or 15 years ago. Many of these media executives are more comfortable negotiating a multi-market radio buy or a major television purchase than trying to understand the intricacies of placing a schedule in newspapers across the country.

Many executives expressed a strong desire to learn more about readership patterns from daily newspapers and how to improve the return on their investment in newspaper advertising. Advertisers want to know whether a larger size ad, run on a couple of occasions, is better than, equal to, or worse than a smaller ad, run more regularly.

Newspapers charge a premium when advertisers demand a certain position. To many advertisers, these position premiums are seen as arbitrary, since there is no available research to indicate that reader traffic through these premium positions is proportionately higher. Advertisers are seeking justification of these surcharges.

There is potential for newspapers, because of their local franchise, to be storehouses of information about the markets they serve. It will require more than reprinting Statistics Canada information about population and household growth, although in some markets, even that would be useful. Newspapers can become the prime suppliers of marketing information for their communities. In fact, this marketing information could become a source of revenue if it is developed and packaged properly.

Challenging opportunities

The newspaper industry has a significant opportunity to promote the use of the newspaper as an effective vehicle for a range of different advertisers who are not major clients. For those who are already heavy users of newspapers, the opportunity is to reinforce this commitment by providing more tangible research information, and by becoming more innovative.

Because of intensified competition from a range of other advertising media, newspapers are no longer "the only game in town". They have major competition not only from traditional mass media but from other sources, such as door-to-door distributors and direct mail.

The newspaper industry is advised to become more professional in its sales approach, understand its own medium better, and become more open and receptive to new ideas about the use of the medium.

Many respondents commented on the gulf they see between individual newspapers and the advertiser. This was more apparent at the national level (agency or national marketer) than at the retail level — but even at the retail level the lack of contact was sometimes a major concern. Several larger retail advertisers said they had minimal contact with daily newspapers.

Newspapers are urged to conduct more face-to-face selling and personal visits to establish a more favorable, long-term supplier-client relationship.

Newspapers also have a major opportunity to increase readership among younger readers, and to inform advertisers of their effective coverage of different target audiences.

A few executives commented that newspapers tended to be “sensationalist” in carrying stories about their industry. Some perceived an adversary relationship between newspapers and advertising clients which does not appear in their dealings with other media.

Advertising is not something that is done in isolation. It is part of the marketing equation, a means to achieve a certain end. More and more, marketers and retailers are establishing specific goals and objectives that the advertising program is expected to achieve. These goals may be specified in terms of dollar volume sales, awareness levels, and changes in market share, or other qualitative measures.

The era of conducting advertising based on tradition or on last year's plan is receding into the past.

Changes in the media

Most respondents recognize that media are undergoing important changes and shifts. An awareness of television as a pervasive communications medium emerged in most of the interviews. This could be a reflection of how national advertisers and advertising agencies view this medium with a certain rub-off for retail agencies and their clients.

The computer has had a strong impact on media evaluation with its ability to process thousands of combinations and permutations in developing optimum media schedules. Broadcast data are particularly suited to computer analysis.

Another development has been the move toward inter-media competition. At one time, advertising vehicles thought that other vehicles within their own medium formed the major competition. In these circumstances, one magazine would think that its primary competitor was another magazine trying to reach approximately the same target audience. Now magazines are recognizing that their competition is more likely to be television or newspapers. The same inter-media competition exists for the other media. This has an impact on how newspapers should approach the sales of advertising.

Another factor has been the rapid escalation of rates and costs. Some media have been more aggressive than others in increasing their rates. Television was mentioned particularly.

It has been difficult to measure the levels of inflation across different media, since common denominators are not well defined. Sometimes, comparisons based on cost per thousand (CPM) or cost per point are used. But newspaper CPMs based on *circulation* rather than *readership* tend to overstate the relative costs of this medium, especially when other media use audience data.

Coupled with increases in media costs are increases in production costs. These production costs often include legal fees, the costs of clearing the commercials through various regulatory and other monitoring/approval organizations, and other costs directly associated with creating a commercial message.

Advertising production costs have probably increased more dramatically than the cost of the media space or time. Production costs for television are particularly volatile, since, as one advertising executive stated, "Television does not permit mediocrity." And it requires planning far in advance.

However, there is a potential move away from a rigorous long-term plan with little flexibility in favor of one with more flexibility.

Most experts recognize that shifts have taken place within, and among, the media in terms of costs and perceived efficiencies. A major concern is the availability of prime-time television, particularly in the larger metropolitan markets, and the continued upward cost spirals.

Changes in the marketplace

Canada is farther advanced than the United States in concentration of chain-owned retail establishments. A consequence is that more decisions affecting retail trade are being made in relatively few cities. In particular, Toronto, Montréal and, to a smaller extent, Vancouver, control much of the decision-making for retail establishments across the country.

The growth of retail chains is paralleled in other areas such as fast-food restaurants, real estate brokerage firms, and help-wanted (personnel) specialists. The overriding theme of this trend is centralization of control.

The important consequence is that the local manager of a retail store has a relatively minor influence on the advertising decisions affecting that store. This suggests that an increasing amount of "local retail" advertising placed in newspapers across the country could be considered "national".

Many marketing and retailing executives travel extensively across Canada to keep in touch with the stores and the local media. But even with this, there is a possibility of a growing isolationism at the local level if individual newspapers cannot continually reaffirm their special advantages to the media decision-makers located in distant head offices.

The growing strength of the retail organization means a significant shift in the relationship between manufacturer and retailer. At one time manufacturers had considerable say in determining where their products would be sold. Some of this power was achieved through heavy national advertising in broadcast and print. But the balance has shifted.

Retailers have now obtained a powerful voice in determining which products will be displayed on their shelves. They exercise increasing control of co-op advertising, both from the traditional department store merchandise-type categories and from the food and grocery categories.

Growing numbers of professionals are serving the retailing and advertising community, including retail advertising agencies, media services, retail marketing consultants, and market researchers. The combination of larger size, coupled with the use of outside specialists and increased professionalism, is changing the way all media sales forces must operate.

There is an interest in the use of new types of marketing communications such as the retail catalogue and direct mail. The latter development has been influenced by a trend to more segmented marketing and the fact that Canada Post's forward sortation areas (FSAs) allow for a fine degree of target audience discrimination in direct mail.

The growing numbers of working women, and their importance in the marketplace, are making marketers and retailers rethink their advertising investments and promotional programs. Working women have less time during the day to watch television, which indicates there may be opportunities for traditional daytime television advertisers to explore other media. Research has demonstrated that working women are generally better customers for a wide range of personal goods and services than women who do not work outside the home.

Women in the labor force do more reading of newspapers and magazines, a potential strength for these media. The fact that almost half of all adult women are employed outside the home means that advertising strategies may have to be developed on different premises than in the past.

Retailers are now segregating their appeals into price and item (promotional) advertising versus the "idea/image/concept" approach. The consensus is that price and item advertising is now being used by promotional merchants, mainly in print media such as newspapers and advertising inserts, or sections. Television and, to a smaller extent, magazines have a great attraction for idea and image advertising.

Retailers are using different media to achieve different results. One large national retailer divides the advertising program into three general areas: 1) promoting the store name and image and the store's reputation for quality; 2) promoting specific brand names; and 3) price and item advertising for promotional and other programs. Television tended to be used for the first category; print for the third category, with some overlap between print and television for the second.

Preprinted advertising inserts

There is increasing use of preprinted advertising inserts by major chain retailers, mostly those in the general merchandise category. Supermarkets are also making more use of preprinted sections: the color and reproduction qualities of inserts show eye-appealing food to advantage.

Many respondents agreed that preprinted advertising inserts or sections would become more important. Only one said there could be a slight reduction in the number and frequency of advertising inserts.

Preprinted advertising inserts and sections are being used more by mass merchants — those selling to the broad spectrum of consumers, where the objective is "to expose the merchandise offering to as many people as possible, irrespective of demographics or other factors". These advertising inserts or sections can be delivered as part of the daily newspaper and, in some markets, through a separate delivery organization.

Mass merchants moved to inserts because of the perceived lack of coverage of daily newspapers in specific markets, and for other reasons such as color, timing, pricing, and cost. Newspapers have a strong case when they emphasize that their vehicle is eagerly sought out and paid for by the consumer. This means that advertising sections or inserts carried with the daily newspaper have a special appeal.

Retailers believe that this is a plus for newspapers, although some point to the increasing credibility that their flyers or advertising sections receive on their own.

Retailers have not yet felt the full impact of Bill C-57, which introduces a sales tax on preprinted advertising inserts. The additional cost will become part of the overall cost of doing business. For some retailers, it may require rethinking their insert distribution programs, or how they print these inserts.

Retailers have been moving to smaller-size inserts. The trade-off is sometimes between higher-cost paper (glossy, slick paper with better color reproduction capabilities), and larger size pages, using regular newsprint with less color fidelity.

Many newspapers charge for insert distribution based on the square inches, or physical dimensions of the insert. There is a distinct cost advantage for retailers using smaller sizes, particularly if the smaller-size page can be combined with higher fidelity color and glossy stock. In these cases, higher production costs can be offset by lower distribution charges.

This is similar to broadcast advertisers learning to compress their messages. The print advertiser, using smaller-size advertising sections or "books", is learning to increase the information content per square unit of advertising space. It also means the advertiser can concentrate on color and creativity, since the cost of production can be reduced by using smaller pages.

The long press runs and lengthy lead times required for a large national preprint run require more advanced planning. This implies more control, primarily at the head office, or regional advertising office.

The increasing reliance on preprinted supplements or inserts means there is less frequency of day-to-day run-of-press (ROP) advertising in the newspapers. One perceived advantage of inserts is that readers keep them longer than ROP advertising.

Trying to determine distribution costs for these supplements on a national basis can be a major problem. Some advertisers feel there are essentially no standards for comparing distribution costs. Rates are more or less left to the individual newspaper, and vary significantly from market to market. One national advertising agency commented on the need for a simple chart to calculate the cost of carrying inserts in newspapers across the country.

How media work

A large number of respondents believe that a media mix — using one medium to support the advantages of another — can improve advertising productivity. The combination of two or three media to achieve specific objectives is being used by national as well as by retail advertisers. Coupled with this is the recognition, primarily among larger retail chains, that in-store promotion and support materials and sales training can also be important factors in building sales volume.

There is a distinction between qualitative and quantitative media research. As far as newspapers are concerned, advertising and media decision-makers would like to see more of both. Many of those interviewed commented favorably on the research program conducted by the CDNPA about a decade ago. This research, which demonstrated readership by quadrant and showed cumulative readership through the

different sections of a paper, was considered somewhat *avant-garde* for its time. But many now recognize it as extremely valuable, and would like to see it updated.

At least two of the executives interviewed suggested that qualitative research be conducted to permit advertisers to determine the different values obtained by using one page or section versus another. They suggested developing an index which could relate to different quantities, levels or types of readership for different pages or sections, with varying advertising rates based on the index for each page or section.

At the same time, there was a desire for more information regarding the effects of day of week, editorial environment, and cyclical periods as a means of learning how to maximize the investment in newspapers.

Advertisers want newspapers to make an investment in research the way that broadcast and the Print Measurement Bureau have, in terms of providing continuity, qualitative information, and consistency. The Newspaper Audience Databank studies are seen as a progressive step, but they need to be merchandised more effectively.

One perceived problem with newspapers is that they are not an homogeneous medium. The lack of common buying practices goes well beyond differences in physical dimensions of columns.

Part of the concern is that often invoices don't match the advertising insertion order, which causes problems down the line. But newspapers are not alone with this type of problem. Examples of supposed make-goods for advertisements that did not appear when or where scheduled abound in respondent complaints about the other media.

The Newspaper Marketing Bureau has made an impression with several respondents. The Print Measurement Bureau is mentioned as one of the reasons for the recent surge in advertising investment in magazines. PMB in particular has done a good job of involving individual magazines, other media, including newspapers, advertisers and advertising agencies. This integrated approach adds considerable credibility to the overall research program, and the fact that each of the involved parties pays for the research, and any subsequent material obtained from the research data base, enhances its acceptance.

A perceived disadvantage of newspaper research is the lack of merchandising of the research findings. Several senior media executives had not heard, or were not fully aware, of the availability of the Newspaper Audience Databank studies. The NADBank studies are seen as national advertising sales tools, as opposed to information resources at the local level. The advertising director of a large national department store was disappointed that he had to find out about NADBank studies through his (national) advertising agency.

Some retailers, with access to research conducted by their American parents, have formulated optimum advertising size and frequency relationships. This research is assumed to be appropriate in Canada, since nothing is available in Canada that covers these issues. Yet executives at these retail establishments stated an urgent need for more usable research to help them plan and evaluate media in general, and newspapers in particular.

A comment from some of the large retail store executives is that color premiums are difficult to justify, particularly in newspapers. These comments are made by executives who are convinced that color works for them in preprinted advertising

inserts. They are increasingly moving to color in inserts. Their concern with color goes beyond the reproduction processes, and touches the basic rate structuring of newspaper advertising cards. Advertisers are interested in color, but they need evidence from the print media to justify increased premiums.

How media sell themselves

One area of discussion that evoked concerned comments from virtually all respondents is the relationship between the media salesperson and the buyer of advertising. Some media achieve better overall ratings in terms of sales performance and professionalism.

Advertisers view some of the media as arrogant and not interested in serving the buyer. Television, particularly in the largest metropolitan centres, and newspapers are often mentioned in this regard. Whether these criticisms can be substantiated is not the issue. What is important is that they are perceived to be true.

There are differences in the level of service and attitudes toward advertisers within newspapers themselves. Larger newspapers are seen as more progressive. Southam Inc. and the Toronto *Star* were identified as leaders in providing advertisers with useful marketing information. But the level of information available for the industry as a whole varies by market and by newspaper ownership.

Salespeople from many of the smaller magazines, representatives from certain radio stations, and some other media sales personnel were singled out as particularly professional and helpful. They volunteer information about new ideas and concepts and have a positive attitude about their medium. Their willingness to try new ideas was seen as an important indication of the desire to serve advertisers.

There appears to be a stronger bond between the broadcast media and those buying national advertising, because "you know the people at the stations" as a result of continuing consultation and negotiation for availabilities and pricing.

Basic sales approaches of the media are quite different. There appears to be a lack of personal contact by newspapers. Even major advertisers in many large cities are often not visited from one year to the next by senior advertising sales personnel from the local newspapers.

Some respondents believe newspapers may have forgotten that media sales often involve "one-on-one" personal discussion with the aim of helping solve marketing problems. Some newspaper organizations have abandoned personal selling for a once-a-year industry get-together, or large-scale presentations where cocktails and canapés accompany the audio-visual slide presentations. The absence of a commission to retail advertising agencies for business they place in newspapers can become a serious impediment to strengthening relations with this important group. Virtually every retail agency executive mentioned his concern. The feeling is intense.

Newspapers may find they also have to contend with advertiser pressure to justify varying rate structures for different classes of advertising.

The comments of advertisers about newspapers reveal a genuine interest in helping the medium meet the challenges of the 1980s and beyond. These include the electronic information revolution. Several executives pointed out that electronic publishing could jeopardize the newspaper's classified advertising franchise, particularly important in the larger metropolitan markets where daily newspapers rely more heavily on classified advertising revenues.

Newspapers must recognize that the results of advertising are extremely difficult to quantify precisely. Even though techniques have been developed to provide a basis for measurement and comparison, personal contact to translate the findings into actionable recommendations is needed. This means that the professionalism, intensity and capability of the newspaper advertising sales force has to be demonstrated with renewed vigor and determination.

